

# Boardroom

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AUTUMN 2022



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# “Anyone who believes in indefinite growth on a physically finite planet is either mad, or an economist.”

– Sir David Attenborough, English naturalist

Sir David Attenborough is a great champion of the environment. His warnings of environmental damage, global warming and the extinction of species are alarming.

Urgent action is needed to counter climate change because we are already feeling the impact on our land and economy.

Our feature piece in this autumn issue explains how land is once again at the heart of the global economy. It is land, after all, that ultimately absorbs carbon, accommodates renewable energy, protects us from floods and collects the water needed to manage droughts.

Owing to climate change, countries are making ambitious commitments to protect vast swathes of land. Through the Paris Agreement and pandemic “green recovery” packages, governments are accumulating a remarkable set of public liabilities and underwriting an “ecological transition” that will depend entirely on land.

How much land does a man really need? For some, the desire is insatiable. For others, “Six feet from his head to his heels is all he needed”.

The spiritual connection of Māori to the natural environment is well known but iwi are already facing the disastrous effects of climate change. An environmental planner says, “We have to have an equitable conversation about climate change, firstly about how it will impact our lands and also how it will affect the social inequities in our communities”.

Are you a leader or a laggard in the climate race? One thing is for sure, you are going to be in the race, if you are not already. Dame Therese Walsh is chair of the Aotearoa New Zealand arm of global movement Chapter Zero and she tells us what they hope to achieve.

Minister of Climate Change James Shaw also assures us business is already on board with climate action and says there are “tremendous rewards in being

the disruptor rather than the disruptee”.

It’s a hot topic and the IoD has joined the initiative as the host of Chapter Zero New Zealand, which is encouraging and challenging board directors to commit to action. Find out more at our [chapterzero.nz](https://www.chapterzero.nz) website.

We also look at diversity and ethnicity in the boardroom, IQ v EQ, members living abroad and, of course, there’s no escaping covid-19.

Like the rest of the world the pandemic has worn us down, says Dame Rosanne Meo. So what should we be doing?

Ngā mihi  
**Aaron Watson, editor**

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IQ vs EQ in the boardroom

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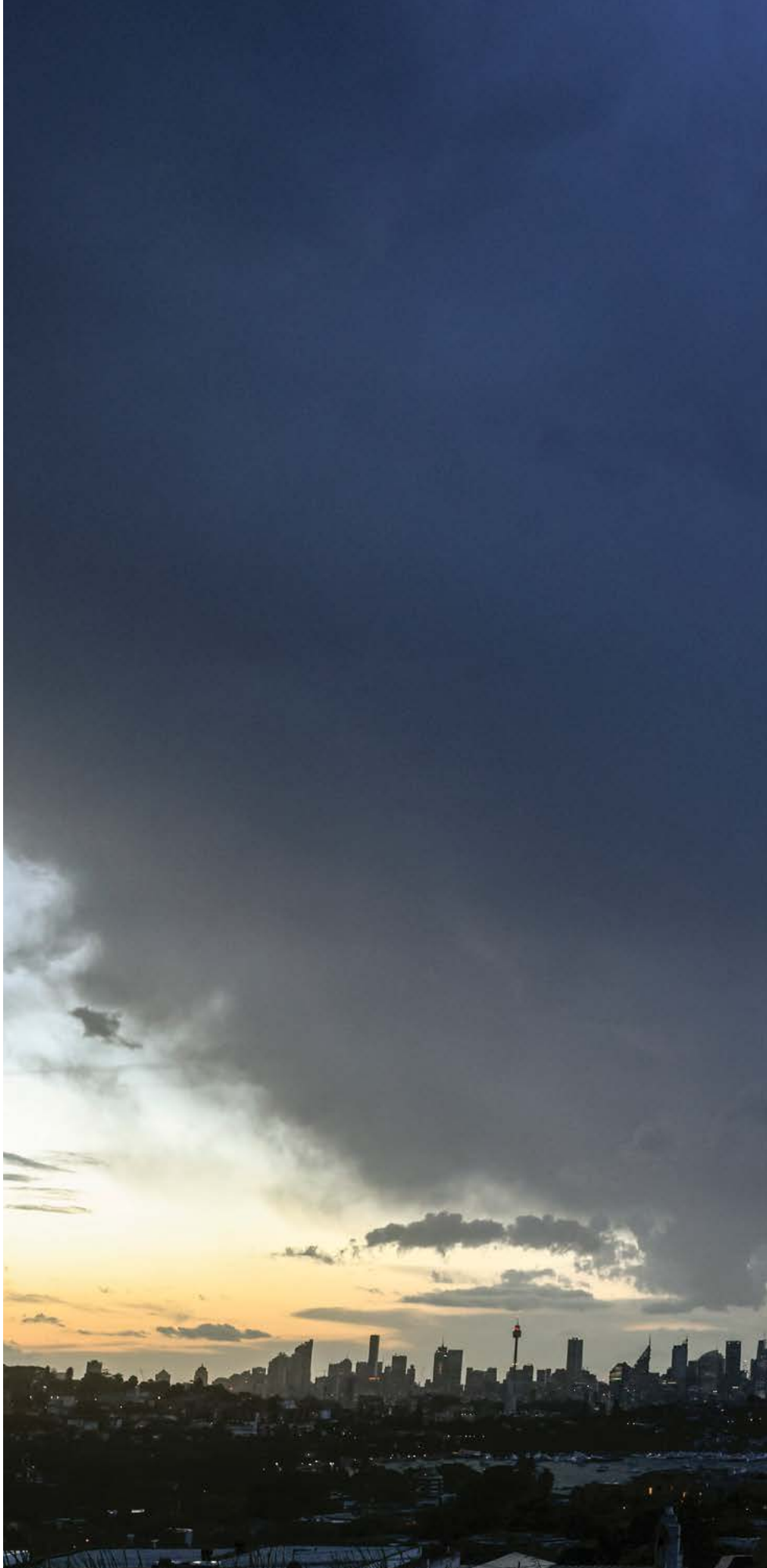
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## Storm warning

Few places on Earth are spared the wrath of Mother Nature. As climate change wreaks havoc around the world, extreme weather brings extreme events. They seem more frequent now – no longer one-in-a-decade, or even one-in-a-year. States of emergency and evacuations are happening all too frequently. This year there has already been a state of emergency declared on the West Coast following last year's devastating floods there, and up into the Marlborough region. Canterbury and Auckland also experienced severe flooding.

In Sydney, tens of thousands of residents were told to evacuate their homes in early March as floods unleashed chaos. It has been the wettest start to a year in more than six decades. Queensland was also hit hard.

*Pictured: Lightning strikes over Sydney as another storm sparks warnings of widespread heavy rain, dangerous winds and possible flash flooding.  
(Mark Evans/Getty Images)*







# China training wheels

AUTHOR:  
**SONIA YEE,**  
IoD SENIOR ADVISOR,  
COMMUNICATIONS

Photo:  
HARBIN, CHINA - JANUARY 15: Competitor  
races during China's 2021-2022 national winter  
triathlon competitions in Harbin on January 15,  
2022 in Harbin, Heilongjiang Province of China.  
(Photo by VCG/VCG via Getty Images)

There is growing opportunity in China for Kiwi producers who are prepared to learn the local business culture.

**B**ack in 1997 “it was like the Wild West”, says David Boyle MInstD of his move to China to work for multinational brewing company Lion Nathan.

China had only just started opening its doors to the world in the 1980s and 1990s. What Boyle found was an unfettered commercial playground where people could do whatever they wanted.



But a lot has changed over Boyle's 25 years in the country. Today, it's all about compliance, regulation and following the rule of law. And despite a global pandemic, the first thing Boyle would say to Kiwi businesses is: "China is open for business."

He is CEO of Primary Collaboration New Zealand (PCNZ). The company acts as an incubator for New Zealand businesses wanting to gain a foothold in China.

"New Zealand companies get their training wheels on – to understand how business is done here and then get themselves up to a threshold of commercial success and step out," he says.

In 2014, PCNZ started with six primary-produce shareholders which included Silver Fern Farms, Synlait Milk Ltd and Kono – now successful standalone businesses in China – Villa Maria Wines, Sealord and an apple coalition comprising Mr Apple, Freshmax and Bostock.

New members have been added to that list over the past seven years: NZ King Salmon, Rockit Apple, K9 Natural pet food, Spring Sheep Milk Co, NZ Avocado Oil, Deer Industry NZ and Quantec.

For New Zealand businesses, covid-19 has provided a window of unexpected opportunity in China. Boyle says New Zealand's trade relationship has become increasingly significant. In the first half of 2021, New Zealand exports comprised 32% of total New Zealand exports and the upward trend was continuing.

"China is our biggest trading partner. We are the largest dairy exporter to China of any country in the world and the fourth biggest fruit exporter. They're a very important part of the New Zealand export dollar," he says.

But for an outsider, the prospect of doing business there can be a logistical nightmare. China has a number of different entry points and shipping ports

**“New Zealand companies get their training wheels on – to understand how business is done here and then get themselves up to a threshold of commercial success and step out.”**

for incoming goods. Covid-19 caused major disruption to supply chains as some ports came to a standstill during periods of lockdown.

Fortunately, navigating the availability of ports and routes for shipments is part of PCNZ's wheelhouse.

"Our New Zealand businesses expect a high degree of quality communication about how products can get into the country and the best sales channels," Boyle says.

#### **DUAL CIRCULATION ECONOMY**

Covid-19 has sent many countries into crisis mode. This has seen China look inward with a focus on a dual circulation strategy – an attempt to balance domestic demand as a driver of economic growth with demand from overseas in order to protect China's economy from economic shocks. This has become a hot topic in governance circles.

"China has recently accentuated this point about 'buying local' and that the giant domestic economy is very important for them, in terms of self-sustainability. But that has ramifications for international business," he says.

China's view of the rest of the world is more to do with how it wants to place itself in a position of self-reliance and self-sufficiency, Boyle says, where it can produce its own meal plate and generate its own energy resources. And with a global shortage due to supply chain disruptions, it also wants to produce its own micro-processor chips.

"That's one of the big holes in the Chinese technology thrust... there has been a lot in the media on the topic."

Socially, there has also been a substantial shift. Last year saw the closure of 150 international companies that provide after-school education services.

"This had a ripple effect through



families and the economy all over China,” says Boyle.

The shutdown of those companies meant parents had more time to spend with their children, a change that has informed spending habits and also feeds into China’s push towards “family values” and “common prosperity”, both of which have become a very important part of China’s evolving legal infrastructure.

#### SHIFTING PRIORITIES CREATE DEMAND

Consumer behaviour has radically shifted as a result of covid-19. Ten years ago the demand for premium luxury items and a desire to illustrate wealth saw consumers hungry for international designer labels. Today, consumers are focused on what matters most in an environment of uncertainty – food safety and health are top of the list. Saving money for a rainy day is another priority.

This focus on food safety appears to be creating opportunities for New Zealand’s home-grown offerings.

High-profile Chinese scientists and medical professionals have recommended the consumption of dairy products to improve immunity to covid-19. This contributed to a boost in New Zealand dairy product sales.

“Now, that’s music to the ears of our dairy industry because more and more Chinese mothers and their children are consuming more high-quality international dairy products,” Boyle says.

It helps that New Zealand is viewed as a cosy nation at the bottom of the South Pacific that has mutual respect for China. This contrasts with the view of Australia, which has been “less than warm” since the Australian government commented on the Chinese origins of covid-19 in 2021. And even more with our allies the US, which has had a brittle political relationship with China, especially during the Trump administration.

“One needs to become quite international to live here and to have quite a high degree of tolerance and respect for all cultures and creeds. It’s a very diverse country, internally.”

#### LOOKING TO 2022

Boyle is married to a Chinese national but still feels strongly tied to his Kiwi roots.

“I’m very proud of being a New Zealander. I’m not a China hawk, but I’m not a China apologist either.”

He describes China as abundant in diversity, with wonderful people and food, and a rich arts culture supported by the development of philanthropy.

“One needs to become quite international to live here and to have quite a high degree of tolerance and respect for all cultures and creeds. It’s a very diverse country, internally.”

The only dampener has been dealing with covid-19 restrictions. Vaccinations are encouraged, but not mandated. University students manned street booths last year encouraging people to sign up and get vaccinated, offering bags of rice, bottles of cooking oil and Zespri kiwifruit as incentives.

In the boardroom, the major focuses for PCNZ are the safety and development of PCNZ’s managers, the evolving regulatory environment and the rapidly changing business landscape, including consumer behaviours.

The Kiwi CEO says the goals for PCNZ are to add more members this year and to graduate two current members into standalone businesses.

“Those are success stories for us that we look forward to,” he says.

Boyle also has his fingers crossed that he will be able to come back and visit New Zealand. He hasn’t been in a position to do this for two years.

“I would like to have some face-to-face meetings with our members and our board. But I’d like to see my family most, that’s for sure.” **BQ**

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Trade Commissioner Craig Pettigrew can speak Japanese but says the secret to communicating is reading body language and nuance - and helping in 'lost in translation' situations.

**A**s New Zealand's Trade Commissioner in Japan for nearly six years, Craig Pettigrew is mastering the art of what is not said in a meeting.

Like Kiwis, the Japanese also prefer to avoid conflict and reading body language is very important, even more so in these covid-19 times when Zoom meetings and "lost in translation" can take on a whole new meaning.

"I am still learning about the culture and language every day, but having studied Japanese and lived here, in most settings I can pick up the very Japanese nuances and read the body language," Pettigrew says.

"Just because someone says 'yes' doesn't mean that they agree. It may just mean they hear what has been said or understand the point but are not sharing their real opinion.

"The context can be more important than the content and being able to read or appreciate what is not said in a meeting can be as important as what has been. This is especially the case where Japanese prefer to avoid conflict, or are being conservative or cautious."

With New Zealand's and Japan's borders closed, Pettigrew and his team in Tokyo have never been more important as they help businesses try to stay connected.

AUTHOR:  
**NOEL PRENTICE,**  
FREELANCE WRITER

“Our team is a mix of Kiwis and Japanese and we engage with more than 200 New Zealand companies each year, from those doing basic market entry analysis to others focused on expansion and sustainable growth. And we also enjoy getting involved in the ‘lost in translation’ situations and helping smooth over the cultural misunderstandings, stalled negotiations and unique market nuances that are part of doing global business.”

“My role is to help support our team and our objective of facilitating the growth of New Zealand businesses through export and investment partnerships. We work closely with key Japanese public and private organisations and networks to develop the relationships and knowledge needed to help our exporters leverage their business interests.”

#### ACTING AS THE LINK

With the onset of covid-19 in January 2020, and visitors from New Zealand unable to travel, Pettigrew and his team have become quasi in-market representatives for a lot of exporters.

“It’s exciting to be in-market, taking New Zealand to the world. And, for me, being in-market is where the action is,” he says.

“Japanese businesses like regular communication to avoid ambiguity and uncertainty because that creates anxiety for them. We became those messengers and facilitators to ensure business discussions continued, even to the point of arranging virtual business trips on Zoom. Relationships were enhanced and deals were done.”

Connectivity with priority markets will be the challenge when Omicron is contained and business travel resumes. Pettigrew has some advice for directors, saying get ready.

“For directors of companies engaged with Japan, the reputation of New Zealand as a safe and reliable business partner with

“Japanese businesses like regular communication to avoid ambiguity and uncertainty because that creates anxiety for them. We became those messengers and facilitators to ensure business discussions continued, even to the point of arranging virtual business trips on Zoom.”

shared values remains strong. This year recognises the 70th year of diplomatic relations between our two countries and, along with more than 40 sister city links, some of our businesses have partnerships that are more than 50 years old.

“There is a lot of common ground, but the challenge will be connectivity with priority markets. Other countries are also opening their borders and reconnecting again in person. Even though Japan has managed to adjust to online meetings and remote working, the desire and value of meeting face to face has not changed. Ensure that you or your company are ready to come to market, to acknowledge and strengthen the relationship with your partners when it is possible to visit.”

And that door has now been opened with the New Zealand government relaxing border controls and allowing Kiwis returning from the likes of Japan to go into self-isolation instead of MIQ.

This is “very welcome for exporters and we anticipate seeing more of them in-market to maintain their existing relationships and build new ones”, says Pettigrew, adding that Japan is also easing border restrictions, allowing more foreigners to enter and shortening self-isolation.

#### DEMAND FOR GOODS

Despite the pandemic shutting down countries and trade routes, goods exports to Japan continued to grow in 2020, with a huge demand for “good for you” products from New Zealand as a reliable country of origin.

“Popular items were kiwifruit, apples, honey and protein (dairy and meat based),” Pettigrew says. “In 2021, the value of goods New Zealand exported to Japan increased again to the highest level in 20 years. Our key sectors of focus include food and beverage, tech (software and hardware), e-commerce, renewable energy, and health and well-being, including natural products and cosmetics.”



“For directors of companies engaged with Japan, the reputation of New Zealand as a safe and reliable business partner with shared values remains strong. This year recognises the 70th year of diplomatic relations between our two countries.”

Of course, 2019 was also a memorable year for Pettigrew with Tokyo staging the Rugby World Cup (although the All Blacks could only finish third). “We were a very popular place for New Zealand business leaders and representatives,” he says.

His posting has also coincided with an Olympics, with Tokyo hosting the delayed 2020 Games.

“The public sentiment before the Tokyo Olympics was very negative but it did improve once the Olympics started and even more so when the Japanese athletes started to win some medals.

“In 2019, over 30 million foreigners visited Japan and prior to covid-19, in 2020, that was forecast to reach nearly 40 million. Last year, though, with no spectators allowed [at the Games] and border restrictions, only 350,000 foreign nationals visited Japan, adding to the huge economic impact on hospitality and tourism.”

Despite the multi billion-dollar burdens of the Olympics and the covid-19 response, Pettigrew says the mood in Japan is “optimistic caution - cautious but not defensive”.

“Investment activity is still strong with corporates looking to grow their portfolios globally, including New Zealand, and we are seeing a lot of interest in the tech and renewable energy sectors. Recent surveys show business and consumer sentiment are at levels as high as pre-covid-19 Japan.”

#### **BRIGHT LIGHTS OF TOKYO**

Pettigrew’s fascination with the Land of the Rising Sun started when studying Japanese at high school and the country’s long history and traditional culture.

“My first trip to Japan was as a high school exchange student during the economic bubble in the late 1980s. It was where I first experienced the energy of Tokyo with the bright neon signs,

a city with a population five times that of New Zealand and lots of cool tech like the bullet train and the latest versions of the Sony Walkman (remember those!). But even with all the modern appeal, underpinning it was a culture of harmony, politeness, tradition and omoiyari (similar to manaaki).”

But tradition has also hampered gender equality in Japan. It is a hot topic, with Japan ranking a lowly 120th out of 156 in the World Economic Forum 2021 Global Gender Gap Report. New Zealand ranked fourth, behind Iceland, Finland and Norway.

“Diversity and inclusion is an area that has a lot of room for improvement,” Pettigrew says. “Female board directors on listed companies in Japan only account for 8.4%, with the ratio of women in managerial roles at 14.8%. And foreigners make up less than 2% of the total Japanese population.

“We are seeing a lot of Japanese corporate executives wearing the Sustainable Development Goals (SDGs) badge and one goal that has been clearly identified and called out by the Japanese government is the development of a Japanese society that “achieves gender equality and ensures decent work and economic growth” by 2030.

“Being able to show the Environmental, Social and Governance (ESG) value proposition and intent linked to the SDGs is taking time, but it is becoming more noticeable in Japan. I believe we can learn from each other – with Japan’s extensive business experiences and global networks, and New Zealand sharing our progressive approaches, such as in the areas of sustainability and diversity and inclusion.”

And that continued learning can happen when the borders fully reopen and “it’s time to share that manaaki and omoiyari to be better together”, Pettigrew says. **BQ**







# Home

# in Cyprus

**Andreas Kazamias MInstD was planning to bring his family back to New Zealand before covid-19 closed borders. To keep himself busy he's completing a Masters in blockchain and digitally currency.**

AUTHOR:  
**VANESSA GLENNIE,**  
FREELANCE WRITER

Photo:  
Swimmers and sun worshippers at the popular Konnos Bay in Cyprus.

**A**ndreas Kazamias moved to New Zealand in 2013 when he was appointed chief executive of homegrown electronic payments solution firm GFG Group. He stayed on as New Zealand managing director when GFG was bought by erstwhile German tech darling, and later cautionary case study, Wirecard.

In 2019, with the writing on the wall for Wirecard AG and, by extension, its subsidiaries, Kazamias left the organisation and rejoined his family in Cyprus.

“The plan was to stay in Cyprus for a while, then move back to New Zealand. But covid-19 hit and travel became impossible. We thought we'd wait it out for a couple of months, then it became six months, a year and so on.”

In some ways, he says, it was a blessing.

“I'd only see my family for a couple of weeks a year when I lived and worked in New Zealand, in a role that required extensive overseas travel. And one of my daughters was in Australia. Now we're all together in Cyprus.

“I’ve also had the opportunity to manage a house build and an old timber mill renovation in the mountains, on a site that’s been in my wife’s family for many years. Our closest neighbour is Cyprus’ main forest. The environment reminds me of New Zealand.”

Kazamias certainly likes to keep himself busy.

“I had to do something work wise, so I started consulting, predominantly in the electronic payments space. One of the few upsides of covid and the growth of online meetings is that you can be based anywhere and still work globally,” he says.

#### **FUTURE IS BLOCKCHAIN**

He also returned to study and is close to completing a Masters in blockchain and digital currency at the University of Nicosia.

“There’s an enormous amount of interest and work in this area. I think blockchain technology will be transformative for the better and it should certainly be on the radar in governance circles.”

He agrees it is still not widely understood and some people are unsettled by the notion that information on the blockchain has no central oversight or management. But, he says, this is precisely the point.

“A record’s authenticity is verified independently of government or any central body. It’s owned by nobody and everybody. The fact that once something is written it cannot be changed or deleted is fundamental to blockchain’s purpose.”

Kazamias says it has particular implications for the developing world.

“In developed countries if you buy land or a home, there’s a legal process and a title and so on. That’s not the case everywhere. Without these, it’s possible

“There’s an enormous amount of interest and work in this area. I think blockchain technology will be transformative for the better and it should certainly be on the radar in governance circles.”

for people to come along and say ‘this property is mine’ and you have no way to prove otherwise. Blockchain technology will change this. Every transaction, every sale will be recorded and once it’s there, it’s there for good.”

However, he says that to find its true potential, businesses must embrace and invest in it, “otherwise it’s just another piece of technology on the shelf”.

#### **COVID CHALLENGES PROGRESS**

Kazamias is peripherally involved with an international organisation of professional women, which his wife is a member of. It’s helped him look at business and governance from a different angle and he says he’s encouraged by changing attitudes towards gender roles in Cyprus, which retains an “old-school mentality” in many things.

“For the first time ever, the President of Parliament is a woman. She’s experienced and capable and, in my mind, absolutely the right person for the job. And we’re seeing more women on boards and in senior management roles. There’s still a way to go, but it’s a massive step forward for Cyprus. A trend that wasn’t here before. And hopefully this will pave the way for more change, around environmental awareness, for example.”

He says organisations in Cyprus know they need to do more in the ESG space. But the biggest obstacle to progress on some of the most pressing governance issues is that so many businesses are operating purely in “survival mode”.

“While Cyprus is in the European Union and a member of the eurozone, in many respects it’s still a developing country. It’s nowhere near the level of New Zealand, for instance. It has great potential, but has been hampered by history and politics and, of course, now covid.”



“The perception of New Zealand hasn’t really changed since covid. It’s an advanced, forward-thinking country, with great people and values. I’ve seen no evidence that this is no longer the case.”

The 2012/13 eurozone crisis was particularly tough on Cyprus. The government was essentially forced to take money (€7.7b billion) from depositors to help keep the financial system afloat.

“The local population was just getting back on its feet and then covid hit, with its lockdowns and restrictions of movement,” he says.

The challenges just keep coming. In light of escalating case numbers stemming from the Omicron variant, at the time of writing Cyprus had announced further restrictions, including double-masking.

“Now it is recommended that everyone must either wear a mask with a high-quality filter [equivalent to N95] or a mask on a mask. It might seem like a small thing, but it’s another cost. Living expenses just keep rising,” Kazamias says.

#### **ADMIRATION FROM AFAR**

Looking at New Zealand from a distance, Kazamias says Prime Minister Jacinda Ardern has done “a tremendous job”.

“I know that what you see from afar doesn’t always reflect how it feels on the ground. But compared to what I’ve experienced in other countries, New Zealand looks like a success story. Even the countries that manufacture the vaccines, like Germany and Switzerland, have nowhere near New Zealand’s vaccination rate.

“Of course, putting a big fence around the country was key. If everyone in the world was vaccinated at the same time, covid would probably go away in a matter of days or weeks. But if you can’t do it for the whole world, you can at least try within a country.

“The difficulty is this [closed borders] can’t last forever because there’s still an economy to look after. Commerce still needs to occur.

“But the perception of New Zealand hasn’t really changed since covid. It’s an advanced, forward-thinking country, with great people and values. I’ve seen no evidence that this is no longer the case.”

#### **ADVENTURES IN GOVERNANCE**

Kazamias was recently appointed director of a local Electronic Money Institution (EMI), although it’s not quite a done deal. The Central Bank of Cyprus conducts due diligence on all prospective board members of banks, EMIs and payment institutions before they can assume duties, so he can’t play an active role until he’s given the official go-ahead.

He says there’s definitely increased pressure on boards, particularly of public and regulated companies, with obligations coming from both Cypriot authorities as well as European Union institutions.

“The environmental agenda is at the top of the list across Europe, with a massive budget allocated to related projects. Not only is there more reporting, but companies need to provide proof that they’re improving their environmental impact.

“On the whole, reporting obligations are growing. But what are governments and regulators doing with the information? Where’s it going? It’s like reporting, reporting, reporting, but we’re yet to see anything coming out of it.

“That said, looking at the bigger picture, some of these measures are just good management, good governance. I haven’t seen anything where I’ve thought ‘why do I need to do this’? At a European level, at least, I don’t believe it’s been taken too far. I can understand why I’m being asked to do it,” Kazamias says. **BQ**

# China leads the way in net-zero carbon quest

Global investment in energy transition hits a record US\$755b, with renewables accounting for almost 50%.

**A**s New Zealand mobilises to tackle climate change and business communities get on board with Chapter Zero, global investment in energy transition has hit record levels (as the Visual Capitalist infographic on the right shows).

In 2021, the world invested **\$755b** on deploying low-carbon energy technologies, up **27%** from 2020.

Achieving net-zero on a global scale, however, requires **\$125 trillion** in climate investment by 2050, according to research commissioned by the United Nations Framework Convention on Climate Change (UNFCCC).

China led the spending with US\$266b, up 60% from 2020 and accounting for 35.2% of the world's total.

China's wind and solar capacity increased by 19% in 2021, with electrified transport also accounting for a large portion of the investment.

The sector investing the most in the future is renewable energy at \$365.9b, up 6.8% from 2020. It accounts for nearly 50% of the total investment.

However, electrified transport drove much

of the growth (up 76.7% to \$273.2b) as several countries charged ahead in the shift to electric vehicles.

Nuclear power also attracted about \$32 billion in investments, as conviction grows that it can deliver reliable, carbon-free electricity, according to **visualcapitalist.com**. But the biggest overall percentage gain was seen in sustainable materials including recycling and bioplastics, which saw investment activity increase 141.3% to \$19.3b.

More than 130 countries have set or are considering a goal of net-zero emissions by 2050, with New Zealand prominent among them.

Energy transition will be central to many decisions taken in boardrooms. Fossil-based systems of energy production and consumption – such as oil, natural gas and coal – are being replaced with clean or renewable energies such as wind and solar, and technologies such as electric vehicles, hydrogen and carbon capture.

The New Zealand arm of Chapter Zero, hosted by the IoD, will work to mobilise, connect, educate and equip directors to effectively govern organisations on the response to climate change and help reach that 2050 target. **bq**



# ENERGY TRANSITION INVESTMENT

Top 10 Countries in 2021

Global investment in energy transition hit a record high of \$755B in 2021, up 27% relative to 2020.

- Non-renewable energy transition investment  
*Includes: hydrogen, nuclear, carbon capture, electrified transport, electrified heat, energy storage, sustainable materials*
- Renewable energy investment

The top 10 countries accounted for 74% of global energy transition investment.



China added 48 gigawatts (GW) of wind and 53GW of solar capacity in 2021, increasing its total wind and solar capacity by 19%.

European countries collectively invested \$219B in the energy transition.

Source: BloombergNEF





# Plastic? Plastic? Fantastic

AUTHOR:  
**ALEXANDRA JOHNSON,**  
FREELANCE WRITER

**A scalable solution to the problem of waste plastic being developed by a Kiwi company is drawing global interest.**

**T**he elimination of plastic waste on a global scale could be described as an ambitious goal, but that's exactly what CEO Glen Willoughby MInstD and his team at Nilo have in their sights.

Nilo, an Auckland-based tech start-up, is developing a garbage-gobbling machine that utilises engineering and chemical solutions to turn vast quantities of plastic into useful commodities, such as construction and roading products.

Willoughby, who has extensive leadership experience in the technology, dairy, construction and health sectors, challenges the idea that plastic is bad.

“I spent 10 years in the health sector and without plastic modern healthcare

delivery would be impossible. We cannot live our modern lives without plastic, manage food without plastic. It is characterised as a material that has lots of negative environmental impacts, but I would argue it has lots of positive characteristics.

“The issue is not plastic itself, it's what we choose to do with plastic products. It's their end-of-life that is the issue.”

Nilo's technology turns plastic waste into a binder or a glue, which can then be used to bind other waste streams together to create something useful. The Kiwi start-up is currently developing material that is testing at the same strength as concrete, and therefore potentially has huge roading and construction applications.

Photo by:  
Dan Lewis on Unsplash



### SCALABLE SOLUTION

The process will create a huge demand for waste plastic because Nilo intends its end-product types to be used in high volumes.

One machine has the capacity to convert four tonnes of waste plastic in an hour and manufacture a product, which at the end of its useful life can again be reprocessed and reused.

If one machine can use such a vast quantity of waste in one hour, Willoughby says it could theoretically process one-third of New Zealand's waste per year.

And that is the key to the success of Nilo's marvellous machine.

"If you cannot scale technology such as this, then it is not substantively useful to address the plastic crisis. But the scale at which we can process waste, along with the ability to do so relatively cheaply and energy efficiently, it starts to create a real solution that becomes both economically and sustainably viable.

"There's a saying that the best use of technology is by putting it in the hands of giants. We are not a giant, we are a small technology company in New Zealand, but the range of investors we have offers us some great networks into some very large global organisations that are seeking technologies of this type. They have the experience and capability of deploying this kind of technology on a global scale."

Nilo is building a scaled technology demonstration facility in Auckland, but supply chain and shipping issues have delayed completion by a year.

"But we are aiming to commission our demo facility in Auckland by the end of the year and to set up similar facilities in Europe and the US later on."

### CREATIVE ENVIRONMENT

The process involves granulating the plastic, applying heat, pressure and some "secret sauce ingredients", says

"We cannot live our modern lives without plastic, manage food without plastic. It is characterised as a material that has lots of negative environmental impacts, but I would argue it has lots of positive characteristics."

Willoughby. The result could have multiple applications, such as replacing the formaldehyde glue in particle board, a chemical that has a profoundly negative impact on the environment.

"For every kilogram of formaldehyde adhesive made, one kilogram of CO<sub>2</sub> is created, while our solution creates between 0.4 and 0.6 of a kilogram of CO<sub>2</sub>."

But, while progress is being made, there is still work to be done.

"This is not overnight tech and has been in development for some time. We are very fortunate to have some of New Zealand's best chemical and mechanical engineers on the team."

He continues to be amazed by the level of innovation in this country. "While we say this a lot in New Zealand, the number 8-wire mentality persists. It's a real thing."

### BETTER FUTURE

Willoughby says Nilo's tech will be a part of a global response to plastic pollution.

"The reality is it is a massive problem and globally there is a lot of investment going into it. There will be a range of solutions being developed and they are all going to be needed."

But at whose cost? Should plastic manufacturers and distributors, who are making revenue out of plastics, be responsible for their products? Should they, for example, fund the development of technologies to deal with the problem?

Willoughby says no.

"The producers of plastics don't create it to impact negatively on the world, they do it to make products that are useful. It's what happens at the end of their useful life that has become the responsibility of other parties, such as local bodies, governments and waste management companies."

“To collect waste we need to change human behaviour and how do we do that? We have to make it convenient. All we want the end consumer to do is recognise it as plastic and separate it from their other rubbish.”

But, he says, change is afoot.

“This is important to Nilo because these large organisations that are producing and using plastic will be required to, and want to, have some kind of stewardship programme. And if that stewardship is a technology that creates value, then plastic waste becomes economically, socially and environmentally attractive.”

#### **PRACTICAL SOLUTIONS**

Willoughby says some of the debate around waste can become quite polarised, but solutions to plastic waste cannot be just good for the environment.

“If they are not economically, socially and environmentally viable they will not be taken up at scale, that’s the reality of human and economic behaviour. But if we can leverage these three incentives then we actually have something that can make a difference in the world that we live in, not the one we want the world to be.

“To collect waste we need to change human behaviour and how do we do that? We have to make it convenient. All we want the end consumer to do is recognise it as plastic and separate it from their other rubbish.”

He says if we start thinking positively about the value of waste as a material, then through changing human behaviour by incentives and economic solutions, the amount of plastic ending up in dumps or being incinerated will be reduced.

“Recycling and incineration are not as clean as perhaps many may think. For example, less than 10% of plastic bound for recycling is actually recycled and all of it eventually ends up as waste.”

So, is this a prime example of the circular economy, the model of production and consumption that has ultimately been pegged to save the planet?

Willoughby is circumspect. “Circular economy is an easy thing to say, but a

difficult thing to create. We are only in the early stages.”

#### **NASA CONNECTION**

Despite Willoughby’s quiet humility, his intelligence and unique lens on technology was clearly observed by Tom Soderstrom, chief technology and innovation officer at Nasa, in a chance meeting at a conference.

It resulted in Willoughby working with Nasa’s Jet Propulsion Laboratory (JPL), which leads the development in technologies from space exploration to earth science.

“I was still in the health sector and, with the support of some great clinicians and an outstanding technology team, had just kicked off a number of tech innovations. We realised our approach to tech innovations was similar, so he [Soderstrom] invited me to come and look at advising JPL in the tech sector.

“For the past seven years I’ve been supporting, and learning from, JPL around the adoption of technology including 3D printing and using AI to get greater insights from data mining. One of the things we are looking at is the use of AI in space exploration technologies and how we can apply them to the delivery of healthcare, specifically cancer detection.”

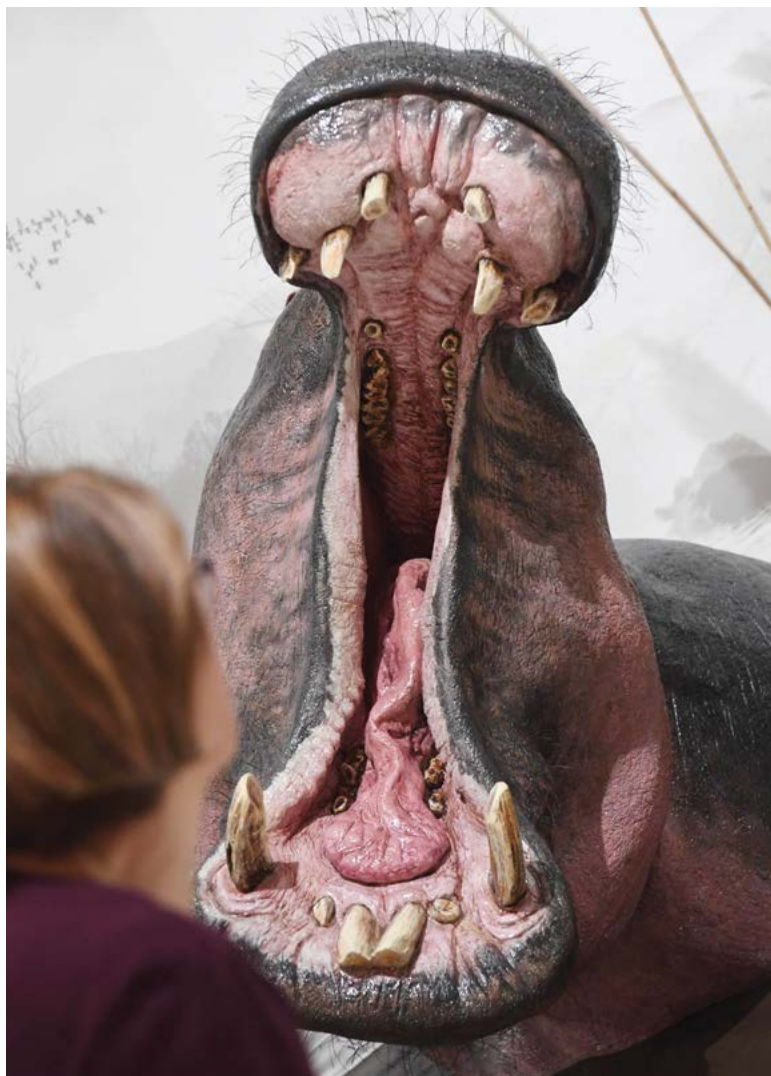
Willoughby has recently concluded his advisory position at JPL to concentrate on a new role as chief information officer at Singularity University Labs, a San Francisco-based organisation focused on innovative breakthrough technologies such as AI, robotics and digital biology.

Whatever Willoughby has turned his hand to he has tried to leverage technology for the greater good.

“For the last 20 years, I have been very fortunate to work in both the public and private sectors aiming to apply technology for the betterment of people. We can do amazing things with technology and solve problems that were previously unimaginable.” **BQ**

# When hippos ruled the Rhine

As New Zealand and the world wrestle with climate change, a look back 130,000 years gives us some clues about what lies ahead.



**T**he last time the Earth was this warm was during the Eemian Interglacial Stage (named after the river Eem in central Netherlands) some 130,000 years ago. It is often used as a model for contemporary climate change because we are now in the Holocene interglacial period, which has already lasted more than 11,000 years. They can last for 20,000 years or more. The average temperature of the Earth is around 15 degrees Celsius (59 degrees Fahrenheit) but is reaching crisis point as it continues to heat up, with glaciers melting and sea levels rising. There is little chance of an ice age any eon soon thanks to so many greenhouse gases in the atmosphere. So what did it look like in the Eemian world?

- The warmest peak of the Eemian was around 125,000 years ago when hippopotamus roamed Europe and lived in the Thames and the Rhine rivers. A now extinct straight-tusked elephant was also found in the British Isles, with the winters being warmer and wetter than they are now. Some areas though were actually cooler. During summer months, temperatures in the Arctic region were about 2-4 degrees Celsius higher than they are today. Forests reached as far north as the North Cape in Norway. Trees such as hazel and oak grew as far north as Oulu in Finland. Trees also grew as far north as southern Baffin Island in the Canadian Arctic Archipelago.

Photo:  
18 June 2018, Karlsruhe, Germany: The state museum for Natural history exhibits a life-sized model of a Hippopotamus. Photo: Uli Deck/dpa (Photo by Uli Deck/picture alliance via Getty Images)

“A United Nations intergovernmental panel on climate change forecast that under a best-case scenario (where greenhouse gas emissions fall quickly) the global mean sea level will still rise by up to half a metre over the next 90 years, with an extreme level of two metres.”

- Sea levels were about six metres higher than today, with recent research suggesting ocean waters rose as fast as 2.5 metres per century as the West Antarctic ice sheet melted. Even a rise of one metre would be catastrophic for New Zealand. Last year, a United Nations intergovernmental panel on climate change forecast that under a best-case scenario (where greenhouse gas emissions fall quickly) the global mean sea level will still rise by up to half a metre over the next 90 years, with an extreme level of two metres. Many New Zealand's cities would be swamped, with the likes of Wellington, Christchurch, Dunedin, Nelson and Napier at great risk. Plans to combat rising waters may have to be revisited.
- The Eemian stage was first recognised from boreholes near Amersfoort in the Netherlands by biologist and naturalist Pieter Harting in the 1800s. He named the beds “Systeme Eemian” after the river Eem on which Amersfoort is located. Many species from the Eemian layers show a much more southern distribution, ranging from the Strait of Dover to Portugal and even into the Mediterranean. The Eemian is also of great interest because it falls into the Middle Paleolithic (from 300,000 to 30,000 years ago) and the evolution of anatomically modern humans, who were present in western Asia as well as in southern Africa, representing the earliest split of modern human populations that persists to the present time.
- How can we know what it was like in the Eemian period? Scientists can estimate the temperature changes by looking at chemicals found in ice cores and marine sediment cores and studying pollen buried in layers deep underground. Certain isotopes of oxygen and hydrogen in ice cores can determine the temperature in the past, while pollen tells us which plant species were present and therefore gives us an indication of climatic conditions suitable for that species. Air bubbles in ice cores drilled on Antarctica show greenhouse gas concentrations in the Eemian were not dissimilar to preindustrial levels. However, orbital conditions were very different, with much larger latitudinal and seasonal variations in the amount of solar energy received by Earth.
- Ice cores can only provide a glimpse into the Eemian warm period. Fossils and temperate fauna recognised in studied sediments show the climate was significantly warmer than the climate of the current Holocene interglacial - studies suggest up to about five degrees warmer. As ice from the Eemian period has been found at drill sites, it has also been established that the Greenland ice sheet did not melt away entirely as the world warmed. That gives hope to the world we find ourselves in today - that we can halt global warming, save our ice sheets from melting away and find a balance where life exists for thousands of years to come. **BQ**

Sources: Wikipedia, The Conversation, Centre for Ice and Climate at University of Copenhagen







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**While it is well known that reducing global carbon emissions to net-zero will require widespread economic change, far too little attention has been paid to the issue of land use. The green transition will require a fundamental reconsideration of how we apportion rights to the planet's surface.**

“How much land does a man need?” asks Leo Tolstoy in a short story about a former serf named Pahom, who greedily accumulates land in czarist Russia’s equivalent of the American frontier.

In the end, Pahom’s servant answers the question as he buries his master with the same spade used to mark his vast property: “Six feet from his head to his heels was all he needed.”

Pahom’s pursuit of land came after Russia’s 1861 Emancipation Reform, which freed the serfs while keeping political power in aristocratic hands. Because land ownership was still the sole measure of economic worth, emancipation triggered a land rush.

But Tolstoy’s Russia was already behind the times. The old land economy was approaching its twilight and industrialisation would soon bring about a profound transformation.

Just a few decades after Tolstoy’s story appeared in 1886, agriculture – humanity’s dominant activity since the start of the Neolithic period – had been replaced by industrial production.

#### **THEORETICAL GROUNDING**

With the spread of the Second Industrial Revolution (railroads, telegraph and mass production of consumer goods, from bicycles to cheap books), asset management came to focus primarily on marginal productivity. Value was to be determined in competitive free markets by consumers’ preferences, not by the ownership of empty lands.

Economic theory soon evolved to accommodate the change. Marginalist economists such as Alfred Marshall and Arthur Pigou argued that a thing’s value lay in its long-run price (Adam Smith’s

# The new land economy

“natural” price), which reflected the balance between the cost of producing it and the willingness of consumers to pay for it based on its utility. In this framing, economists still struggled to accommodate differences in factors of production, like labour and land.

Then, American economist John Bates Clark extended marginalist ideas to factors of production themselves, treating labour, capital and land as homogenous capital with a monetary value corresponding to its contribution to production.

There were several problems with these theoretical advances. As Italian economist Piero Sraffa would later point out, any theory that depends on assuming hypothetical prices of inputs risks being circular. In particular, these theories ended up hiding the peculiarities of land.

Nonetheless, marginalism won out. It reflected the experience of exchanging goods and services along planetary value chains. Key components of a globalised economy could be sited anywhere. Exchanges were regulated by contracts that insulated consumers from any location-related liability. Indeed, the new macroeconomic theories ignored location altogether. Land thus receded into the background.

It is easy to forget that the classical economists would have been quite puzzled by the treatment of land as just another form of capital.

David Ricardo had introduced the idea of “economic rent” (unearned income) precisely because land was not like manufactured capital. He and his contemporaries knew that owning a location can imply a powerful monopoly. Yet after more than a century of marginalist orthodoxy, we have become blind to the economic nature of land. In a prominent economic journal’s recent special issue dedicated to the future of capitalism, land is barely mentioned at all.

**“It is land, after all, that ultimately absorbs carbon, accommodates renewable energy, protects us from floods and collects the water needed to manage droughts. Once again, land is at the heart of the global economy.”**

#### **LAND AHOY!**

Things will change – because they must. Owing to climate change, countries are making ambitious commitments to protect vast swathes of land. And through the Paris climate agreement and pandemic “green recovery” packages, governments are accumulating a remarkable set of public liabilities and underwriting an “ecological transition” that will depend entirely on land.

It is land, after all, that ultimately absorbs carbon, accommodates renewable energy, protects us from floods and collects the water needed to manage droughts.

Once again, land is at the heart of the global economy.

In the ecological transition, every location on the planet holds several valuable attributes. One is the ability to sequester carbon. Under the right ecological conditions, plants augment soils, maintaining a terrestrial sink for carbon. This is no small matter: despite years of deforestation around the world, plant growth (mostly in temperate forests) has still been absorbing almost one-third of annual human emissions.

This global public good is partly the result of policy choices, from the African Union’s “Great Green Wall” to contain the Sahel, to China’s investments in its southwestern provinces’ forest economies. Already, China’s above-ground biomass has been absorbing more than one billion tonnes of carbon dioxide per year, roughly equal to what the global aviation sector emits. Europe and the United States are also large terrestrial sinks. Having reversed some of the deforestation of previous centuries, they, too, are helping to remove carbon from the atmosphere.

With the destructive effects of climate change already intensifying, changes in land use may be the only option for sequestering atmospheric carbon at scale over the short and medium term.

Of the approximately 100 million square kilometres (38.6 million square miles) of “habitable land” on the planet,

agriculture (from livestock grazing to extensive cultivation) covers 50 million square kilometres, forests cover 40 million square kilometres, and most of the rest is shrubland.

The climate challenge will require us to augment all these ecosystems, implying land-use changes on an unprecedented scale.

#### LAND AND ENERGY

Another crucial attribute of location is energy density. In an ecological transition, the landscape itself, rather than mineral reserves, will be our energy infrastructure.

For two centuries, our energy economy has rested on fossilised plants that stored millions of years of sunlight in underground fuel deposits. These stores have a very low land intensity. The current fossil-fuel energy infrastructure occupies an area roughly the size of Qatar.

Vast solar- and wind-power installations will be orders of magnitude more land-intensive. To match the amount of energy that fossil fuels supply, renewables will need to be deployed on a continental scale.

According to one projection, biofuels will require an area the size of Russia (the world's largest country by land mass), wind farms will require an area the size of India, and solar will require an area the size of Mexico.

#### REPLUMBING TASK

Climate adaptation and security also is dependent on land features because climate change manifests principally through water: floods, storms, droughts and so forth.

While most of the world's people live in what amounts to 1.5 million square kilometres of built environment, the plumbing that makes modern urban density possible extends far beyond the pipes that run in and out of homes and office buildings.

A study from The Nature Conservancy calculates that the 100 largest cities

“While most of the world’s people live in what amounts to 1.5 million square kilometres of built environment, the plumbing that makes modern urban density possible extends far beyond the pipes that run in and out of homes and office buildings.”

depend on an upstream area roughly the size of Russia to collect, filter and transport water to nearly one billion people.

To protect these communities from catastrophic floods, storms and water shortages, most countries will have to replumb land on a scale that will dwarf anything undertaken by twentieth-century modernist engineers.

#### SCARCE COMMON GROUND

Conflicts are likely because land will have to accommodate multiple attributes.

According to a 2020 study, India's short-term renewables goals alone will require an area the size of Himachal Pradesh, a state roughly the size of Croatia. Efforts to maximise that resource's potential will lead to competition over thousands of square kilometres of forests and tens of thousands of square kilometres of agricultural land.

Many will argue for land to be allocated primarily on the grounds of efficiency. But beyond abstract principles and good intentions, people will disagree on which landscape features are most valuable.

Recent history suggests that forging a consensus on priorities will be difficult.

For example, following the adoption of the Convention on Biological Diversity at the 1992 Earth Summit in Rio de Janeiro, the US Congress passed the Elwha River Ecosystem and Fisheries Restoration Act, which, for the first time in the country's history, authorised the removal of dams. It was a major victory for environmentalists and the Elwha people, but it also inaugurated a secular shift away from hydropower for baseload electricity production.

Around the same time, China went in the other direction by greenlighting the Three Gorges Dam, the world's largest hydroelectric facility. The dam has been a central pillar in China's development strategy, with far-reaching environmental effects.



Disagreements over such trade-offs will persist and intensify.

In 2010, the international community established the Aichi targets to protect biodiversity, hoping to halt losses of species and ecosystems. Ten years later, there has been progress in terms of indicators (such as hectares of protected land) that track activities, but little else of substance has been achieved. And though a new round of targets is now under discussion, ongoing disputes over what exactly is meant by “protection” or “nature” suggest the scale of the challenge posed by translating generic precautionary principles into concrete measurable outcomes.

#### **POLICY TOOLS**

Transforming land use also will pose a challenge to standard economic policy tools.

Many economists and policymakers hope that marginalism can be expanded to accommodate environmental issues, and that markets can become an instrument of sustainability. Hence, in the 1990s, ecologist Gretchen Daily proposed that land be used as a marginal producer of “ecosystem services”.

And in 1998, economists Graciela Chichilnisky and Geoffrey Heal took this logic further, arguing that “privatising natural capital and ecosystem services [...] enlists self-interest and the profit motive in the cause of the environment”.

Two decades later, however, markets for nature still have not emerged at a scale relevant to the problems we face.

Even though demand for land-based carbon sequestration has been growing rapidly – owing to corporations’ increasing need for “offsets” to uphold their net-zero commitments – the supply of such projects has lagged. Moreover, much of what is available is subscale and artisanal, and thus will struggle to meet long-term sequestration requirements.

With a vast and growing demand chasing a scarce, poorly defined supply, the

“To address today’s environmental and climate challenges, we should revisit [American economist Henry] George’s original insight that economists and policymakers must treat land differently than other forms of capital.”

conditions are ripe for a bubble – unless governments step in as suppliers of carbon offsets produced at a regional or national scale, with support from state-sponsored monitoring and verification infrastructure (so-called jurisdictional carbon).

#### **BACK TO THE LAND**

All these difficulties suggest that the ecological transition will require more than a few tweaks to our relationship with the landscape.

First, we must recognise that our economic treatment of land is inadequate. In the late nineteenth century, American economist Henry George recognised land’s uniqueness. Focused on the problem of land monopolies in a highly unequal society, George advocated a single tax on land (which amounted to a tax on unearned rent). His ideas were broadly consistent with the classical liberal economic tradition and gained popular support, but were soon forgotten in the wake of the marginalist revolution.

To address today’s environmental and climate challenges, we should revisit George’s original insight that economists and policymakers must treat land differently than other forms of capital.

Second, like George, who never saw land nationalisation as particularly realistic or desirable, we must recognise that private ownership is the principal human institution governing the landscape. Private control of land accounts for almost all the world’s 50 million agricultural square kilometres. Even communist China uses proxies for private ownership in the management of agriculture (individuals and companies do not have outright ownership, but they can acquire usufructuary rights).

Moreover, private ownership has spread with land reforms. In the former Soviet Union, for example, 1.2 million square kilometres were privatised between 1990 and 2000; and land ownership in Latin America has followed a similar trend since the middle of the twentieth century.

Beyond agriculture, one-fifth of the

world's forests are also privately owned, and at least 15% of what is publicly owned is under private management (mostly in Russia). In Asia, usufructuary rights have doubled one form of forest ownership over the last two decades.

And indigenous people's title claims are estimated to cover 80% of the world's biodiversity. If enforced, they would give those communities control over many large unfragmented landscapes.

All told, roughly two-thirds of all habitable land – more than 60 million square kilometres – is either owned by someone or subject to some form of claim.

But private ownership poses a massive coordination problem for the ecological transition, which is often described as a science-led, global re-engineering of the planet. Most landowners lack the skills and resources needed to optimise the use of their properties. After all, the ecological transition requires distinguishing between not just land titles but the different

“And indigenous people's title claims are estimated to cover 80% of the world's biodiversity.”

attributes of the land to which they apply. Those best suited to manage carbon may not know how to ensure water security, and conservationists are not energy developers.

#### BREAKING DOWN A SOLUTION

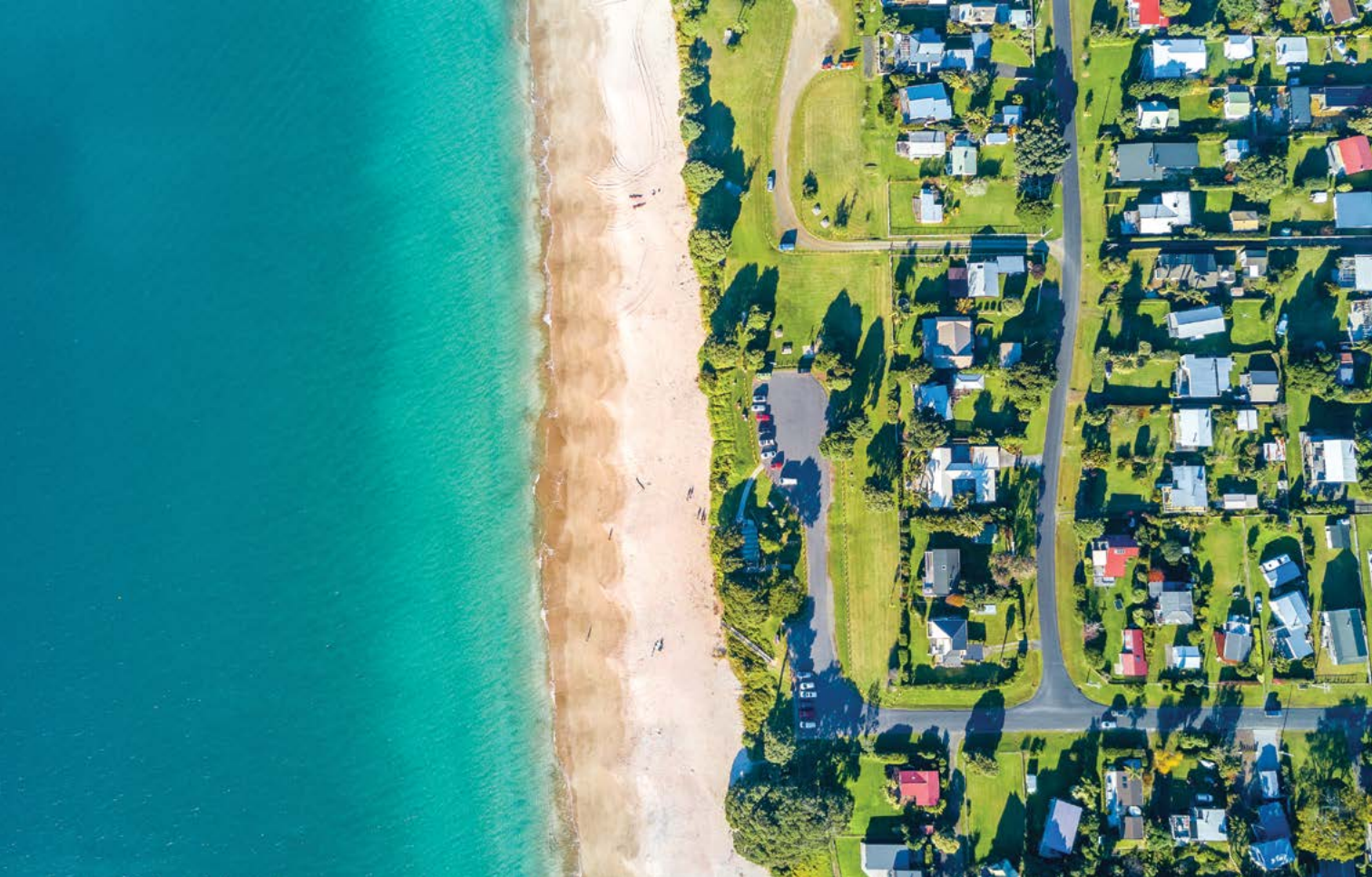
So, we must find ways to disaggregate the attributes of each property.

Land ownership generally confers a bundle of rights: to use land, to produce goods and income, to exclude others, to control and transfer assets, to access resources, and so forth. In some common-law jurisdictions today, these rights are separable and attributable to different owners. In the US, for example, separation is achieved through easements, when owners sell some portion of their property rights (such as development, subdivision, or mineral rights) or donate them in exchange for a tax benefit.

This particular legal instrument has some precedent in conservation, owing to its popularisation in the 1950s by







sociologist William Whyte, the author of the bestseller *The Organization Man*. Arguing that regulatory instruments like zoning were not enough to combat urban sprawl, Whyte proposed conservation easements, whereby landowners sell or donate development rights to their land, usually in exchange for a tax break.

Half a century later, American land trusts have used conservation easements on a significant scale: in 2020, almost 250,000 square kilometres in the US (an area the size of the United Kingdom) was classified as protected land and one-third of it was protected through easements.

The same model could be applied to attributes beyond conservation. Carbon contracts and flood servitudes, for example, use contract law to transfer lesser property rights, enabling consolidation and economies of scale for specific functions. This approach could be extended to other jurisdictions.

**“According to the World Bank, only 30% of the world’s population possesses the legal basis – a registered land title – for owning, transferring and inheriting land. The lack of titles – and thus enforcement – will be a powerful obstacle to the ecological transition.”**

After all, it is not dissimilar to homeowners’ transfer of responsibility for network connectivity to a cable provider or capital value to a mortgage lender.

#### **NEW ARCHITECTURE**

Unbundling and precisely allocating the rights that come with private ownership will not be easy.

As economist Ronald Coase noted in the 1960s, addressing the transaction costs associated with property rights requires institutional solutions. A large cohort of property-rights holders cannot relate to each other through bilateral exchanges alone. Each transaction is complicated and will become more so as the number of recognised valuable land attributes (and the corresponding rights) increases.

Shortcuts and new institutions will be needed.

While the legal architecture will be complex, we already have some of the first

building blocks. The first is information infrastructure. A lack of title registration is a well-known challenge in land economics and economic development. According to the World Bank, only 30% of the world's population possesses the legal basis – a registered land title – for owning, transferring and inheriting land. The lack of titles – and thus enforcement – will be a powerful obstacle to the ecological transition.

Even where registries do exist, access is limited, making innovation difficult. In Germany, for example, confidentiality requirements restrict access to registry data. And even where there are no formal restrictions – as in the US where land registries are public – deeds and titles tend to be held in hundreds of local agencies where they are accessible only by paying a fee or engaging an expert. Opening and digitising public records is therefore an essential component of the ecological transition.

But title registration will not help if the ecologically valuable attributes of land are not recorded. Ownership must therefore be associated with detailed biophysical and geographical information. Satellite technology can establish the planetary distribution of land attributes at remarkably high resolution; but the relationship to ownership must be registered for those measurements to help delineate rights.

#### **NUANCED PROPERTY RIGHTS**

Establishing more nuanced property rights relating to the landscape will require institutional innovation. In some cases, natural owners will emerge and bring economies of scale to a specific attribute. For example, the enforcement of groundwater extraction limits in California has led to specialised asset managers like the Sustainable Water Impact Fund, which creates value by improving water management on land assets.

But the process will also create monopolies. This is not a new problem. Water utilities, for example, are natural monopolies tasked with managing a public

**“Ultimately, a radical transformation of the landscape is not just a matter of economic management. It is fundamentally political, calling for a new relationship between land, the state and society.”**

good. As with most infrastructure, what is being paid for is not the commodity (water) but the social outcome (water security). The asset must be regulated to avoid excessive rent seeking.

As the landscape becomes an increasingly important part of society's security infrastructure, each of its functions will require a mix of private and public finance.

As with water infrastructure or roads, the marginal value of these new infrastructural services may not be high enough to cover the average cost of provision. That is why most utilities are paid for through tariffs and taxes.

The same will likely happen with the ecological transition. Carbon markets are unlikely to scale up without new jurisdictional programmes in which governments effectively underwrite the transactions.

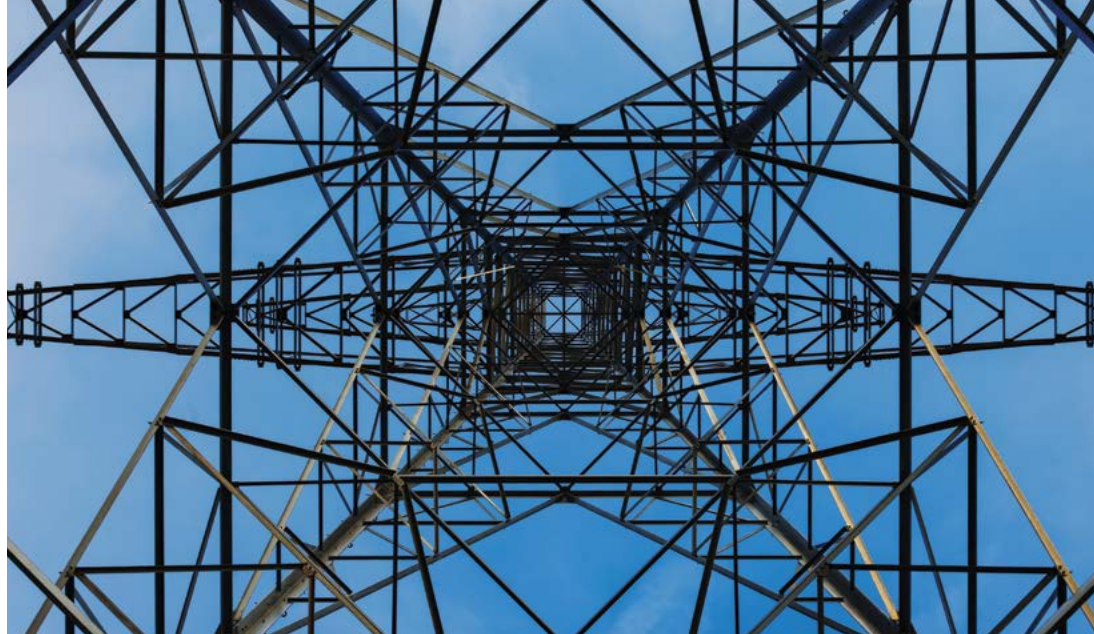
Ultimately, a radical transformation of the landscape is not just a matter of economic management. It is fundamentally political, calling for a new relationship between land, the state and society. Modern constitutionalism – the principal mechanism to regulate state power, balancing individual interests and collective benefits – has increasingly embraced the environment as a salient issue. We will likely see more of that as the inherent conflicts in multipurpose land use surface.

#### **CHEKHOV BALANCES**

When Tolstoy gave his answer to how much land a man needs, another great Russian author, Anton Chekhov, replied that six feet of land may well be “what a corpse needs”, but not man. Humanity needs “the whole globe, all nature, where he can have room to display all the qualities and peculiarities of his free spirit”.

Maybe so. We are a planetary species. But our survival now depends on managing all lands on the planet in service of the most ambitious undertaking in human history. We must put land back where it belongs, at the heart of our economy. **BQ**





# Power to change

AUTHOR:  
**ALISON ANDREW**,  
 CHIEF EXECUTIVE,  
 TRANSPOWER

What does New Zealand’s energy future look like? Lower prices, smart devices and a lot more according to Transpower’s report ‘Whakamana i Te Mauri Hiko – Empowering our Energy Future’.

**N**ew Zealand’s electricity system is unique. There is no other country that generates its electricity from the same mix of generation sources, with the same low levels of energy storage and without a grid connection to another country’s energy resources. That brings challenges, risks and opportunities as we imagine what the future could look like.

As the national grid owner and system operator, Transpower has a whole-of-industry view of the electricity sector. We are planning a future that takes advantage of a one-in-a-lifetime opportunity to transform our economy. A future that will deliver lower energy prices to consumers, create thousands of high-skilled jobs, generate distinct competitive advantages for the economy, while at the same time meeting Aotearoa’s international climate change commitments.

Using our analysts, engineers and strategists to evaluate what New Zealand’s energy future looks like,

we have outlined this work in the document titled ‘Whakamana i Te Mauri Hiko – Empowering our Energy Future’.

Our vision is centred round accelerated electrification to enable decarbonisation. While New Zealand already has a highly renewable electricity system, the broader energy system, covering transport and industrial processing, remains highly dependent on coal, oil and gas.

Electrifying our transport fleet, our industries which largely use coal and gas for processes like drying milk, and our buildings where we still use coal to heat some hospitals, prisons and schools, is key to meeting our climate change commitments as transport and process heat collectively make up 35% of New Zealand’s total greenhouse gas emissions.

In addition to the impacts in the transport and industrial sectors, a decarbonised economy puts the power in consumers’ hands. An electrified energy system will involve millions of smart, connected devices in homes and businesses.

Using batteries and rooftop solar PV systems, consumers and businesses will be able to generate and store their own energy and decide when to sell it back to the network and at what price. Energy management systems in homes and businesses will make decisions for you on when is the best time to store or sell back, and when it is best to draw from the grid, in doing so saving you money.

Homes and businesses will be filled with smart appliances that together with the energy management system put the power in your hands and all at a cost which will be less than what you paid for energy 20 years ago.

We estimate that electricity demand will increase by 68% by 2050 as we move away from fossil fuels and decarbonise our economy. This transformation will require significant investment in power stations and battery storage projects, as well as significant grid upgrades to connect and distribute the renewable generation.

#### **COLLABORATION NEEDED**

Transpower is focused on ensuring the grid infrastructure is fit for the future by improving planning and streamlining the connection process for new generation and new loads.

However, the transformation to an electrified economy is not one that we can make alone, collaboration is one of the key areas of change needed. We are just one part of the electricity system and that system is just one part of the economy. We need everyone to play their part.

The energy future we envision also requires a number of other changes. It needs the right policy settings to get the incentives right for electrification and renewables, and remove barriers to low-carbon infrastructure, including changes to the Resource Management Act.

Markets also need to change, with new markets for distributed energy resources (EVs, batteries, solar PV rooftop systems, smart appliances) needed. New technologies and the right market signals are needed to meet peak demand and demand in dry years. A wide range

of renewable resources is also needed to replace the gas and coal that currently provide back-up when hydroelectricity or other sources of renewable generation aren't sufficient to meet demand.

The workforce will need to change, too. Decarbonisation is highly regarded, so helps to attract and retain talent which is important as electrifying the economy will deliver thousands of highly skilled jobs. To ensure the right skills are in place, the energy sector will need improved vocational training, greater workforce diversity and better access to talent.

The transformation is already underway and the momentum can be seen in several areas, including the pipeline of potential projects. We have seen an unprecedented number of companies wanting to connect to the national grid with new generation such as wind or solar, more than a 10-fold increase.

This creates challenges and risks in scaling up to meet the demand around the country.

It has the potential to put some organisations out of business if they don't plan and evolve. Directors need to start preparing their organisations for New Zealand's energy future. The need to understand the challenges ahead and the impacts on their business and then making sure they have the resources to navigate the uncertain landscape, be that on their Board or management team. It is critical.

But with risk can come opportunity. Be bold, think about how your organisation can help to lead the way to New Zealand's energy future of electrification and decarbonisation.

The transformation of New Zealand's energy future is a significant challenge and one we all need to rise to – the electricity industry, businesses, government, regulators and consumers. It requires us all to make changes to the way we live and behave, the way we move and the way we use energy. Achieving our goals will require an unprecedented level of collaboration, sharing and leadership in service of a common commitment. **BQ**

“Homes and businesses will be filled with smart appliances that together with the energy management system put the power in your hands and all at a cost which will be less than what you paid for energy 20 years ago.”



# Net-Zero New Zealand: What will it take?

AUTHOR:  
**MATTHEW PRICHARD**,  
CHAIR, KPMG  
NEW ZEALAND

The target is ambitious and essential, requiring transformational change across every industry, sector and business.

**A**t the end of last year, KPMG released the inaugural global **Net Zero Readiness Index**. Considering 103 indicators split between national preparedness and sector readiness, it ranks New Zealand as ninth out of 32 countries for our ability to achieve net-zero carbon emissions.

#### WHERE WE STAND

It is exciting to see New Zealand rank highly and it's a tribute to the hard work of some of our core sectors. It reflects our unique sense of kaitiakitanga, our pride in the country's whenua, biodiversity and culture.

This has been coupled with world-first legislation, including mandating the use of Taskforce on Climate-Related Financial Disclosures recommendations for certain companies, and the Carbon Neutral Government Programme.

This global KPMG report follows the May 2021 release of the New Zealand Climate Change Commission's report 'Ināia tonu nei: a low emissions future for Aotearoa', which concluded that there are technically achievable, economically affordable and socially acceptable pathways for Aotearoa to achieve a climate-resilient and low emissions future.

There is certainly cause to celebrate this progress and our efforts so far, but there is a balance to be struck. A balance that allows Kiwis to acknowledge the achievements of the last decade but does not encourage us to take our foot off the gas (metaphorically).

KPMG's New Zealand-based Global Head of Agribusiness, Ian Proudfoot, calls the journey to net zero "a marathon", with this report marking "the timing split at the end of the first kilometre". He also points out that net zero still falls short of creating positive impact. There is nuance to the findings that must be taken into account.

We are one of only nine countries in the Index to have made net-zero commitments binding under national law. Political will is a critical factor, but this commitment does not correlate with our relative delivery capability across the five highest-emitting sectors. Here we come 14th, behind Australia which had no official net-zero target at the time of the report.

#### **AGRIBUSINESS**

Our overall Index ranking was driven primarily by our agricultural sector's readiness, with a comparatively high number of clean tech companies and low levels of food loss. Initiatives like 'He Waka Eke Noa' are positioning New Zealand to be a global leader in this space, but even in this sector there is considerable work to be done to counter the methane emissions of the dairy industry. In the other four high-emissions sectors evaluated, we do not rank in the top five.

#### **TRANSPORT**

New Zealand was placed at 23 out of 25 for our transport sector. This may not come as a surprise to those who know that transport makes up 47% of New Zealand's carbon dioxide emissions and is our fastest growing source of greenhouse gas emissions. But work is in motion to reduce our emissions, albeit with tension between the pace of change needed and the time needed for New Zealanders and organisations to make significant, long-term changes in how they get around. It's a challenge New Zealand can't shy away from.

#### **THE ROAD FORWARD**

Net zero is both ambitious and essential.

**“There is certainly cause to celebrate this progress and our efforts so far, but there is a balance to be struck. A balance that allows Kiwis to acknowledge the achievements of the last decade but does not encourage us to take our foot off the gas (metaphorically).”**

It requires transformational change across every industry, sector and business. Setting the target is the first step and needs to be followed by detailed plans and support mechanisms from government. Mandatory business reporting, the power of the financial markets, public support for climate action and collaboration at all levels are other key ingredients that we must harness to reach the finish line.

The Government's delayed Emissions Reduction Plan, due in just a few months, must outline targets alongside the pathways to reach them. In the last year alone, we have seen floods across the country. Record temperatures are almost the norm. There is no doubt that this is an emergency – 76% of New Zealanders don't feel that business is doing enough to reduce its environmental impact.

New Zealanders now must hold each other accountable but, more importantly, support each other in this transformation. I'm optimistic that organisations are committed, innovative and likely to succeed in transitioning us to a net-zero future.

What they need is capital, energy and other infrastructure, sensible policy, and strategic support from every facet of the economy. Organisations need to have honest, meaningful conversations about their impact in order to move towards a sustainable, resilient and inclusive Aotearoa.

Understanding the impact of climate is critical for our director community. That's why KPMG is a Chapter Zero New Zealand foundation partner, supporting them to do just that. We are drawing on our expertise to measure new metrics, develop new reports that look beyond pure financials, architect roadmaps to carbon neutral operations, and undertake reforms that put New Zealand's environment and communities at the centre. If you would like to speak to our team about your organisation's impact, no matter where you are in the journey, please get in touch. **BQ**







# Missing Link

Why directors need a Treaty-first approach to climate change.

AUTHOR:  
**MELANIE DRUMMOND,**  
FREELANCE WRITER

**R**ing-fencing governance issues might work for the boardroom agenda, but director and Environmental Planner Tina Porou (Ngāti Porou, Ngāti Tūwharetoa, Ngāti Rakaipaaka, Ngai Tāmanuhiri) says today's siloed view of climate change is missing something crucial – iwi Māori.

“We have to make sure we’re having an equitable conversation about climate change, firstly about how it will impact our lands and also how it will affect the social inequities in our communities,” says Porou.

“We see a growing gap already between Tangata Whenua and Tangata Tiriti, and climate change will increase that gap and create more division between how our people live. It is all connected.”

Porou, a recipient of an MNZM for services to Māori and the environment, holds board positions on the Lake Taupo Forest Trust, Ngāti Porou Forests, Tawapata Incorporation and is the founder of Poipoia – a Ngāti Porou company of iwi specialists in resource and environmental management.

## HEAVIEST BLOW

Porou says iwi Māori stand to be dealt the heaviest blow by the impacts of climate change and the losses are already gathering momentum, particularly for coastal-based iwi.

Rising sea levels and erosion threaten marae and urupā (burial grounds) on the coasts around New Zealand. Porou has seen the devastating reality that her hapū is experiencing in the small community of



Whareponga where their urupā has been impacted by accelerated erosion.

“Whānau now have to consider how to best manage these impacts, having wānanga with impacted whānau and determining the most culturally appropriate way to address the effect on both the living and those who have passed on,” says Porou.

“It’s a very immediate issue for Iwi Māori and it’s important to give it context, particularly for those who may live in urban areas where they may not see it so directly. We have a lot of communities that are living right in these spaces and feeling the impacts daily.”

As well as threatening sites of deep cultural and spiritual significance, climate change continues to wage war on biodiversity and with it, taonga species of native birds, plants and animals that hold profound importance for iwi.

“What I’ve seen is a real enthusiasm by non-Māori for concepts like kaitiakitanga but often no real deeper commitment to be allies or create partnership approaches that centre Māori rather than taking the concept and using it in their own environments.”

#### SPIRITUAL CONNECTION

Understanding the spiritual connection of Māori to the natural environment comes back to the creation story of Ranginui, the sky father, and Papatūānuku, the earth mother. Born of the union between Rangi and Papa are their children, the gods of the natural world, among them Tāwhirimātea (god of weather), Tāne Mahuta (god of the forests and birds) and Tangaroa (god of the sea, lakes, rivers and fish).

“If I go back to the basics of our relationship with the natural world, it is to whakapapa. As a result of the union between Ranginui and Papatūānuku they had multiple children. Those children are important progenitors of the natural world. We as humans came from those children – we are family,” says Porou.

“Rather than the neo-liberalism view of being apart from the environment, we are of the environment and that changes



“It’s about demonstrating you understand Aotearoa/New Zealand’s history and the importance and impact of colonisation and decolonisation. And that you really understand the socio-economic context of iwi Māori communities and how your business impacts those relationships.”

the entire way we are required to make decisions around the management of our natural taonga. Our relationship with the environment is that we are one and the same.”

It is that familial bond that has created a set of responsibilities that has been passed down through generations for thousands of years. These obligations for Iwi Māori are defined through their role as kaitiaki (carer, protector, guardian) of the natural world.

“Kaitiakitanga is an important concept and framework through which to view climate change and it is seen as a clear role and responsibility which iwi and hapū take seriously. They participate fully in that role in terms of advocacy and protection of the natural environment,” says Porou.

Kaitiaki and kaitiakitanga are concepts many non-Māori organisations have also claimed in recent years. You don’t have to look far to find a Kiwi business proud to be ‘kaitiaki’ for their little corner of Aotearoa.

#### APPRECIATION OR APPROPRIATION

Porou cautions that while the concept is no doubt compelling for businesses, particularly those promoting their sustainability values, there is a fine line between cultural appreciation and appropriation.

“My concerns are that you can’t cherry-pick concepts out of te ao Māori without deeply understanding where they come from. As we know, you can’t have kaitiakitanga without mana, without tapu, without mauri. They’re all interconnected. You must also have whakapapa to be a kaitiaki,” says Porou.

“What I’ve seen is a real enthusiasm by non-Māori for concepts like kaitiakitanga but often no real deeper commitment to be allies or create partnership approaches

that centre Māori rather than taking the concept and using it in their own environments.

“When organisations who haven’t done the work take those concepts, they become flat, one-dimensional marketing terms rather than deep values that are solutions to our environmental problems.”

So where to for Tangata Tiriti looking to navigate their Treaty responsibilities to Māori and the environment? Porou challenges New Zealand businesses to stop looking for a quick fix and to put in real investment from the get-go.

“It’s taken us 180 years to get here. It’s not going to take a one-day Treaty workshop to fix it. There are myriad solutions to the problem, but what it really comes down to is long-term investment, great advice and good relationships,” Porou says.

“I think partnering with really good Māori in this space is the right place to start. There are some brilliant Māori firms who focus on supporting the next generation of New Zealand Aotearoa – businesses like Te Kaa and Precious Clark in Auckland.”

Porou suggests it’s less about a single solution and more about building a programme of work over decades.

“Start by doing your own work, educating yourselves on the history of Aotearoa and then say, ‘OK, how can I be a good ally and an honourable Treaty partner?’

“It’s about demonstrating you understand Aotearoa/New Zealand’s history and the importance and impact of colonisation and decolonisation. And that you really understand the socio-economic context of iwi Māori communities and how your business impacts those relationships.” **BQ**

*To find out more go to*  
**[www.poipoia.co.nz](http://www.poipoia.co.nz)**

# Prioritising people and prosperity

AUTHOR:  
**NOEL PRENTICE,**  
FREELANCE WRITER

Dame Rosanne Meo has been a trailblazer in business and boardrooms. She is the chair of Briscoes, but sits on fewer boards these days. After a tumultuous two years as New Zealand battled covid-19, she says people's well-being and economic prosperity must be our highest priorities.

**F**or nearly two years, New Zealand closed itself off from the rest of the world and perhaps naively thought the battle against covid-19 was being won, says Dame Rosanne Meo.

Most New Zealanders felt a sense of protection in 2020, as if we had "arms around us", thanks to government leadership, Meo says. A surprisingly resilient economy also contributed to this feeling of security.

But some sectors suffered greatly, particularly those in tourism and hospitality which have been at the core of much of New Zealand's growth in recent years. The impact created by the sharp contraction of migrant workers cannot be overlooked either, says Meo, and the impact on so many New Zealand families.

There is ample evidence that the worst affected have been our low income families and the few gains in social and economic development made in recent years have been lost again.





“On reflection, New Zealanders developed a sense of righteousness as to our resilience compared to the rest of the world.

“But the inevitable happened and in line with the rest of the world covid-19 eventually wore us down. We are now facing the worst of Omicron, six months to a year after the experiences of leading global economies and our key trading partners.

“Harshly, for us, our Omicron onslaught has hit us at the same time as the rapid deterioration of financial markets, rampant global inflation and escalation of political tension, particularly in Europe, at a level unprecedented since the worst of the Cold War.”

The global admiration that had been so visible in 2020 and 2021 quickly evaporated, she says, with New Zealanders feeling a lot more fragile, facing societal issues and a volatile economy.

“This has been particularly demonstrated by the emotional response to border closures and openings and the perception of policy delays, such as in the implementation of testing.

While we are “celebrating” historically low unemployment, the flip side is desperate shortages hugely impacted by covid-19, she says.

“And while it is easy to blame Government policies and the lack of initiatives in the sector, none of us as responsible New Zealanders can ignore these conditions.

“I have always believed that one of our greatest strengths as New Zealanders is a sense of social responsibility and from my perspective this has never been in greater need. You can spend so much energy criticising and looking back as to

what ‘should have been done and when, and by whom’.

“It is also important to keep reminding ourselves that the issues we are facing are not unique to New Zealand.”

Meo cites a recent McKinsey article (“Three keys to a resilient post-pandemic recovery”) emphasising “that the global economy has demonstrated remarkable resilience through the covid pandemic and has bounced back faster than expected . . . economic momentum remains strong but globally nations and organisations are encountering crosscurrents in supply chains, workforce availability and inflation”. It also points out that the pandemic response comes in the context of the worsening climate crisis and rising economic inequality.

This reminds us that “our recovery is still not assured” and “this is without the increasing pressure of Russia’s aggressive and escalating onslaught”, she says.

“But it rightly points out that to gain success the emphasis must now shift from defensive and short-term goals to a sustainable and inclusive growth agenda.”

Meo asks the questions herself about “our responsibility as members of the business community in New Zealand. And what are we doing as directors?”

“Market volatility, inflationary pressures, supply chain issues and shortages in the labour market are unlikely to go away any time soon,” she says.

“It’s important for us as directors when sitting around the board table that we focus on our business and on our economic and people issues, as opposed to how much time we spend speculating on the external environment.”

“Harshly, for us, our Omicron onslaught has hit us at the same time as the rapid deterioration of financial markets, rampant global inflation and escalation of political tension, particularly in Europe, at a level unprecedented since the worst of the Cold War.”

“Stringently reviewing risks must be a more frequent exercise and I suspect that if your risk strategy hasn’t changed in the last six months, you may not be looking hard enough. The same applies to strategy; it must be continuously evolving.”

“In a recent article, Sir John Tulse reminded us that a director’s fundamental role hasn’t changed in the pandemic but it has increasingly put the spotlight on the importance of good governance. I also like the way he emphasised the importance of the relationship between the CEO and the chair and the importance of respect for our executives.

“The pressure on executives and right through to the front line has probably never been tougher. Caring for and supporting our people could not be a higher priority.”

Meo says companies and their directors need to be closely assessing their risks and prioritising them.

“Stringently reviewing risks must be a more frequent exercise and I suspect that if your risk strategy hasn’t changed in the last six months, you may not be looking hard enough. The same applies to strategy; it must be continuously evolving.

“There are no quick solutions at a time like this and it reinforces that we must, as directors, grab the opportunity to make ourselves more effective under these pressures.

“In another recent *Boardroom* article, emphasis was on the need for a strong and effective board culture that is characterised by the strength of the relationship between directors and management.

“It said inclusion, respect and enabling contribution have never been more critical. A sense of collegiality is critical at a time like this and there’s no room for arrogance or high-handedness.”

However, she stresses this must always be balanced with delineation in the roles of the board and management.

Employee well-being is high on her agenda and she is encouraged by the acknowledgment and increased societal emphasis in the past couple of years.

“New Zealand’s levels of youth suicide and the abuse of women and children is a disgrace, but at last we seem to be looking more closely and admitting our poor traditional responses.

“Yes, we have such a long journey ahead but at least we are talking about the issues and well-being is now being acknowledged and addressed as a critical employee issue, not just health and safety.

“Similarly, the recent acknowledgement in New Zealand of our low productivity is to be applauded and many of the initiatives being implemented are exciting.

“We are at a critical phase as to how we should go forward. Don’t waste energy berating what should have been done but look forward. This is not to suggest we should ignore the past but that we learn from it.”

Referencing the McKinsey article again, Meo highlights three key points she believes should be promoted:

- Public and private sector leaders need to take a broad view of the resilience agenda
- Strategies and structures have to be designed for flexibility and speed
- Beyond building resilience in business and the economy, public and private leaders must also build societal resilience

“Intensity and volatility are the new norms and our best chance of success is being astute, being ready to ride the wave,” she says. “But undoubtedly our highest priority must be the well-being of all New Zealanders.” BQ

# Race of our lives

“You’re either going to be a leader or a laggard, but you’re going to be in the race,” says Julie Baddeley, the chair of the UK arm of Chapter Zero. Being involved in the governance response to the biggest threat to our existence was an easy decision for Dame Therese Walsh CMinstD, who will lead the Steering Committee helping drive the New Zealand chapter. The quest is for directors to take ownership of climate change and drive businesses to transition to a strong, climate resilient and net-zero economy. Dame Therese wears many hats, chief among them being the chair of Air New Zealand and ASB Bank. The Institute of Directors, which is hosting the New Zealand arm of the initiative, Chapter Zero New Zealand, talks to Dame Therese.

AUTHOR:  
**NOEL PRENTICE,**  
FREELANCE WRITER





**WHAT IS CHAPTER ZERO NEW ZEALAND AND WHY SHOULD DIRECTORS BE INTERESTED IN IT?**

Climate change is the topic everyone is talking about and New Zealand directors have identified climate as one of their top governance concerns for several years. But now is the time for action and the IoD recognised that being part of the Climate Governance Initiative (CGI) and hosting Chapter Zero New Zealand is a crucial step to support directors through this challenge. The CGI is a global network of directors in collaboration with the World Economic Forum and has a presence now in over 30 countries. It is important for New Zealand to add itself to the list and utilise the power of this global movement to drive change. Chapter Zero focuses specifically on addressing climate change at the governance level. The objective is to bring us all together as a director community so we can mobilise, learn and equip ourselves with information and best-practice tools, so we can do our job properly.

**HOW HAS BOARDROOM AWARENESS OF CLIMATE ISSUES CHANGED OVER THE PAST DECADE – AND WHAT ARE THE PRESSING CLIMATE ISSUES FOR 2022?**

In the past decade, awareness of climate issues has evolved significantly. Ten years ago, there were a few targeted conversations around climate change, mostly among those with subject matter expertise, but it wasn't a broad strategic issue that every director concerned themselves with. It didn't make every board agenda by any stretch of the imagination. But now, of course, the topic is up in lights. We are all talking about it and thinking about it, and trying to incorporate it into our strategies and risk frameworks.

“Covid-19 has given companies a taste of how disruptive some of these macro risks can be - those risks that you do not spend a lot of time on in the boardroom and don't always get a lot of attention.”

There are greater expectations from customers, stakeholders and regulators, and obligations to govern for the benefit of future generations. Now that we have a groundswell of engagement in the issue, it is important for directors to start taking action in their companies. And with covid-19, you have an example of how a previously unintrusive risk can dominate our companies and the economy. Companies will be looking at many things in 2022, from climate-related disclosures, sustainable procurement, sustainable finance and how they adapt and transition into new business models that are climate efficient. In a way, it is a race because those that maximise the opportunities and make the required adjustments to their business model will absolutely have an advantage in terms of their organisation's success. We already know that important parts of New Zealand's economy, such as agriculture and tourism, are significantly impacted by climate change. As a country we are grappling with land use, how resources are allocated while figuring out which industries will pivot into new business models and seize the opportunity. There are lots of innovations coming through, but there is still a long way to go. And there are lots of discussions going on about future industries that New Zealand will be targeting or be known for – perhaps the same ones we have today but different technologies? Directors have got to be hungry for information, techniques and approaches to give us the ability to be able to govern successfully in this new world. And that is where Chapter Zero NZ can support.

**HOW HAS THE PANDEMIC IMPACTED BOARD DISCUSSIONS OF CLIMATE CHANGE?**

Covid-19 has given companies a taste of how disruptive some of these macro risks can be – those risks that you don't spend a lot of time on in the boardroom and don't always get a lot

“This year, the new mandatory Climate Related Disclosures will be front of mind for many directors in New Zealand. There are governance implications for this reporting which will apply from 2023 and directors need to understand what is required.”

of attention. It has made us think even more clearly about climate change and the disruptive impact it could have on our economy. It's provided us with an illustration of how wide-ranging these impacts can be and the systemic consequences that can unfold.

The pandemic surprised us; climate change is no surprise. Covid has given us a warning shot about how we need to be prepared but also highlighted the benefits of a collaborative response. This means board discussions are inevitably more focused around collaboration and leadership for our country, our communities and our stakeholders – contributing to the greater good as well as your own company's success. There are exciting opportunities to work together and share best practice on this challenge, whether it's at a sector level or economy level. I think this is the lens the pandemic has brought to our board tables.

**IN PRACTICAL TERMS, WHAT QUESTIONS SHOULD KIWI DIRECTORS ASK WHEN THE TOPIC OF CLIMATE ACTION COMES UP THIS YEAR? AND WHERE CAN THEY LOOK FOR ANSWERS?**

This is the area where Chapter Zero NZ is going to try to assist and where it should come into its own. In terms of action on climate, firstly chairs and directors need to be driving conversations on sustainability and prioritising them on board agendas, because if we don't they just won't get enough air time. The second thing is that we need to be more educated about the topic. It's all very well to understand the risk exists and the crux of the issue, but we need to further understand what we can do and what we should be doing to address it. Equipping ourselves with knowledge is really important. This means research, discussions, upskilling and keeping up to date. It is also important to access practical tools, resources and training

to help guide boards through these conversations.

This year, the new mandatory Climate Related Disclosures will be front of mind for many directors in New Zealand. There are governance implications for this reporting which will apply from 2023 and directors need to understand what is required. Given New Zealand will be the first in the world to introduce this mandatory reporting, Chapter Zero NZ will be a great source of information about the new standards - but specifically focused through a governance lens, providing directors with relevant information that will support them in their governance activities.

**WHY DID YOU TAKE ON THIS ROLE?**

I want to know more. I want to learn and I want to be part of it. I believe this is something positive and something helpful. The two organisations I chair have very different climate challenges. I'm the chair of Air New Zealand and when we fly, we burn fossil fuels which puts us at the forefront of this issue. So it is crucial we focus on a sustainable business model for the future. We need to answer the question at the board table – what does the future of aviation look like? For example, high on the agenda is disruption, electric aircraft and sustainable aviation fuels. If I take ASB Bank, it is working to reduce its own climate footprint. But it also plays a role to support the business customers it finances, who themselves are having to deal with the impacts of climate change. There is a real responsibility to be engaged on that topic with our customers. So I see the risk in very different ways in different organisations, but always as a key issue. It wasn't a difficult decision for me to get involved in Chapter Zero NZ and I am looking forward to seeing the community of directors grow around this challenge. **BQ**

# Disrupting ourselves: climate action and opportunity

AUTHOR:  
**NIKI BEZZANT**,  
FREELANCE  
JOURNALIST

**Minister of Climate Change James Shaw believes this existential issue represents both risk and huge potential for businesses in New Zealand.**

**J**ames Shaw reckons the days of the old business argument – climate versus profit – are well and truly gone.

As Minister of Climate Change, he admits he is possibly in a bubble of progressive businesses. But, he says, “my sense is that the ground really has fundamentally shifted there”.

He points to the Climate Leaders Coalition as a sign business is seriously on-board for climate action.

“Those one hundred and five companies collectively represent something like 65% of New Zealand’s private sector emissions profile, which is colossal. And, I think, it’s very hopeful because it means you’ve actually got quite a small number of companies to engage with... get some collective action there and you’re going to see a tremendous shift.”

Part of the future-focused shift to embedding climate action into business is understanding not only what needs to be done for mitigation of climate change,





but also looking at what is needed for adaptation.

Shaw says businesses are making good progress on mitigation: reducing emissions and trying to slow or stop climate change.

“That’s a good thing, in the sense that the best defence is a good offence. So reducing emissions and getting down to zero has got to be the top priority.”

But, he believes, adaptation – developing resilience to the effects of climate change that are already being felt and which will only escalate – needs to be given equal focus.

“The business community in New Zealand, I think, is much further ahead on mitigation than adaptation.

“Frankly, partially [government] has induced that because that’s where we’ve been focused as well.”

#### TIME TO ADAPT

Things are changing though. In August, the country’s first Adaptation Plan will be published.

And Shaw adds that before the end of this Parliamentary term, an Adaptation Act will be introduced.

Though both are future focused, the activities of adaptation and mitigation are fundamentally different, explains Shaw, “although you want to try to optimise across both”.

“Mitigation is: how do I reduce my pollution? That means switching my vehicle fleet over to EVs, or it means changing my plan or my industrial processes or inventing new products and services. And there’s some amazing stuff going on. We’re actually getting to a point where we are starting to see real innovation. And that is great because that’s where you start to see the opportunity and the upside, rather than just risk and cost.”

“The single greatest risk is missed opportunity. Yes, you can and should look at [climate change] through a risk lens. One of the primary responsibilities of a board is to manage the risk register...”

With adaptation, “you are mostly managing risk, but you’re also choosing where to put your investments”.

Shaw cites Westpac as an example of a company that addressed this early, publishing its Climate Risk Report in 2020, detailing its exposure to climate-related financial risk and the need to manage it. The report identified that between 2% and 3% of the bank’s residential, commercial and agricultural mortgage lending portfolios were potentially subject to heightened risk from coastal erosion and flooding as a result of rising sea levels.

“That’s a fairly small percentage,” Shaw says. “But when you add it up in monetary terms... it’s a very, very big number. And so you can imagine their board is interested because it’s a material risk.”

When it comes to adaptation strategies that boards need to consider, he says it is “hugely industry specific”. Different industries obviously face different climate-related risks they need to manage, whether it’s risky investments as in the case of Westpac, or businesses with high emission profiles, such as some manufacturers.

#### OPPORTUNITY KNOCKS

Boards should not let a focus on risk management blind them to opportunity, though.

“The single greatest risk is missed opportunity,” Shaw emphasises. “Yes, you can and should look at [climate change] through a risk lens. One of the primary responsibilities of a board is to manage the risk register. But I think a lot of boards can – whether it’s climate or any other category – focus overly on risk and not enough on opportunity.

“I think there may be many, many companies in New Zealand with a sort of existing status-quo business. And if the board’s thinking too much about how do we preserve or protect that status quo, then that may actually cause them more

harm than good. If you're just looking at how do we defend what we've got, then you're not thinking about disruption and what comes after what you currently offer."

Shaw says he suspects industrial designers have a great future "because virtually everything that we currently have needs to be redesigned. So, that's really your innovation cycle and your R&D piece. That does look different based on what industry you're in".

Shaw says that while climate change can't be viewed solely through a reporting lens, it does have to be part of the picture.

"One of my first jobs was at PricewaterhouseCoopers, where I think the first thing that I was taught was what gets measured, gets managed. I do think that good reporting enables all of the other things to happen. It's very difficult to have a more strategic view if you don't have any data about your status quo or about what's going on in the market or what's coming up – or about climate change.

"If all you do is reporting, that's hopeless – and probably negligent. So I take the point that you need to get beyond that, but I think you've got to start with that. Because you can't really have a coherent strategic conversation without it."

#### BE THE DISRUPTOR

Climate action is a "technical filter", Shaw says, for board members to apply to their decisions, in the same way as other governance considerations.

"It can help you to see things that you might not otherwise see. Was it Steve Jobs who said, we want to disrupt ourselves? We don't want to be disrupted by somebody else. We want to disrupt our own product lines rather than have somebody else do it to us.

"I think that applies to climate change. It is a massive disruptor. But there are tremendous rewards in being the disruptor rather than the disrptee. So if you're in a business that's likely to be a disrptee, how do you flip and become a disruptor?"

**“Was it Steve Jobs who said, we want to disrupt ourselves? We don’t want to be disrupted by somebody else. We want to disrupt our own product lines rather than have somebody else do it to us. I think that applies to climate change. It is a massive disruptor.”**

Future-focused conversation for business involves thinking about the world we're moving into and asking some big strategic questions, Shaw reckons.

"Ultimately... there will be things 10 years in the future, or 30 years, that are familiar and also things that are alien. And we can look back to 30 years ago and there will have been things that seemed both alien and familiar about the world we are in now.

"Thirty years ago... [we were told] this would be the smallest mobile phone you'd ever buy, and it probably had a wire to a suitcase attached to it. And it certainly didn't trade your share portfolio or point out where you can go to get a coffee.

"So to me the strategic question is: in a zero carbon world, where are we going to be living with the effects of climate change, what are the products and services that need to be in that world? And how do we get ahead of that curve and design them now? Based on what our current core competency is, how do we move from here to there?"

#### EVERYONE COUNTS

To business leaders who worry their climate action efforts will be too small to make a meaningful difference, Shaw points out that many small players can make a big difference collectively. As a country, New Zealand represents less than 1% of global emissions. But there are about 90 countries similar to ours.

"It's a very large number of very small countries, but our emissions profile collectively is a third of the global total. So small countries acting together can make a huge difference, because 30% is more than the US. It's more than China, more than India, more than Russia, more than the European Union. It's more than any of the bigger emitters by themselves.

"So everybody has a part to play and therefore every company also has a part to play." **BQ**

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# Work:Space



## What does your desk say about your working style?

**Logan Hanifin MInstD,**  
**GM Oceania Dairy**

Out of one of his office windows, Logan Hanifin can see a dairy farm. Out of the other, his company's dryer, silos and milk tanker reception area. The General Manager of Oceania Dairy's Glenavy plant in South Canterbury jokes it's an apt vista, covering opposite ends of the production cycle.

And on his desk sits a little green electric motor paperweight – an exact scale replica of the motors he worked on as an Etco (Electrical Training Company) apprentice.

“I used to pull these things apart and fix them,” he says.

“One of our key equipment suppliers here at Oceania is WEG, who produce electrical motors of every

size. A few years ago I visited their factory in Brazil as part of our supplier audit protocols, and I was given this paperweight motor.

“I keep it close to remind me where I've come from but also because these electric motors keep every part of our plant operating. Without them we wouldn't be producing infant formula or processing milk.

“The further up I've gone in the company the further away I am from equipment like these engines. This is a nice reminder of that journey.”

Logan never envisaged himself in his current role.

“In my mind, my career path was always going to be moving towards self-employment in the industrial, automation or electrical sectors.”

Instead, he now manages the \$400 million business, reporting

to the Inner Mongolia-based owners, Yili. He manages a team of more than 400 employees and contractors, and his responsibilities include safety, finance, production, sales and marketing.

He joined Oceania Dairy in 2016 as Maintenance and Services Manager after a successful secondment to the company as an electrician. He quickly rose through the ranks, being named Operations Manager in 2019 and General Manager in 2020.

Logan was recently named the South Canterbury recipient of the IoD's Canterbury Branch First Steps in Governance Award. The award programme provides opportunities for young professionals to gain governance experience in the not-for-profit sector. He will shortly begin a one-year governance internship with Venture Timaru.

# 10 thought-provoking stats from ASB's Trade Disruptions report

ASB's biannual *Trade Disruptions* report explores the impact of a global increase in online shopping alongside the impacts of covid-19 on production and trade – including factory slowdowns, constrained labour supply and pressure on the movement of goods domestically and internationally. The report aims to help business and industry better understand these changes and the drivers behind them so they may steer into challenges and weather the conditions.

GLOBAL TRADE GROWTH PUTS PRESSURE ON SHIPPING CAPACITY AND FREIGHT COSTS SOAR

3%

growth in global shipping capacity

10%

growth in global trade from 2020 levels

500%

rise in shipping costs between 2019 and 2021

OVERALL NZ EXPORT  
GROWTH IS POSITIVE,  
HOWEVER SOME SECTORS  
ARE FARING BETTER THAN  
OTHERS

---

8%

increase in whole milk powder  
volumes from 2019, compared to a  
9% drop in skim milk powder over  
the same period

---

6%

increase in overall Dairy volumes  
exported from 2019-2021

---

Apple export volumes down 10%  
on pre-COVID-19 levels

10%

between October 2019 and 2021

---

New Zealand annual export  
volumes expected to grow

7.9%

for the year to June 2022

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OVERALL NZ  
IMPORTS ARE UP  
2-5% FROM PRE-  
COVID-19 LEVELS

---

15%

of Kiwi firms report supply problems  
are affecting production

---

New Zealand year-to-date crude  
oil imports down

33%

in volume between October 2019  
and 2021

---

Car prices up

20%

on pre-covid-19 levels

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To read the  
full report,  
search 'Trade  
Disruptions' on  
[asb.co.nz](https://www.asb.co.nz)

*ASB conducted this research in  
late 2021 and we note that NZ  
trade has shifted further since.  
We will provide an updated  
report in June 2022.*



# Covid-19 will soon be endemic

What might the future look like as we learn to live with the virus?

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**W**e have experienced many bumps in the road since 2020 and one would have to be extremely brave to predict what the pandemic may throw at us next.

But in terms of the endgame, many experts believe covid-19 will eventually become an endemic disease. However, what this actually means is a source of considerable confusion.

One of the main reasons for this is a misunderstanding of endemicity itself, and what covid-19 being an endemic disease might actually look like in the real world.

Let's break it down.

## WHAT DOES EPIDEMIC ACTUALLY MEAN?

A disease is either epidemic or endemic.

The most straightforward explanation of an epidemic disease is that it's one in which the number of cases in the community is unusually large or unexpected. When this occurs, it signals a need for public health action to bring disease transmission under control.

In the case of a pandemic – a worldwide epidemic – this occurs on a much larger scale. Depending on the infectiousness and severity of the disease, it can represent a global public health emergency, as we've seen with covid-19.

Photo by:  
Markus Spiske on Unsplash



When you have the emergence of a completely new virus like SARS-CoV-2 [which causes covid-19] that has the potential to cause severe illness while also being highly transmissible, the lack of any immunity among the population results in the drivers for disease spread being incredibly strong.

A disease being epidemic indicates there's an imbalance between these drivers of disease spread and the factors limiting spread in the community. In short, it means the drivers for disease spread overpower the factors limiting spread.

As such, the disease spreads like a raging bushfire. It's explosive and hard to bring under control once it has seeded.

#### FROM EPIDEMIC TO ENDEMIC

However, over time, the underlying forces driving an epidemic alter.

As immunity begins to increase across the population – ideally in a controlled way by vaccination, but also by natural infection – the pathogen starts to run out of fuel and its ability to transmit falls.

Pathogens can include a variety of microorganisms, such as viruses, bacteria and parasites. In this case, let's assume we're talking about a virus.

On top of immunity, we can also reduce a virus' ability to spread by behaviour changes, such as limiting contact with others, mask wearing and improved hand hygiene.

In addition to lowering the virus' ability to transmit, immunity also reduces its ability to cause disease, meaning fewer people become really sick or die.

And finally, if we are lucky, over longer periods of time the virus may also evolve to become intrinsically less severe.

“If we are lucky, over longer periods of time the virus may also evolve to become intrinsically less severe. The net result is we move from an imbalance in terms of the forces driving disease to a more steady state of equilibrium.”

The net result of this is we move from an imbalance in terms of the forces driving disease to a more steady state of equilibrium. Instead of explosive and unpredictable disease spread, we reach a point where the presence of circulating disease represents a lower threat to the community than it did at the beginning of an epidemic.

Transmission becomes more predictable, but not necessarily constant – we may still see some waves, especially seasonally. But these are expected and manageable.

In short, we start to live alongside the virus.

This is what we mean by an endemic disease. Examples of endemic diseases include the common cold, influenza and HIV/Aids.

#### NEW WEAPONS

To aid us in our transition to this next stage of the pandemic we will, thankfully, be able to draw on many new weapons which are in the pipeline.

This includes next-generation vaccines that will be more effective against the latest variants, or universal vaccines that cover all variants. We expect new vaccines will also be better at controlling transmission.

We'll also have ever-improving treatments and better infection prevention and control engineered for specific environments.

The big question, of course, is when will this transition to endemicity happen? Many experts believe huge strides will be made along this path in 2022. **BQ**

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# Larry Fink's shell game

**BlackRock CEO Larry Fink's version of stakeholder capitalism is based on conceptual sleight of hand. To achieve meaningful change, the gap between stakeholders and shareholders must be closed to give stakeholders a real stake in the economy's operations.**

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Photo by:  
Klim Musalimov on  
Unsplash

**B**lackRock Chairman and CEO Larry Fink's latest annual letter has taken the business world by storm.

BlackRock is the world's largest asset manager and Fink, addressing the CEOs of the companies whose assets his firm manages on behalf of investors, took the opportunity to advocate a more ecologically sustainable, socially conscious, forward-looking form of capitalism rooted in stakeholder rather than shareholder value.

Fink's exhortation seems like a welcome break from orthodox dogma. But if his vision is supposed to be "woke", it is not nearly woke enough.

We've heard all this before, including in Fink's own 2018 and 2019 letters, and in the ballyhooed 2019 Business Roundtable statement that Fink helped spearhead. But far too little has changed, largely because the vision expressed by Fink and other corporate leaders stops short of the radical reforms needed to transform capitalism in the interests of people and the planet.

Fink's version of stakeholder capitalism is based on conceptual sleight of hand. After all, his support for stakeholders is conditional on a secure profit pipeline



for shareholders, which means that shareholder value remains the bottom line.

Stakeholder value becomes merely a means to an end – to benefit shareholders in the long run. It is thus a betrayal of stakeholder capitalism’s true intent: to create value for public benefit.

Consider climate change. Fink celebrates progress in dollar terms, stating that sustainable investments have reached US\$4 trillion. Yet the aim should not just be to invest trillions more in sustainable development; rather, those trillions should be coordinated democratically, by stakeholders, to support ambitious missions like global decarbonisation.

A carbon-neutral economy is what would maximise the benefits for all stakeholders.

#### **GIVE STAKEHOLDERS A STAKE**

For missions to motivate action, generate momentum and inject purpose into the economy, the gap between stakeholders and shareholders must be closed. In practice, that means empowering stakeholders. Workers, citizens, trade unions, community groups, state institutions, and NGOs must have strong financial and political stakes in the

capitalist economy’s operations.

Such a paradigm shift begins with recognising the inherently collective process by which value is created in the first place. Value is co-created by producers and consumers, workers and managers, inventors and administrators, and regulators and investors. It does not simply spring from the heads of heroic entrepreneurs, risk-taking venture capitalists and corporate leaders. It is the result of organisational and institutional configurations that enable all these actors to work together.

Whether in technology, pharmaceuticals, or energy, the big innovations that have produced value for corporate shareholders are more often than not the result of public investment.

For example, most of the innovations driving today’s pharmaceutical revolution were financed by high-risk, early-stage investments from organisations like the US National Institutes of Health, which invests more than US\$40 billion per year across the United States.

Similarly, without public investments, the information technology revolution

“Ultimately, true stakeholder capitalism calls for a new social contract – backed by a new global economic consensus – that puts public value before private profit, and that fosters the ‘ecosystem’ of value creation.”



would not have happened when it did. As I argued in *The Entrepreneurial State*, from the internet and GPS, to touch screens and the technology underpinning Siri, everything that makes our phones “smart” resulted from strategic public investments.

No one doubts that private-sector innovation was also important, especially in the downstream phase of commercialisation. The question is why the private sector has received all the recognition and reward?

Why do drug prices not reflect the original public contribution (even when the government reserves “march-in” rights that require pharmaceutical companies to license their products)? Why are intellectual property rights so strong as to inhibit knowledge sharing?

#### **THE RIGHT BALANCE?**

Part of the answer is that the compact between the private and public sectors – stipulating everything from legal proprietorship to privacy – is excessively weighted in favour of business. Moreover, the same companies that have benefited from publicly funded innovations now plow millions of dollars into lobbying for regressive regulations and tax policies, all to support their bottom lines.

Countering this undue influence will require ambitious new regulations to enhance corporate accountability and transparency, starting with reforming the 10-K disclosure rules [in the US] that have allowed big tech companies to conceal their operations.

But the state isn’t the only stakeholder in the value co-creation process. Workers, too, are major contributors, and you don’t need to be a Marxist to see that labour (and nature) create at least as much value as the owners of the means of production do.

Ultimately, true stakeholder capitalism calls for a new social contract – backed by a new global economic consensus – that puts public value before private profit, and that fosters the “ecosystem” of value creation. In this vein, music producer Brian Eno attributes musical creation not

**“No one doubts that private-sector innovation was also important, especially in the downstream phase of commercialisation. The question is why the private sector has received all the recognition and reward?”**

to genius but to “scenius”: the communal scenes that connect, sustain and inspire individual creators.

The same is true throughout the economy. A healthy ecosystem implies competition between firms, but it also depends on cooperation. A flourishing ecosystem requires the public, private and third sectors to work together in mutual partnership to nurture innovation and the growth of new enterprises.

#### **LESSONS FROM COVID-19**

The covid-19 pandemic provided two examples of pervasive threats to ecosystem health.

The first was vaccine development and production. The six vaccine frontrunners received an estimated US\$12b of public money. That makes the vaccines a public good, but they haven’t been treated like one. Under stakeholder capitalism, pharmaceutical production would strike a fairer balance between public and private risks and rewards, and it would be geared toward providing global access.

The second example was the distribution of pandemic recovery funds. Stronger conditionalities needed to be tied to the bailout funds that many governments provided to companies; and looking ahead, public subsidies must start requiring beneficiaries to reduce their greenhouse gas emissions.

For all the attention it has received, Fink’s vision of stakeholder capitalism focuses far too narrowly on intra-organisational corporate governance. In failing to address the wider landscape of extra-organisational, institutional relations between different domains and sectors of society, Fink maintains the traditionally stark distinction between stakeholders and shareholders.

Consider the results: BlackRock is the fifth-largest shareholder in Fox News at a time when that network’s on-air personalities are openly striving to undermine American democracy and the rule of law, seemingly forgetting that US capitalism is premised on both. Which shareholders have a stake in that? **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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# The key to keeping cyber talent

Amid the waves of covid-19 and talent shortages, cyber governance can provide the steer.

AUTHOR:  
**HILARY WALTON,**  
CISO AT KORDIA

**W**ith a recent survey reporting that around 48% of employees will be searching for new jobs in New Zealand, the already concerning skill shortage around experienced cybersecurity and technical professionals has only been amplified.

Losing too many key people in these areas has overt consequences – it can impact operations, weaken your security posture and delay key projects.

Longer term, this can have a detrimental effect on your brand, reputation and your customers, particularly if you suffer a breach at an inopportune moment and struggle to resolve it in a timely manner.

What is clear is that employee expectations are shifting and organisations need to evolve their operations to meet these needs.

## ASSET MANAGEMENT

Business leaders are realising that they must make a shift to retain their cybersecurity talent.

Security teams are exhausted. After two years of managing covid-19-

induced crises, securing new perimeters and providing rigour around data and tools newly shifted to the cloud, it's not a stretch for them to look to greener pastures if they feel that the organisation isn't recognising the importance of their work.

The key to retaining talent and securing your organisation is making sure your technical and security teams are well supported with a well-defined cybersecurity strategy, championed by the board.

## FOCUS ON SECURITY GOVERNANCE

Combined with other pressures generated by the current business environment, it's more critical than ever that boards ensure their organisation's cybersecurity is on track to provide the right outcomes. A slip in security governance has the potential to create wide-ranging damage, amplified by staffing pressures.

Governance of cybersecurity needs to come into sharp focus, particularly as businesses become largely digital entities.

You may not view your organisation as a "technology" company, but with

Photo by:  
Wolfgang Hasselmann  
on Unsplash



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BY KORDIA

most businesses shifting infrastructure and data to cloud environments, it's imperative that this mindset changes and all businesses start viewing themselves as technology-driven entities.

All boards should have some understanding of cybersecurity, but it's important to define this differently from technology. Certainly, a director with technology expertise is likely to have a decent knowledge of security concepts, but with technology becoming an all-encompassing banner for so many parts of the business, it's unlikely that cybersecurity will receive the focus it deserves if lumped under this umbrella.

Security governance is much more than understanding the technical components of your security policies – it is about having visibility of risk and assurance.

As employees in technical teams shift, it becomes more important than ever to have a cybersecurity vision that guides the decision-making process across the entire organisation. Integrating cybersecurity into all areas of the business and building cyber risk into your holistic risk management approach is key to making sure all bases are covered.

Furthermore, oversight of the allocation of resources will be an influential component of a cybersecurity programme, especially if teams are struggling when recruiting the right talent. Setting up a structure that defines cybersecurity roles and responsibilities will help define this.

#### **A POTENTIAL BLIND SPOT**

Most businesses rely on third parties to manage or automate certain processes and operations, or even store data and tools for them in the cloud. This means the same rigour needs to apply across your partners and suppliers when it comes to cybersecurity. A vendor that doesn't uphold a robust security posture presents a serious risk.

For malicious hackers, the supplier ecosystem is an attractive target as a single attack can result in multiple victims. That's why it's critical to ensure the partners you trust are properly vetted

“For malicious hackers, the supplier ecosystem is an attractive target as a single attack can result in multiple victims. That's why it's critical to ensure the partners you trust are properly vetted and provide evidence of security measures put into place to mitigate risk.”

and provide evidence of security measures put into place to mitigate risk.

Further to that, the board should ensure the organisation has mapped out where data, apps and other critical touchpoints intersect with your vendors, so you have an accurate view of what your third-party supplier risk looks like.

#### **PRACTICE MAKES PERFECT**

For many organisations, facing a serious cyberattack is like entering a storm – in the chaos you may lose access to your systems, your communication tools may be down, and you may find yourself struggling to notify employees and customers of what's happening.

This is where your incident response plan comes into play. It's important to make sure that it actually works for your organisation before you need to use it.

So much good improvement comes from putting the theoretical into practice. I highly recommend organisations take the time to practise their incident response plan, even if it's simply a tabletop exercise. Like public speaking, rehearsing your response breeds muscle memory for people and secures buy-in from the wider organisation.

This is particularly relevant if your team has changed shape, lost key people, or has gained new employees. It's critical that your key players can work together during a crisis. Walking through the decisions you'll need to make, and playing out conversations between technology teams, executives and the board in advance is a good way to test your plans.

While we may not have a crystal ball to determine exactly what the threat landscape will look like, to maintain the best defensive position directors must engage more heavily in security governance.

A solid strategy, with clearly understood risk, as well as defined roles and responsibilities, will ensure your teams are well supported and put your organisation on course to tackle any rough seas ahead. **BQ**



# Three questions directors should ask about net-zero transition

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Public and large private companies are increasingly under pressure to publicly disclose their plans to transition to net-zero carbon emissions. US Securities and Exchange Commission (SEC) chair Gary Gensler has asked agency staff to submit a proposal for mandatory climate-risk disclosures for SEC consideration by the end of this year.

**B**usiness as usual is no longer tenable. Global greenhouse gas emissions must be halved by 2030 to meet the Paris Agreement and Biden administration goal of reaching net-zero emissions by 2050 – yet carbon emissions are still rising.

Corporate momentum on net-zero initiatives is building. More than one-fifth of the world's largest corporations have pledged to reach net-zero carbon emissions by 2050. Organisations such as the Glasgow Financial Alliance for Net Zero, made up of more than 300 financial institutions responsible for approximately US\$90 trillion in assets, are setting science-based targets for 2025 and 2030 to mobilise finance at scale.

Companies that are among the first to figure out how to transition to a low-carbon economy will not only benefit from lower capital costs. They will also build competitive advantages that are hard to challenge: capturing new value as sectors reshape, progressing along steep experience curves, deepening customer relationships as they partner to solve for the whole value chain, and innovating their business systems.

By contrast, those organisations caught unprepared will not only risk contributing to a climate disaster – they will also risk falling behind better-equipped rivals through more expensive financing, lagging know-how, declining demand for non-decarbonised products,

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Jordan on Unsplash



exclusion from new value systems, and damaged reputations.

So, as boards take stock of increasingly apparent climate risks, every director should raise questions that probe if their management teams are preparing for both the risks and opportunities on the way to a net-zero world. Based on our recent research, here are three questions that can help:

**1** Is the company climate-resilient? Risk to the company should not be the only perspective, though it is essential to provide continuity of service and to understand where innovating processes and products can lead to new opportunities and lower risk. On the physical side, while companies may already have insurance against extreme weather events, they may not be protected against future cost increases of that insurance as weather risks increase: operationally committed to their properties, companies may find themselves protected against weather risk but not climate risk. On the transition side, directors need to ask management to present their plans for transitioning to a net-zero economy and the risks those plans entail.

**What Directors should do:** Confirm the company has people with the right skills to determine if the business is climate-resilient in both physical and transition risk. Probe if the team is making adequate climate-related disclosures to stakeholders. Verify that the management team is examining a wide range of transition scenarios. Consider: beyond the business itself, whom is the company relying on, and how well are they prepared for a low-carbon economy?

**2** Is the business designed for maximum impact in a net-zero economy? To get to a net-zero world, companies need to engineer emissions out of their entire business systems, including their supply chains and customers' use of their products. Reaching this goal may involve embracing opportunities for new scope in adjacent spaces and new ways of establishing strategic control of the value chain. Opportunities for profitability – and value – are shifting as businesses that are currently low margin become

strategically valuable once revamped for a low-carbon future. Pressure to repurpose scrap material for another life, for example, could transform the waste and scrap industry while increasing costs for the businesses depending on it.

**What Directors should do:** Ask management if they are analysing where value will migrate in their industry within a net-zero world – and if the company is prioritising the right space. Is the team examining its entire value chain for new opportunities? Is it looking just at its own transition – or at the business opportunities of helping its customers with theirs?

**3** Does the company have the support required for its plans? To reach net zero by 2050, every company will require investors, banks, suppliers, customers, employees, and policymakers to support its transition to a less carbon-emitting business. To persuade a wide range of stakeholders to back their plans, management teams need to select and track trusted emissions metrics aligned with the progress they are targeting in order to tell their stories. Metrics that recognise the dynamics of transition, such as those measuring carbon intensity or implied temperature rise, may prove more useful than focusing only on absolute emissions.

**What Directors should do:** Make sure management chooses metrics that support the path they have chosen, from the set of metrics recommended by the Task Force on Climate-related Financial Disclosures (TCFD). Multiple bodies and standard-setters, from the G20 Finance Ministers and Central Bank Governors to the International Financial Reporting Standards Foundation, have made statements in support of the TCFD framework as a shared international framework.

It is natural, and necessary, for the board to approach climate change with a risk mindset. But also applying an impact mindset can help ensure that the business can embrace the opportunities of the transition and establish a strong and defensible position on the path to net zero, in terms of both climate and financial impact. **BQ**

“Opportunities for profitability – and value – are shifting as businesses that are currently low margin become strategically valuable once revamped for a low-carbon future.”



# IQ vs EQ in the boardroom

Two IoD members debate the value of intelligence and emotion, and how to find a balance.

AUTHOR:  
**SONIA YEE,**  
IoD SENIOR ADVISOR,  
COMMUNICATIONS

**I**n moments of crisis, are we likely to value someone who can communicate calmly and clearly, and read the levels of stress in a room? Or will we feel more comfortable guided by a leader armed with facts and figures, even if they lack the people skills to communicate effectively?

These questions and more come into play when we think about the value of IQ (intelligence quotient) versus EQ (emotional quotient). But in terms of boardroom dynamics, which is more important?

Two IoD members from opposite sides of the argument share their views.

## THE EMOTIONAL ONE

Colin Baskin (CMInstD) is an independent supply chain consultant who has previously held governance roles in primary sector joint ventures throughout New Zealand, Australia and South America.

For the debate, he was tasked to sit on the side of EQ.

“In order to deliver superior governance performance, well-developed EQ is

essential, particularly when operating in environments where language and cultural diversity contribute to boardroom make-up,” Baskin says.

While he acknowledges the benefits associated with high IQ, this does not necessarily equate to capability, he says, adding that, in times of high emotional stress, having people in the room with a high EQ enables a better understanding and helps to build strong relationships and diffuse conflict.

“I think the most important thing is boardroom alignment and that means that board members are able to effectively connect to each other. That translates right through the organisation,” he says.

EQ is a measure of the ability to relate to others, manage relationships and communicate effectively.

In Baskin’s experience, a high EQ is most effective in difficult times when the situation is emotionally charged. He feels covid-19 has also tested the EQ level in many organisations.

“I was fortunate to be involved with

an extremely caring organisation that immediately and effectively engaged with staff and stakeholders to communicate the 'facts' and roll out well-planned response protocols," he says.

With so many unknowns, followed by a national lockdown, urgent plans were put in place for staff to work from home, which added to increased levels of anxiety.

He says the organisation was able to alleviate this anxiety by disseminating frequent, meaningful and comprehensive communication, which eliminated confusion and allayed fears. If a worker feels they are understood, listened to and cared for, it has a significant impact on their well-being, he says. As a result, worker engagement translates into improved loyalty and performance.

"Individual circumstances were genuinely considered, particularly for anyone who identified as vulnerable," Baskin says.

In addition, the organisation also sent out monthly care packages to the staff. He says this united everyone and sent a clear message emphasising the importance of individual care and supporting others.

Those with high levels of emotional intelligence create cohesion, Baskin says, which is a necessity for effective governance and inclusiveness. For example, a good chair will bring an understanding of individual personalities to the boardroom and ensure discussion is balanced, rather than dominated by stronger personalities.

"EQ is required to fully understand what is really going on and achieve effective decision-making," he says.

#### **THE CLEVER ONE**

Clare Swallow (MInstD) works as a consultant in design thinking and is based in the Bay of Plenty. In the debate, she sat on the side of IQ, which posed some immediate challenges. In Swallow's mind, the balance of EQ and IQ is the most important.

"There are a lot of smart people in the world, but I do think we have a very narrow definition of IQ," she says.

**"There are a lot of smart people in the world, but I do think we have a very narrow definition of IQ. There is a universally accepted definition and an accompanying test. But what if we expand IQ out into the ability to learn and relearn?"**

"There is a universally accepted definition and an accompanying test. But what if we expand IQ out into the ability to learn and relearn?"

Swallow believes this is one of the most important skills in the boardroom today. She says in a leadership role someone with a lower IQ but a really high EQ would out-perform someone who might have been hired on the basis of their high IQ.

"Leading people is about empathy and connection," says Swallow. If that sounds like she is undercutting her side of the debate, perhaps she is. But, she stresses, IQ remains incredibly valuable.

Swallow says there is value in having individuals at the table who are curious and connected to what is happening in the world around them. In turn, they are better equipped to analyse information and can see where the organisation should go.

But there is no reason for boards to solely rely on skillsets associated with IQ, such as legal and financial expertise, which has historically been the case.

"From a board perspective, we think we have to have that at the table. Of course, there is a base level of capability required. You have to know how to read financial information. But we are able to pull in more specialist expertise in times when we need it.

"I think in the past we've been guilty of going out to market and saying we need an accountant or a lawyer, and those skillsets are not the only things we should be looking for.

"Instead, we should be saying: Can you ask great questions? Can you go out and empathise with other people? Some of this is hard to find or test for in traditional recruitment processes so we don't know how to look for it."

Swallow believes EQ lays the foundation for more innovation.

"When we're more connected, we're more likely to be creative and courageous because we trust each other." **BQ**



# It's not about raising the numbers

Two IoD members share their perspectives on diversity and ethnicity in the boardroom.

AUTHOR:  
**SONIA YEE**,  
IoD SENIOR ADVISOR,  
COMMUNICATIONS

“There is a growing cohort of Pacific New Zealand leaders who are questioning, and rightly so, the intentions of boards seeking diversity,” says Auckland-based Tiumalu Peter Fa’afiu (MInstD).

Fa’afiu sees a growing demand for the skills and talents of Pacific leaders, but says “seeking out diversity” is counterproductive and that individual contribution should always take priority. He is chair of Pacific Media Network (PMN), a UK-registered director of Amnesty International Limited, a non-executive director of CORE Education Limited and a board member on Monte Cecilia Community Housing Trust.

He believes people should be appointed on the basis of their knowledge and understanding of a director’s duties, rather than being given a seat at the table on the basis of their ethnicity.

Born in Samoa, Fa’afiu arrived in New Zealand with his family when he was five years old and says his lived experience and accumulated knowledge has contributed to his contributions in various governance roles.

His was a traditional route to the boardroom, climbing the ladder from management to GM roles to eventually becoming a CEO. He now owns a consulting business and believes bringing your strengths to the table is what matters most.

When asked whether the framework for governance in New Zealand needs to change and become more inclusive, Fa’afiu believes it is already happening and that organisations that haven’t adapted will be left behind.

“A board’s main focus is sustainability



or the kaitiakitanga of the organisation and its relationship with the customer, client and community. If those relationships change then, naturally, your structures change,” he says.

For those keen to introduce the topic of diversity and change to the boardroom, timing is everything. Fa’afu says organisations need to become more inclusive at board level before they reach a crisis in order to increase their resilience in the face of change. Trying to implement new ideas can be much more difficult and less effective with other issues taking top priority.

### **CARRYING THE WEIGHT OF MULTIPLE ETHNICITIES**

By day, Vanisa Dhiru (MInstD) is the community manager of Internet New Zealand, a not-for-profit organisation that manages the “.nz” internet domain. During her down time, you’ll find her sitting across seven boards, including the Spark Foundation, the Victoria School of Government and Business Advisory Board, the Lotteries Board for Wellington-Wairarapa, and the New Zealand Commission for Unesco.

An advocate for equity and human rights, Dhiru’s path to governance began when she was in her twenties.

After finishing university she was looking for ways to give back to the community and entered governance through the YWCA.

For Dhiru, the concept of diversity can encompass many different aspects from a person’s background – including working across different sectors or industries – to having a different ethnic background, being a woman, or having networks that span a wide range of people.

“It can also come from being born and brought up in Manawatu... those things create and mould the way that you think. So it’s built into your conscious and your unconscious thinking,” she says.

Dhiru, who is New Zealand-born Indian, says when the topic of diversity pops up in the boardroom, it isn’t uncommon for all eyes to turn to her.

“You do carry the weight of multiple ethnicities,” she says.

“A board’s main focus is sustainability or the kaitiakitanga of the organisation and its relationship with the customer, client and community. If those relationships change then, naturally, your structures change.”

### **DIVERSITY MEANS EVERYONE**

Dhiru says board members need to make their own contribution to the discussion, rather than relying on one person.

She feels that, sometimes, her ethnic background makes people feel she is a diversity expert.

“It’s unfair if that’s what you’re there to do, in some instances. You’ve got to bring your whole self and if your whole self comes with different ethnicities or diversity markers, that’s what you bring.”

However, she feels quotas are a valid approach and can help bridge the diversity gap.

“I think quotas are actually really helpful in this time and age... my hope is we will be in a space where we don’t need those quotas going forward. But in order to break some of the unconscious bias that we’re seeing across lots of boards, quotas will help build some of that diversity up front [and] quickly.”

With New Zealand’s changing demographics and the continuous challenges brought about by covid-19, she says building diversity on boards quickly is a challenge.

Cultural barriers also impede the process. Dhiru says those from diverse backgrounds who are struggling to land their first board role come out feeling like they’re “not good enough at the moment” or they lack the understanding of what a governance CV should look like.

Another obstacle is the accessibility and visibility of opportunities. She recommends prospective directors attend events where they can meet with other directors.

“[Especially] where people feel a bit more comfortable to ask questions to those of us that may come from a different ethnicity or background and are in governance roles,” she says.

“We’ve got a diverse group of people trying to get into board roles and diverse reasons for not getting them,” Dhiru says. **BQ**

# Did you know...?

## **MIND THE GAP**

Almost 50 large employers were on board when the world-first Pay Gap Registry was launched in New Zealand on International Women's Day.

Employers report their gender pay gaps on the voluntary registry, with some also including their pay gaps in Māori and Pasifika. Businesses signing on for the launch of [mindthegap.nz](http://mindthegap.nz) included publicly listed companies, and came from the banking, insurance, electricity, infrastructure and professional services sectors.

Information captured and displayed on the registry includes a company's name, board chair, CEO, whether they are reporting their pay gaps, as well as a link to the organisation's reports.

Supported by the Clare Foundation, the registry will be updated monthly. Businesses can register on the website.

## **FROM ZERO TO HERO**

More than 750 registrations were received for the official launch of Chapter Zero New Zealand in early March. The IoD, which has joined the global Climate Governance Initiative (CGI), is hosting the New Zealand chapter.

CGI was launched in 2019 in collaboration with the World Economic Forum (WEF) and operates through a global network of chapters. It is founded on the WEF Principles of Effective Climate Governance, designed to raise awareness and increase board-level understanding to manage, mitigate and report on the risks and opportunities of climate change.

Chapter Zero New Zealand will work to mobilise, connect, educate and equip directors to effectively govern New Zealand organisations on the response to climate change and drive the global goal to achieve net-zero carbon emissions by 2050.

The initiative will also support directors to navigate new legislation to report on the impacts of climate change; and directors of non-mandated companies and organisations who can lead by incorporating best-practice reporting and decision-making into their climate change response.

## ENSURE YOU’VE THE RIGHT INSURANCE

A host of local and global contributing factors are having an effect on the cost of Directors & Officers (D&O) liability insurance, a new report has found.

Influences such as the impact of increased community expectations, regulatory requirements and the need for greater transparency around culture and wider environmental performance continue to affect the New Zealand market.

*D&O insurance – a rising sea of change* was published by the IoD, Dentons Kensington Swan and Marsh NZ.

The report highlights that the NZ D&O insurance market will be impacted by an increasing number of factors, including the increasing global focus on environmental, social and governance (ESG) matters, increased regulatory obligations and responding to the impact of covid-19.

The report found climate reporting, and broader sustainability reporting, is increasingly considered standard business practice and this puts new pressures – and potential liabilities – on directors.

The full report can be found and downloaded from our website, [iod.org.nz](http://iod.org.nz)

## BORDERS BLUR IN UKRAINE CONFLCIT

New Zealand’s National Cyber Security Centre (NCSC) has issued an advisory encouraging our nationally significant organisations to consider and strengthen their cyber security readiness in response to the Russian invasion of Ukraine.

According to analysts from Kordia’s Cyber Security division, New Zealand is not immune to global cyber threats, despite our geographic isolation.

“The digital risk associated with the conflict could have implications for countries like ours. This could look like cyber-attacks on Ukrainian targets, which subsequently spill over onto global networks, or attacks on supply chains that could disrupt any businesses that have touchpoints with Ukraine.

“Similarly, if countries who support Ukraine’s sovereignty implement sanctions on Russia, there is a risk of retaliatory cyber-attacks and related market disruptions.”

The NCSC recommends “nationally significant organisations consider their security posture, exercise readiness and monitor for relevant cybersecurity developments”.

## FOUR PILLARS STRENGTHENED

*The Four Pillars of Governance Best Practice for New Zealand Directors* has been strengthened with new guidance on climate action, co-operatives, human capital and the future board, as well as updates to other sections.

The 2021 edition of the *Four Pillars* is available as a searchable online reference guide or pdf to IoD members free of charge at [iod.org.nz](http://iod.org.nz)

Printed copies are available at a small charge through our membership team, [membership@iod.org.nz](mailto:membership@iod.org.nz)

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**2 May**  
3pm – 5.30pm

**4 May**  
9am – 11am

**5 May**  
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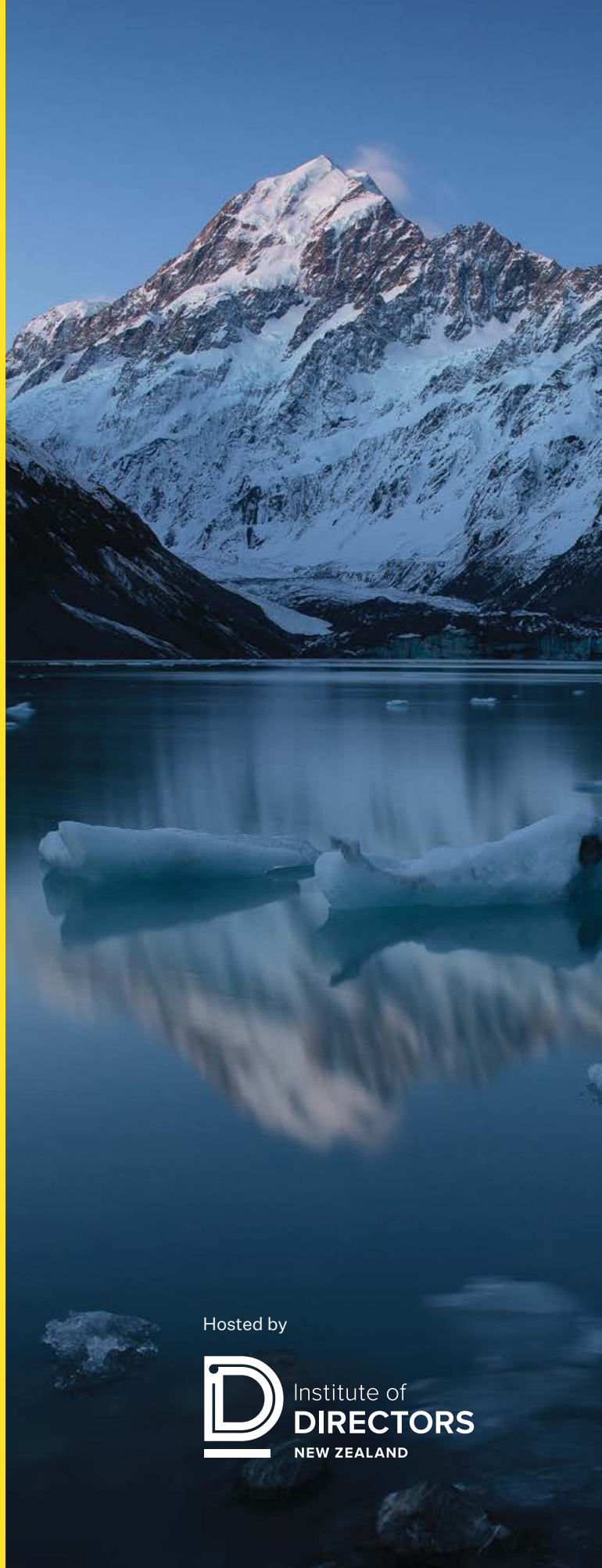
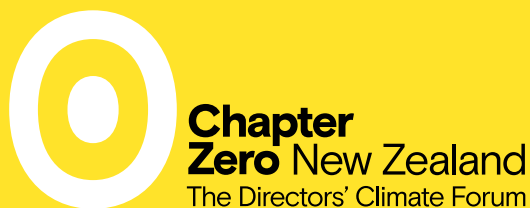
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