Director Sentiment Survey 2018

The Institute of Directors (IoD) with ASB has released its 2018 Director Sentiment Survey report. The survey takes the pulse of the director community in New Zealand.

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SURVEY INSIGHTS

Background

This is the fifth annual Director Sentiment Survey and the third in which the Institute of Directors (IoD) has partnered with ASB. Each year we take the pulse of the New Zealand governance community to identify issues and challenges that matter to IoD members.

The survey was conducted during late September and early October 2018 and we had our highest level of engagement to date from IoD members with 936 responses (respondents are referred to as directors throughout this report). We thank our members for their valuable contribution. The survey provides insight from a broad range of entities about what's top-of-mind for directors on business, economic and governance issues. This year we included a focus on strategic talent management, wellness and sexual harassment in the workplace.

Directors gloomy over the wider economic outlook but are still reasonably upbeat about their own organisational performance

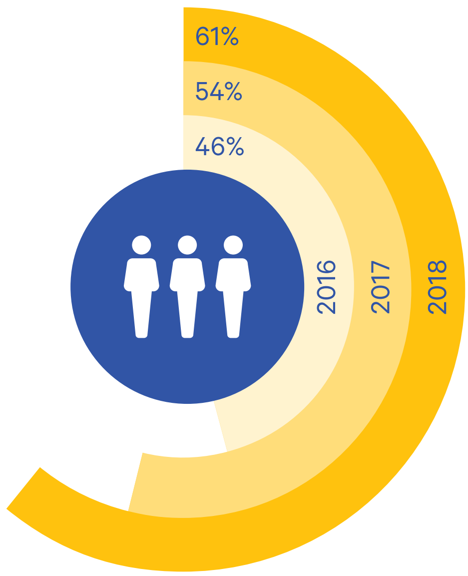
For the first time in the five-year history of the survey, a greater number of directors expect New Zealand's economic performance to deteriorate over the next 12 months than those who think the general economic environment will improve. In the 2018 survey, 43% of directors expect a decline in economy-wide performance (a record high) as opposed to just 17% of directors expecting New Zealand's economic performance to improve over the next year (a record low). The remaining 40% of directors expect unchanged economic performance, the lowest proportion since 2015.

Directors remained upbeat about prospects for their own organisations, with the divergence between views on the general economic outlook and their own businesses' activity a commonplace feature of business sentiment measures. However, with just 52% of directors expecting improved performance over the coming year, this was the weakest reading on record. Additionally, 37% of directors expect no change to organisational performance and 11% of all directors expect their organisational performance to decline, with both these responses at record highs.

Tight labour market remains a top barrier to national performance

The Future of Work and workforce capability are key issues for businesses across the globe. For the third year in a row, directors have identified a tight labour market as a top barrier to national performance with 61% of directors (up from 54% in 2017) identifying it so. Concerns about workforce skills and capability feature strongly in this year's survey with the largest proportion (28%) identifying it as the biggest risk facing their organisation.

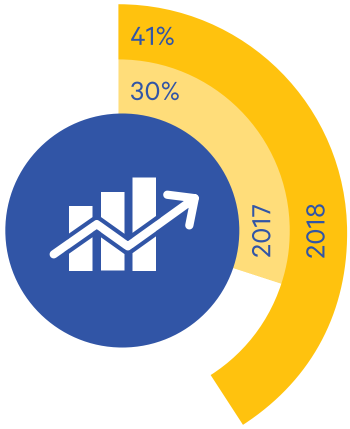
Boards have a key role in strategic talent management and 66% of directors said their boards had discussed the impact of technology, automation and / or artificial intelligence on their organisation, workforce and future skills needs in the last 12 months.



Key barriers for directors – regulatory red tape and compliance

Regulatory red tape is an increasing concern for directors with 16% (compared to 11% in 2017) citing it as the biggest risk facing their organisation, and 41% (compared to 30% in 2017) rating it as one of the biggest impediments to national economic performance.

Time spent on compliance activities continues to increase year-on-year for the majority of directors (71% in 2018). Balancing time on strategic and performance issues with compliance requirements is becoming increasingly challenging for many boards.



Workplace culture and wellness should be on the board agenda

Boards are tasked with the ultimate responsibility for organisational performance, culture and wellbeing. Over two years after the Health and Safety at Work Act 2015 came into force, the mental health and overall wellness of the workforce is getting increasing focus. We asked about these issues for the first time this year and found that 63% of boards have discussed workplace mental health issues. As focus continues to shift from hazards and safety risks to broader aspects of wellbeing this may increase.

With the rise of the #MeToo movement and significant media focus on sexual harassment in the workplace across the globe, boards need to be thinking about these and other forms of conduct risks. Thirty-nine percent of directors said their boards had discussed sexual harassment within the last 12 months. In addition, just under half (44%) of directors responded that their board has discussed whistleblowing and how they make speak-up provisions effective in the last year. Although still low, this is a welcome increase from 32% in 2017.

Directors split on mandatory versus voluntary reporting

This year we asked members their opinion on mandatory versus voluntary reporting for three key areas: privacy breaches, climate change and modern slavery. This was in response to greater stakeholder expectations for corporate transparency, and calls for more reporting on corporate activities and risks across a range of areas globally. While a majority of directors (69%) supported mandatory reporting for privacy breaches, more directors supported voluntary reporting on modern slavery (54%) and climate change (60%).

Climate change on the rise

Although only 29% (up from 26% in 2017) of boards were engaged and proactive on climate change, we expect this to increase in light of the release of the latest UN Intergovernmental Panel on Climate Change report, the introduction of a Zero Carbon Act and initiatives such as the Climate Leaders Coalition. However, only 40% of directors thought there should be mandatory climate change reporting.

Leading in a digital world – is your governance fit for the future?

As new technologies change the way we work, the way that organisations are led and governed is evolving. It is critical that organisations ensure they have the necessary capability to deliver future strategy. In this year's survey, we found that only 57% of directors think their board has the right capabilities to deal with increasing business complexity and risk, and only a third (33%) think their board is equipped with the right capability to lead their organisation's digital future. However, there has been a lift in the number of boards discussing management succession planning.

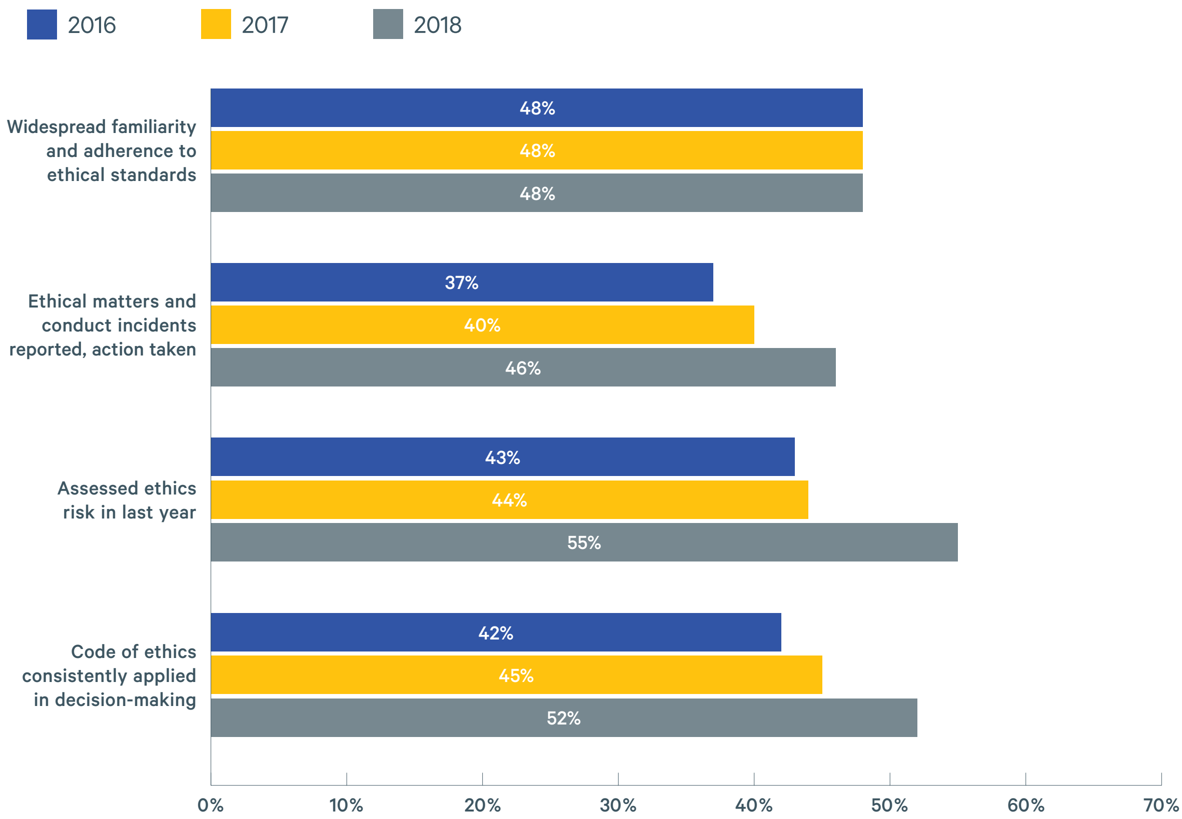
More boards discussing succession planning

Succession planning is critical for ensuring a balanced mix of skills, experience and diversity to achieve current and future strategic objectives. In this year's survey, we have seen that succession planning is an increasing concern for directors with 63% (up from 51% in 2017) of directors responding that their board regularly discuss CEO succession planning and 67% (up from 49% in 2017) discussing succession planning for other key staff.

Increased focus on ethical conduct needed

Boards have a key role in leading and overseeing ethical behaviour and conduct risk. Reports into bank conduct and culture in New Zealand and Australia have highlighted the need to improve the governance of conduct risk.

Although over the past three years we have seen a steady increase in the number of boards engaging in ethical conduct oversight (including management reporting to boards and assessing ethics risks) much work is still needed. It is critical that all boards monitor organisational culture and conduct.

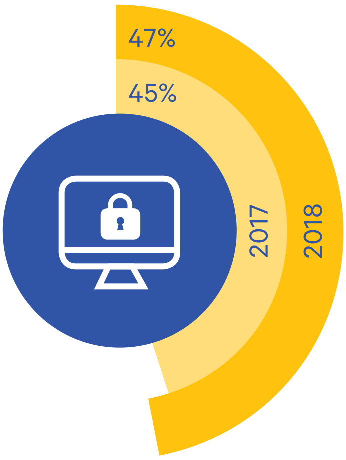


TRENDS IN REPORTING TO BOARDS

Comprehensive reporting from management to boards on risks, issues and performance is critical to the effectiveness of the board. As the business landscape has changed, we have seen a shift to more non-financial reporting and a broadened risk horizon that has led to an increased focus on risk reporting including on cyber-risk and privacy data breaches.

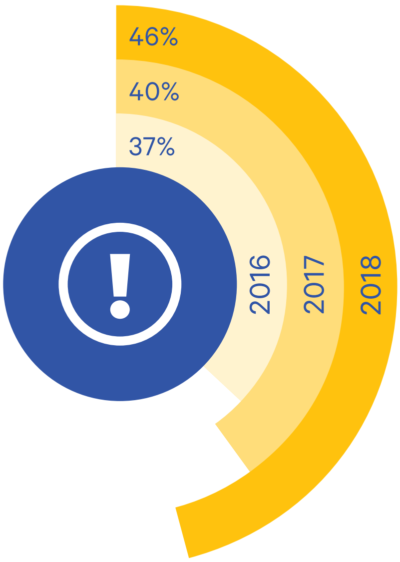
Data breach reporting

Despite an increased focus on the importance of data governance and data breach reporting globally, less than half of directors (47%) were sure that their board received comprehensive reporting from management about data risks and incidents. This is a marginal increase from 45% in 2017. With expected changes to privacy legislation in New Zealand that will make privacy breach reporting mandatory, it is critical that boards ensure that they are requesting comprehensive information about data breach risks and incidents.



Ethical conduct reporting

Boards set the tone for a healthy organisational culture and have a key role in leading and overseeing ethical behaviour and conduct risk. We have seen a steady year-on-year increase in the number of boards receiving comprehensive reporting from management about ethical matters and conduct incidents and taking action. This has increased from 37% in 2016 to 46% in 2018. Boards need to ensure that management provides comprehensive and timely advice on ethical matters and conduct risk to ensure they can properly manage and mitigate against conduct risk.



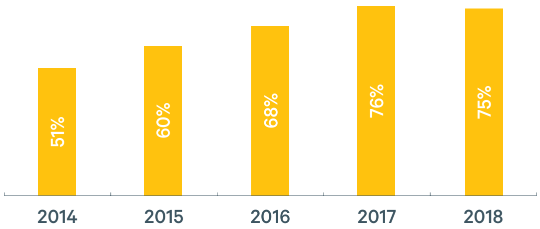
TRENDS IN BOARD CAPABILITY

Board capability and composition are major considerations for board effectiveness and performance. Boards need to be aware of the key skills and experience they require from directors now and for the future. In today's environment, the diversity of skills, experience and thinking around the board table needs to include digital know-how, the breadth of knowledge to deal with increased business complexity and risk, and a sound understanding of evolving health and safety obligations. We have tracked capability in these three areas in recent surveys to help focus the IoD's work in developing director capability, including through resources, courses and events.

Health and Safety capability

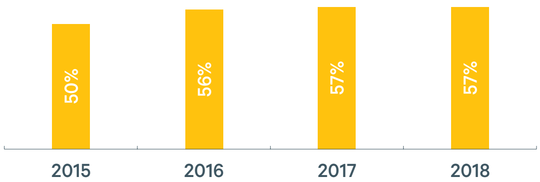
The proportion of boards that consider they have the capability to comply with obligations under the Health and Safety at Work Act 2015 improved year-on-year between 2014* and 2017, with a small drop in 2018. It's important that all boards maintain vigilance on health and safety.

In 2014 we asked a slightly different question while the health and safety bill was yet to come into legislation.



Business complexity and risk capability

Boards are operating in a complex and dynamic environment characterised by a fast rate of change. There has been little change over the past three years in the proportion of directors who consider that their board has the right capabilities to deal with increased business complexity and risk.



Digital capability

Developing digital capability on the board is critical in today's environment. While we have seen a slight increase this year after a drop in 2017, the number of boards that consider they have the right capability to lead their digital future has remained consistently low over the past three years hovering between 30 – 35%. It is critical that boards consider the digital leadership needs of their business.

SURVEY KEY FINDINGS

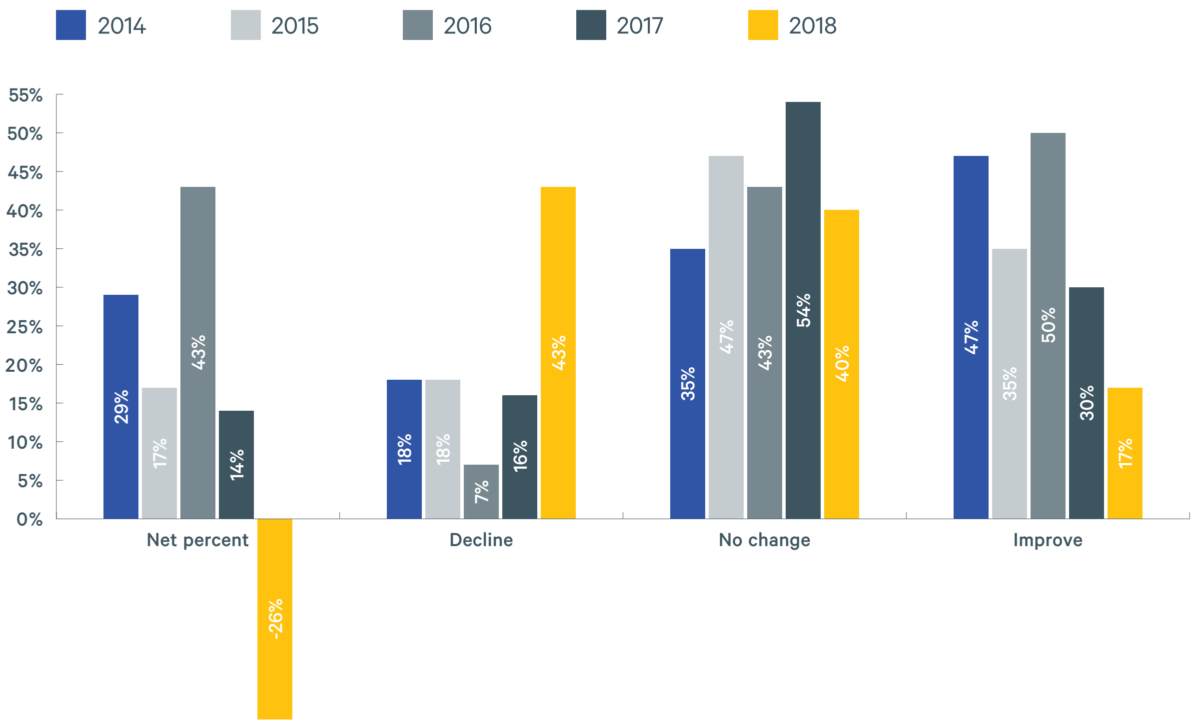
QUESTION 1:
How do you expect performance of the New Zealand economy to trend in the next 12 months?

In contrast to generally upbeat expectations for the New Zealand economy in previous surveys, the findings from the 2018 survey were quite gloomy. This is consistent with downbeat expectations evident in other published business surveys.

For the first time since we started surveying in 2014, more directors expect the performance of the New Zealand economy to weaken than to strengthen over the next 12 months. The proportion of directors expecting a decline in economic performance increased to 43% (from 16%), by far the highest in the five-year history of the survey. The proportion of directors expecting improved New Zealand economic performance fell to 17%, the lowest on record and well below the record 50% of directors expecting improved performance in the 2016 survey (30% in 2017).

The increase in pessimism over New Zealand's economic performance was widespread across organisational type and size. Pessimism was particularly marked for directors of small companies (less than 20 employees) and publicly listed organisations. For these two groups, more than half of directors expected a decline in economy-wide performance (51% and 56% respectively).

By contrast, the New Zealand economy has performed relatively well to date. New Zealand economic growth was 2.7% for the year ended June 2018 (compared to the previous year), with growth gradually slowing from the strong 4% pace in the June 2015 year. We remain constructive on the general economic outlook and expect growth to gradually strengthen. However, we are cognisant of (predominantly negative) global risks and are concerned over the risks to the domestic outlook posed by weak business sentiment.



**The net percentage is a summary measure which subtracts the percent of respondents expecting a decrease from the percent of respondents expecting an increase.*

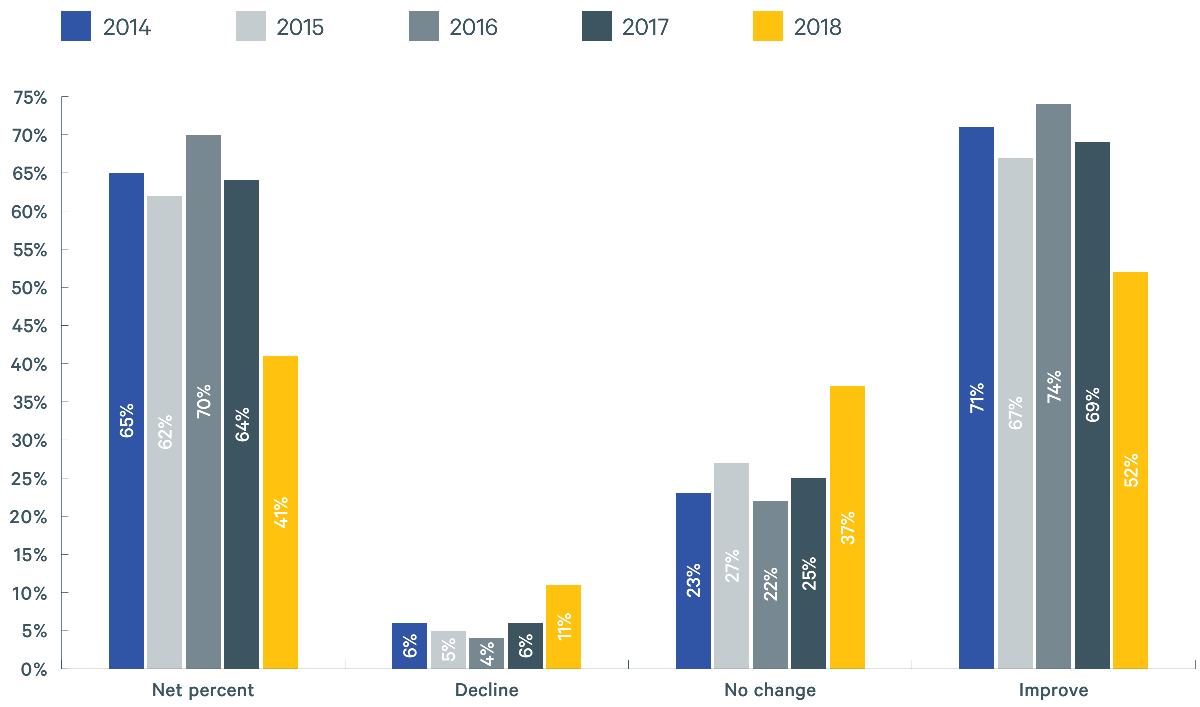
QUESTION 2:

How do you expect performance of your organisation to trend in the next 12 months?

Directors were relatively more upbeat over the outlook for their own organisation, with more than half of directors (52%) expecting organisational performance to improve. This result is consistent with the pattern in other business surveys. It may reflect the fact that directors generally feel they have a better understanding and control over the drivers of their own organisation's performance.

Nevertheless, this proportion of positive responses was the lowest in the history of the survey. This year, 37% of directors expect no change to organisational performance, a record high, as was the 11% of all directors expecting their organisational performance to decline.

Drilling down into the survey responses showed that directors of government organisations (45%) and publicly listed organisations (43%) tended to be the least upbeat over their own prospects to improve performance in the next 12 months. Directors from state-owned enterprises (60%), medium-to-large sized private companies (54%) and not-for-profit organisations (55%) tended to take a more positive view of their organisations' future performance. Directors of small organisations (those with less than 20 employees) were also slightly more upbeat than the survey average (53%).



**The net percentage is a summary measure which subtracts the percent of respondents expecting a decrease from the percent of respondents expect an increase.*

QUESTION 3:
Biggest impediments to national economic performance

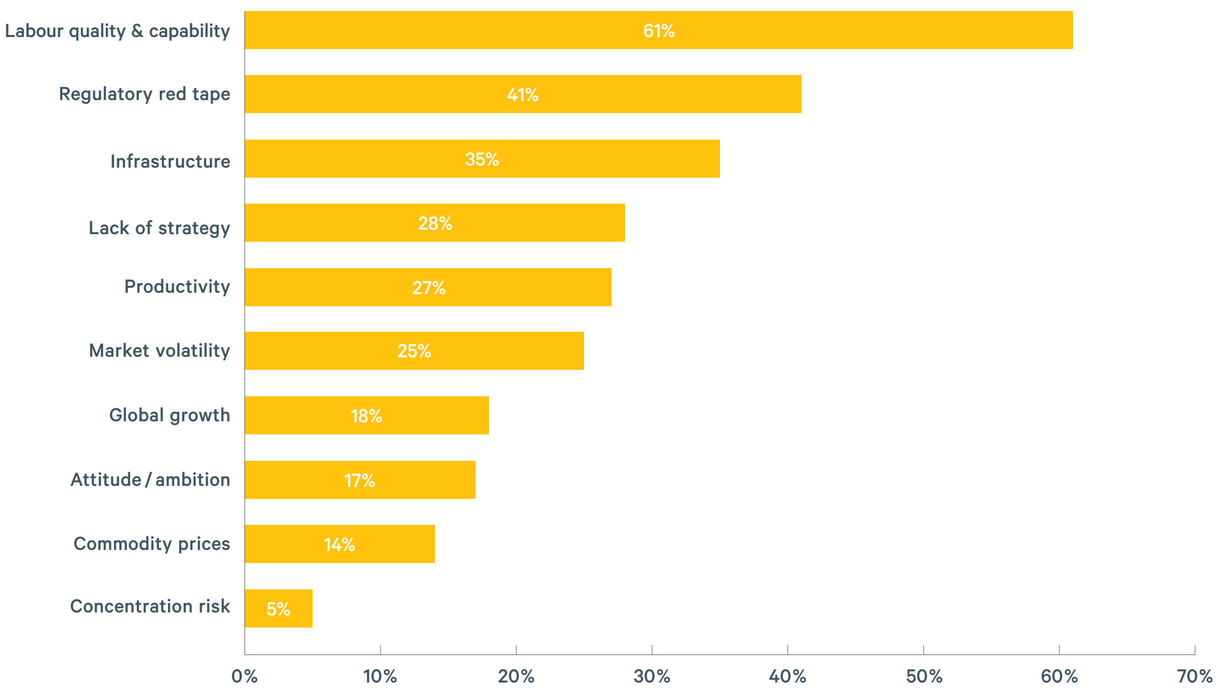
Once again, capacity-related factors scored strongly in this year's survey. In the survey, 61% of directors cited labour quality and capability as one of the three major impediments to general economic performance. As the economic expansion has matured, the labour force has tightened significantly and firms have found it increasingly difficult to find the "right" person for the job. The change in government and proposed changes to industrial relations and environmental policies have likely contributed to concerns over regulatory red tape becoming more prominent (highlighted by 41% of directors compared to 30% in 2017). Concerns over infrastructure (35%) rounded off the top three impediments, with widespread capacity constraints hampering the growth potential of the economy.

Directors were also worried about leadership, with 28% of directors concerned about lack of strategy. Low productivity has traditionally been a major structural weakness in the New Zealand economy, and 27% of directors from this year's survey highlighted it as one of their top three concerns.

This year's survey saw directors increasingly highlight global growth (18% versus 16% in 2017), but this remained considerably below the 32% cited in the 2016 survey. Increasing trade tensions, higher oil prices and risks in emerging markets have seen market volatility (25%) and commodity prices (14%) also cited as bigger impediments relative to the 2017 survey, but again these balances were milder than the 2016 survey. Only 5% of directors were concerned about concentration risk, which reflects the widespread number of supports to the New Zealand economy.

Sector snapshot:

- More directors of small organisations identified market volatility (32%) as an impediment than infrastructure (29%).
- More than one-third of directors of government organisations, of publicly listed organisations and of state-owned enterprises viewed (low) productivity as one of the biggest impediments.



**Consistent with last year respondents were asked to select up to 3 of 10 options.*

QUESTION 4:
Single biggest risk facing organisations

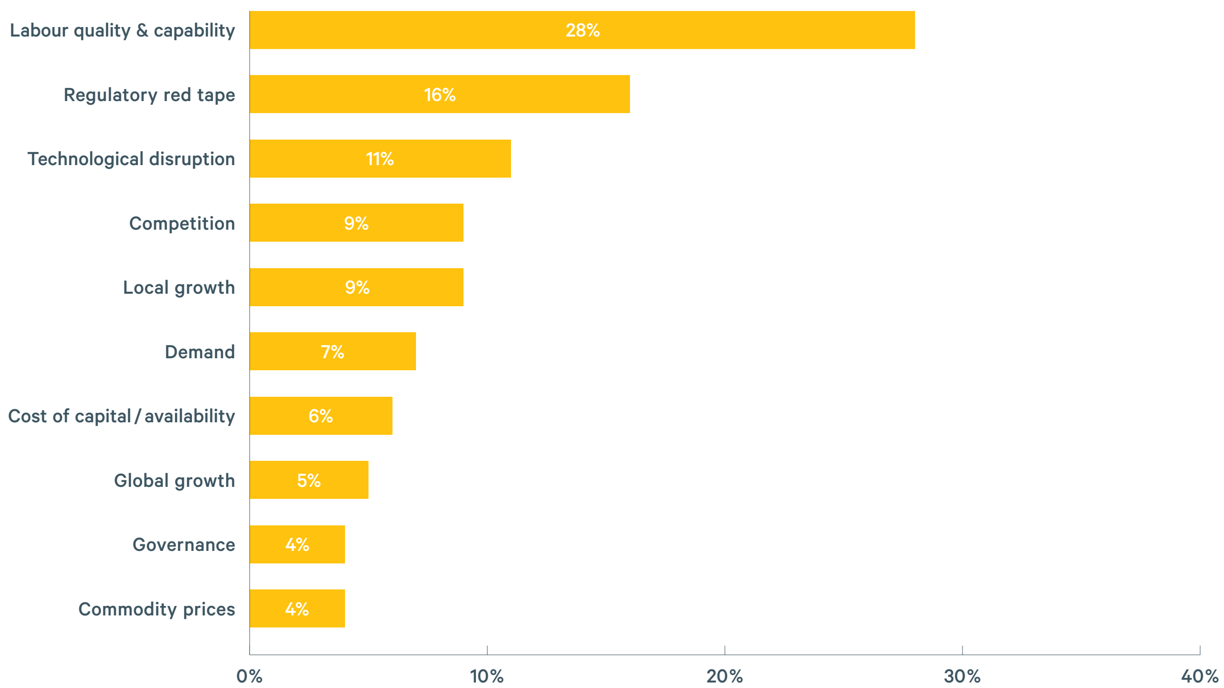
Labour quality and capability again topped the list for directors when asked about the biggest risk facing their own organisation (28%). As the expansion has matured, capacity constraints have become more widespread, with firms finding it difficult to attract and retain employees. Net immigration is past the peak, although still strong numbers of migrant arrivals on work visas is still testament to widespread labour shortages within New Zealand.

Regulatory red tape was the next highest concern of directors, with 16% seeing this as a risk to their own organisation, a climb on the 11% recorded in the 2017 survey. This increase may be due to changes in policy direction instigated by the new government. Concerns over technological disruption (11%), local growth (9%) and competition (9%) rounded off the top five.

Demand was considered to be less of a concern to directors, with just 7% of directors in this year's survey citing demand as the biggest risk facing their organisation. Cost of capital and availability was only identified as the biggest risk by 6% of directors. Interest rates are likely to remain low by historical standards for some time yet.

Sector snapshot:

- Labour quality was viewed to be the largest single risk for most of the organisational types surveyed, most notably for directors of medium to large sized (30%) and not-for-profit organisations (32%).
- Regulatory red tape was viewed as the largest impediment to directors of government organisations (24%) and publicly listed companies (23%).
- Compared to the survey average, more directors of small companies considered demand (11%) and cost of capital (9%) to be the biggest risk facing their organisation.



**Consistent with last year respondents were asked to select up to select the single biggest risk facing their organisation.*

QUESTION 5:
Mandatory or voluntary reporting on key issues

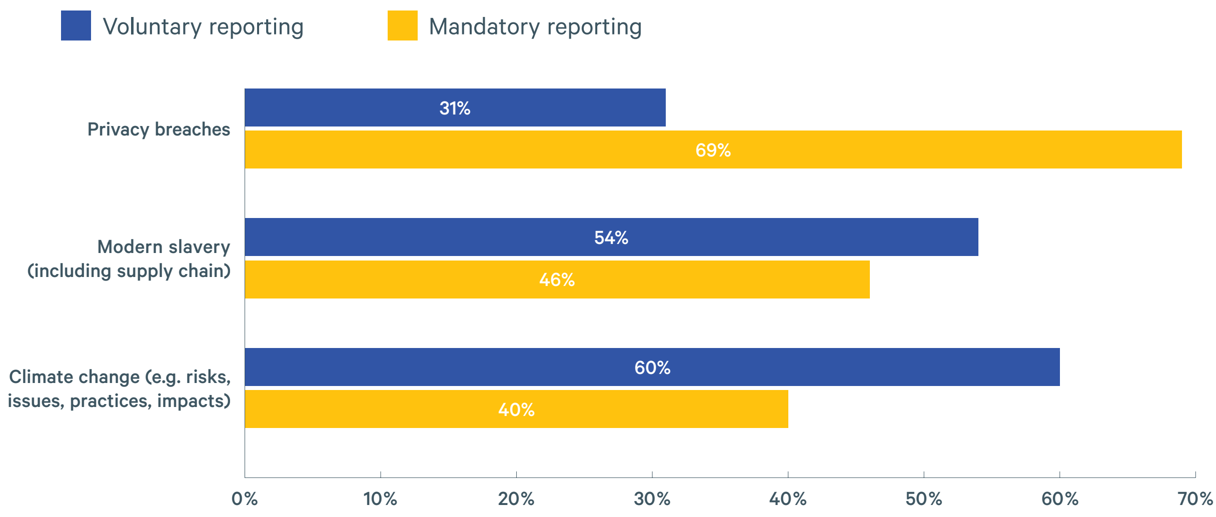
Increasing expectations for greater corporate transparency on important issues are driving more organisations to report on social, environmental and other matters under a number of different frameworks. As the reporting landscape continues to evolve, we asked directors whether reporting by New Zealand organisations on the following issues should be mandatory or voluntary: climate change, modern slavery, and privacy breaches.

More than two thirds of directors (69%) supported mandatory reporting for privacy breaches. The Privacy Act 1993 has been reviewed to ensure it is fit for purpose in a modern world and it is expected that mandatory reporting for privacy breaches is on its way in New Zealand so it is encouraging to see that the majority of directors are in favour of this.

We have seen a number of jurisdictions (including the United States and the European Union) take a stance on the elimination of modern slavery in companies and supply chains by introducing legislation for organisations to take action. Directors were more evenly split on whether reporting on modern slavery should be voluntary (54%) or mandatory (46%).

Increasing global and national attention on climate change is driving greater urgency for action. The World Economic Forum's Global Risks Report 2018 ranked climate change and environment-related threats as the most likely and most damaging over the next decade. Responses to reports from the UN Intergovernmental Panel on Climate Change and the New Zealand Productivity Commission, and impending changes to the Emissions Trading Scheme and a new Zero Carbon Act will result in significant changes as we transition to a low emissions economy. However, of the three areas polled, mandatory reporting on climate change was supported by the lowest proportion (40%) of directors. But this is still higher than the 29% of directors (see Question 6) who said their boards were engaged and proactive on climate change risks and practises in their organisations.

Generally, should reporting by New Zealand organisations on the following matters be mandatory or voluntary?

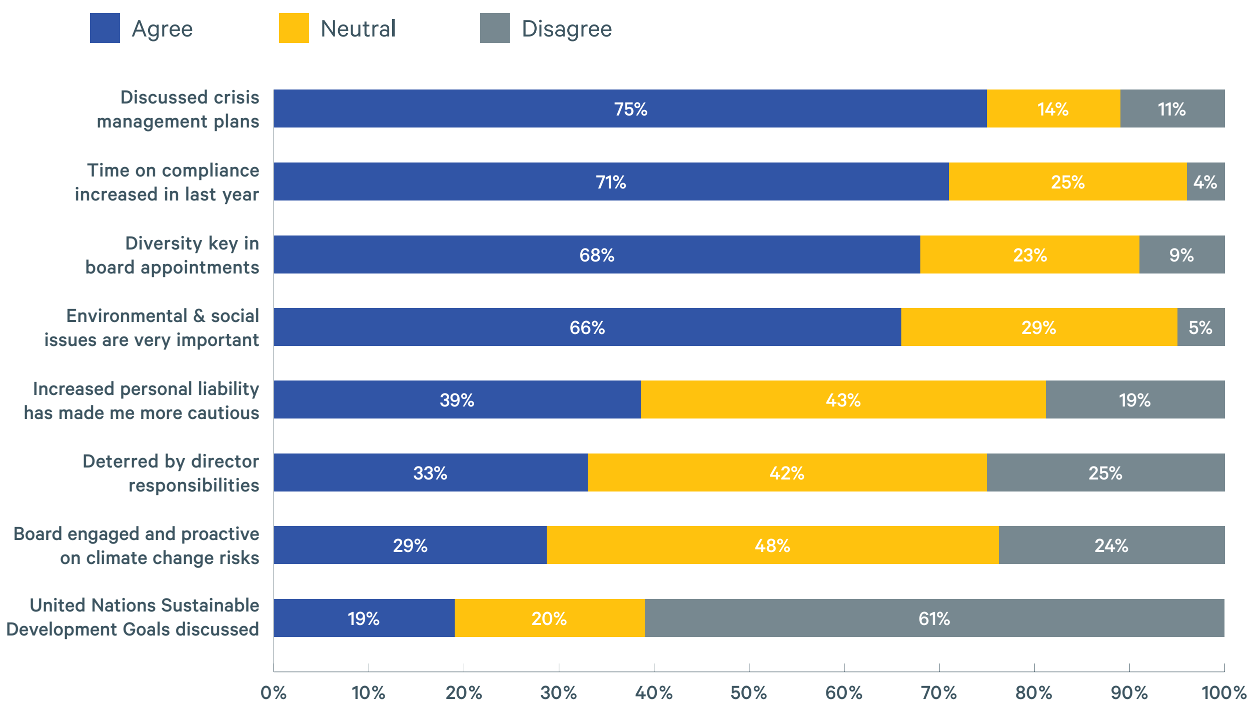


QUESTION 6:

Governance issues

Insights from the survey about key governance issues facing directors.

- Diversity of thought and perspective in the boardroom are critical to success in today's business environment. After seeing the percentage of directors reporting diversity as a key consideration in board appointments dropping from a high of 70% in 2016 to 62% in 2017, there has been another lift with 68% of directors reporting it as a key consideration in making appointments to their board.
- As consumers and investors continue to expect and demand greater transparency about corporate activities, boards need to consider environmental and social issues, risks and impact. In the 2018 survey, 66% (slightly down from 69% in 2017) of directors responded that their board considers environmental and social issues very important to their business. However, only 29% of directors (up from 26% in 2017) said their boards were engaged and proactive on climate change risk and practise for their organisations.
- Interestingly, 19% of directors have indicated that one or more of the United Nations Sustainable Development Goals have been discussed by their board in the last 12 months.
- Boards are responsible for ensuring management have developed and implemented appropriate crisis management plans and monitoring such plans over time. There was a positive lift in the number of boards (75% up from 63% in 2017) spending time discussing crisis management plans. Preparation is critical and for the 11% who didn't discuss crisis management this should be a priority on the board plan.
- Time spent on compliance continues to increase for the majority (71%) of directors.



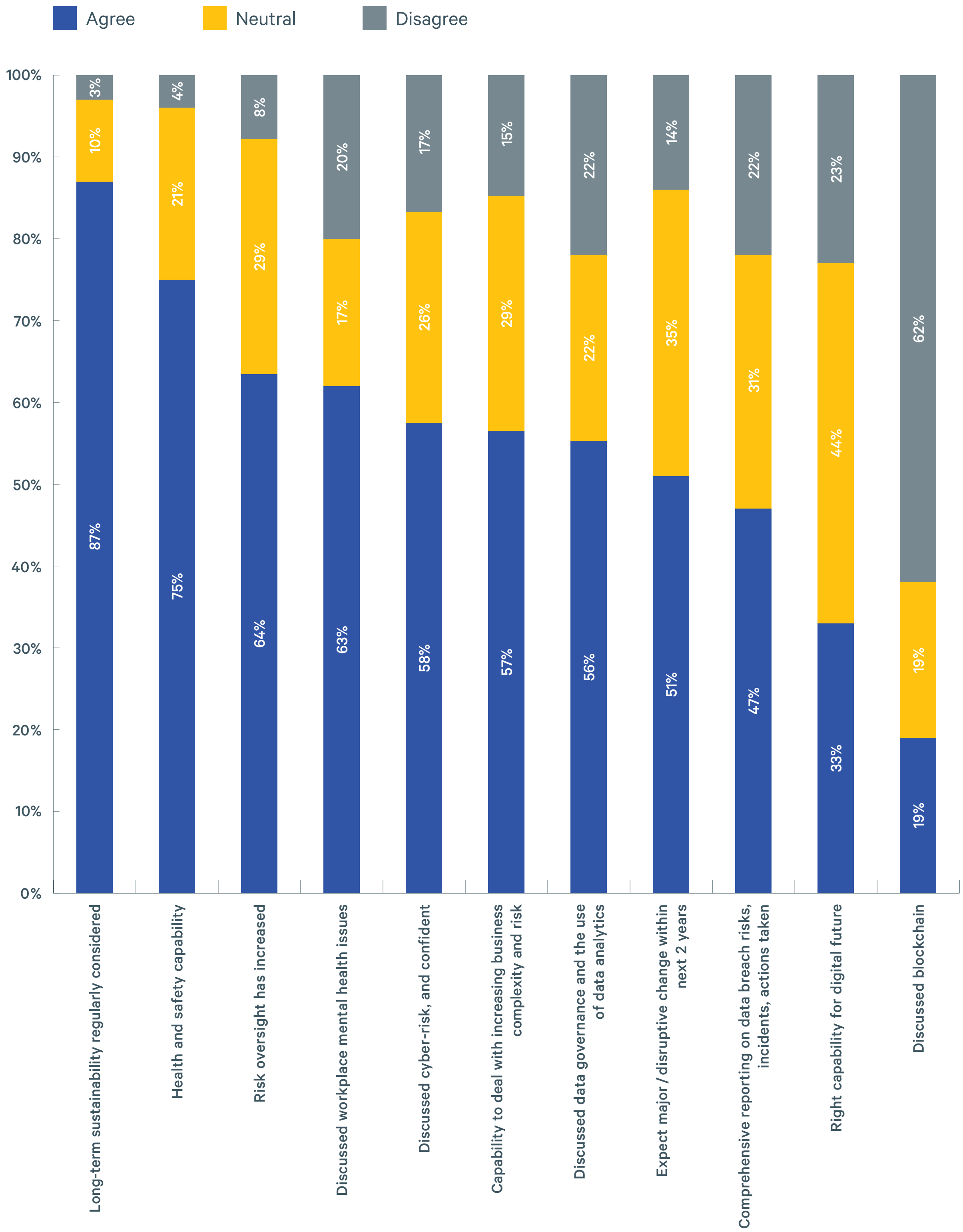
QUESTION 7:

Strategy and risk

Insights from the survey about strategy, risk and board capability in key areas.

- Consistent with last year, 57% of directors think that their board has the right capabilities to deal with increasing business complexity and risk. However, only 33% (up from 30% in 2017) think their board has the right capability to lead the digital future of their organisation.
- Just over half of directors (51%) expect their industry to be affected by a major / disruptive change, down from 58% in 2017.
- However, there has been an increase in the number of boards (87% compared with 75% in 2017) considering the long-term sustainability of their organisation's business model.
- There has been much commentary about the potential impact of blockchain technologies on business processes, from cryptocurrencies to contract settlements and supply chain management. However, only 19% of boards have considered the potential use of blockchain in their business.
- Although 75% of directors said they had the right capabilities to comply with the Health and Safety at Work Act 2015, only 63% of boards had discussed workplace mental health issues in the last 12 months. With increasing focus on mental health and well being in the workplace, all boards should give more emphasis to health issues.
- Most businesses use or rely on technology to operate and increasingly cybersecurity is recognised as a critical risk for organisations around the globe. The number of boards discussing cyber-risk in New Zealand continues to increase year-on-year from 27% in 2015 to 58% in 2018.
- Managing data is a growing challenge for organisations and more boards (56% up from 50% in 2017) are discussing data governance and the use of data analytics to drive performance and strategic opportunities.
- Only 47% of boards (up from 45% in 2017) are receiving comprehensive reporting on data breach risk and incidents, and take action to address them. This is concerning given the risks associated with cyber and privacy breaches. Given regulatory requirements such as the GDPR and changes to the Privacy Act in New Zealand, all boards should ensure they receive robust reporting from management.

For more see the IoD and Aura's **Reporting cybersecurity to boards** guide



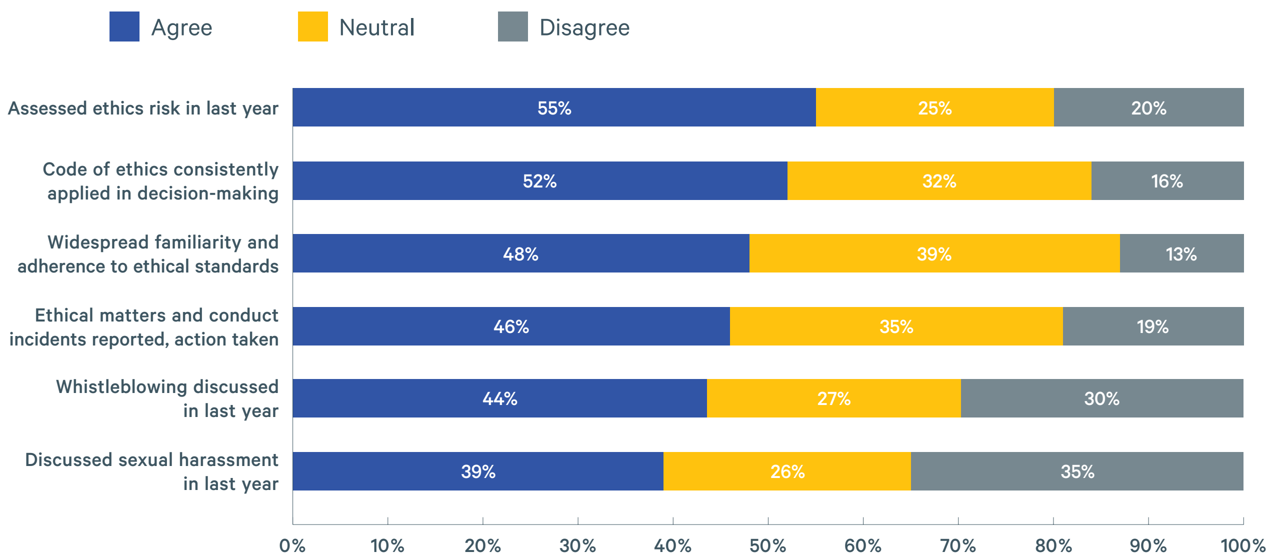
Agree
Neutral
Disagree
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Long-term sustainability regularly considered
87%
10%
3%
Health and safety capability
75%
21%
4%
Risk oversight has increased
64%
29%
8%
Discussed workplace mental health issues
63%
17%
20%
Discussed cyber-risk, and confident
58%
26%
17%
Capability to deal with increasing business complexity and risk
57%
29%
15%
Discussed data governance and the use of data analytics
56%
22%
22%
Expect major / disruptive change within next 2 years
51%
35%
14%
Comprehensive reporting on data breach risks, incidents, actions taken
47%
31%
22%
Right capability for digital future
33%
44%
23%
Discussed blockchain
19%
19%
62%

QUESTION 8:
Ethical conduct

The board plays a core role in overseeing and setting the tone for organisational values, standards and culture. Conduct risk, such as unethical behaviour, can cause significant financial and reputational damage. Insights about ethical conduct include:

- More boards are assessing ethics risks in their organisations with 55% (compared to 44% in 2017) of directors responding that their board has assessed ethics risk in the last 12 months.
- The number of boards receiving comprehensive reporting on ethical matters and taking action rose, with 46% (up from 40% in 2017) of directors responding that they receive comprehensive reporting from management.
- There's been a positive increase in the number of boards discussing whistleblowing and how the organisation makes speak-up provisions effective, up from 32% in 2017 to 44% this year. It's timely that the Protected Disclosures Act 2000 is being reviewed to ensure it is fit purpose and in line with international best practices.
- With high-profile instances of sexual harassment in the workplace and the #MeToo movement dominating global and domestic news headlines in 2018, we asked directors this year if their board had discussed sexual harassment in the last 12 months. Although 39% of directors said they had, over a third (35%) hadn't. It's important that boards are proactive in overseeing organisational culture and performance, including in respect of sexual harassment in the workplace.

For guidance see the IoD's DirectorsBrief **Sexual Harassment and the Board's role – #TimesUp**

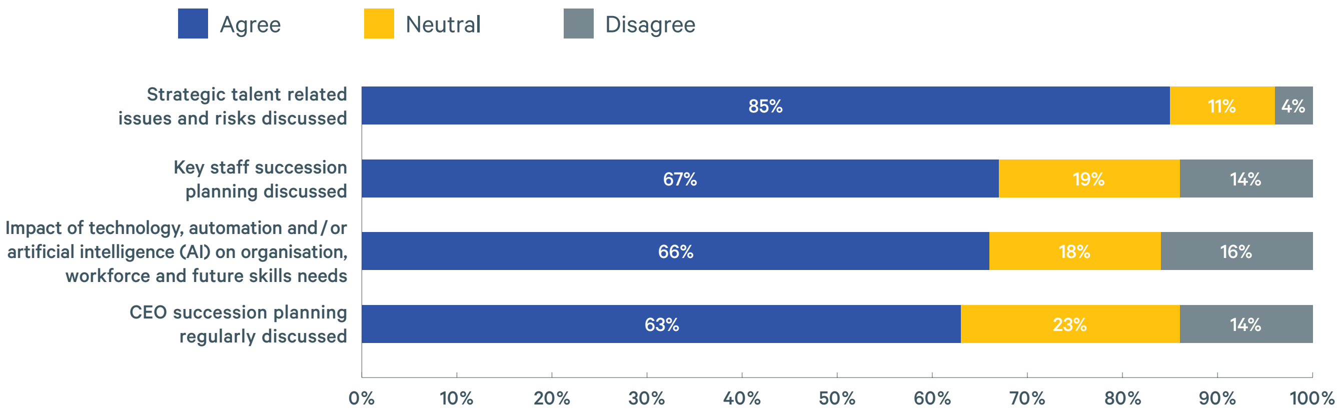


QUESTION 9:
Strategic talent management

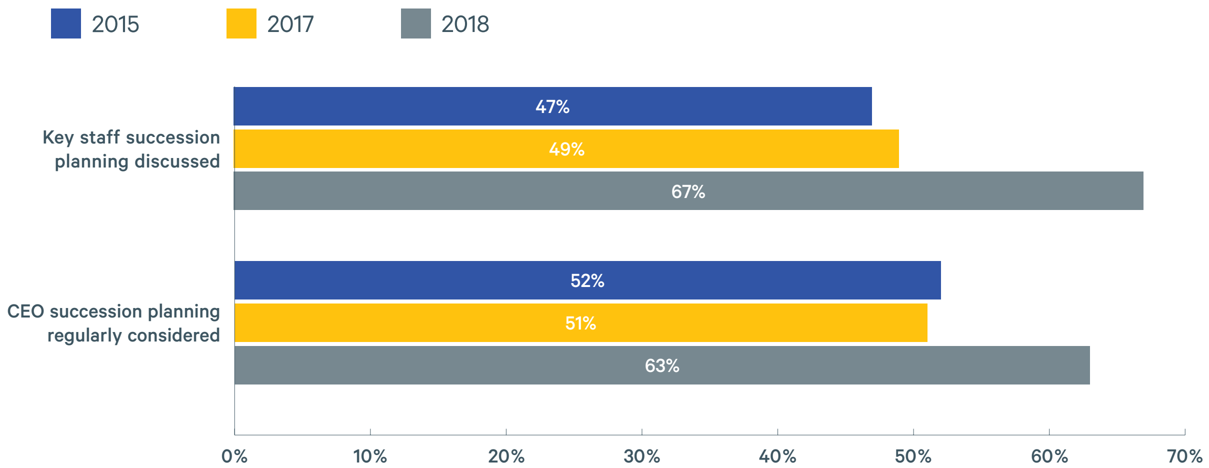
Labour quality and capability again topped the list for directors when asked about the biggest risk facing their organisations (see Question 4). Boards have an important role in leading talent strategy to support high productivity and sustainable performance. Challenges include labour shortages, the impact of technology, changing skills needs, and attracting executive talent:

- With the fourth industrial revolution and focus shifting to the Future of Work, the impact of technology, automation and artificial intelligence on the organisation, workforce, and future skills needs is a growing issue for board strategic and risk discussions. Sixty-six percent of directors have discussed these issues in the last 12 months. This is a dynamic and fast moving area and it is important boards consider how these developments will impact their organisations to ensure they have people with the right capabilities to deliver their organisation's future strategies.
- The majority of directors (85%) responded that their board has discussed strategic talent related issues and risks, such as employee engagement, performance and retention in the last 12 months.
- There has been a positive lift in the number of boards discussing CEO (63%) and other key staff (67%) succession planning compared with previous years. However 14% of boards had not discussed succession planning. It is important that all boards regularly consider their capability needs to ensure they have the skills and experience for today and the future.

Strategic talent management



Succession planning trend



SURVEY QUESTIONS AND RESULTS

The online survey was conducted in September and October 2018. Results are summarised from 936 responses. Not all questions were answered by all respondents (the average skip rate per question for the 2018 survey was 3.4%). Percentages may not add to 100% due to rounding.

Q1. How do you expect the performance of the New Zealand economy to trend in the next 12 months?

Improve	17%
No Change	40%
Decline	43%
Net %	-26%

Q2. How do you expect the performance of your organisation to trend in the next 12 months?

Improve	52%
No Change	37%
Decline	11%
Net %	41%

Q3. What, in your view, are the biggest impediments to national economic performance? (you can choose up to three)

Labour quality and capability	61%
Productivity	27%
Infrastructure	35%
Regulatory red tape	41%
Lack of strategy	28%
Market volatility	25%
Global growth	18%
Attitude / ambition	17%
Commodity prices	14%
Concentration risk	5%
Other	5%

Q4. What, in your view, is the single biggest risk facing your organisation?

Labour quality and capability	28%
Technological disruption	11%
Competition	9%
Regulatory red tape	16%
Demand	7%
Local growth	9%
Global growth	5%
Cost of capital / availability	6%
Governance	4%
Commodity prices	4%
Other	6%

Q5. Generally, should reporting by New Zealand organisations on the following matters be mandatory or voluntary? (Select one option for each topic)

	Mandatory reporting	Voluntary reporting
Climate change (e.g. risks, issues, practices, impacts)	40%	60%
Modern slavery (including supply chain)	46%	54%
Privacy breaches	69%	31%

Q6. Please indicate whether you agree or disagree with the following statements about governance in your organisation and issues facing boards

	Agree	Neutral	Disagree
Compliance related activities have increased in the last 12 months.	71%	25%	4%
The scope of director responsibilities is more likely to deter me from taking on governance roles now than 12 months ago.	33%	42%	25%
Diversity is a key consideration in making board appointments	68%	23%	9%
Increased personal liability has made me more cautious (risk averse) in business decision making in the last 12 months	39%	43%	19%
My board considers environmental and social issues are very important to our business.	66%	29%	5%
My board is engaged and proactive on climate change risks and practices in our business.	29%	48%	24%
My board has discussed one or more of the United Nations Sustainable Development Goals in the last 12 months.	19%	20%	61%
My board has discussed crisis management plans (e.g. in the case of natural disaster, emergency CEO, viral social media incident) in our organisation in the last 12 months.	75%	14%	11%

Q7. Please indicate whether you agree or disagree with the following statements about strategy and risk in your organisation

	Agree	Neutral	Disagree
My board regularly (at least every two years) considers the long term sustainability of our business model.	87%	10%	3%
My board has the right capabilities (skills and experience) to deal with increasing business complexity and risk.	57%	29%	15%
My board has the right capabilities (skills and experience) to comply with director obligations under the Health and Safety at Work Act.	75%	21%	4%
In the last 12 months my board has discussed workplace mental health issues.	63%	17%	20%
The time my board spends on risk oversight has increased in the last 12 months.	64%	29%	8%
I think my industry will be affected by major/ disruptive change in the next 2 years.	51%	35%	14%
My board has the right capability (skills and experience) to lead our organisation's digital future.	33%	44%	23%
In the last 12 months my board has discussed data governance and the use of data analytics to drive performance and strategic opportunities.	56%	22%	22%
In the last 12 months my board has discussed the use or potential use of blockchain for our business.	19%	19%	62%
My board regularly (at least annually) discusses cyber-risk, and is confident our company has the capacity to respond to a cyber-attack or incident.	58%	26%	17%
My board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them.	47%	31%	22%

Q8. Please indicate whether you agree or disagree with the following statements about ethics and conduct in your organisation

	Agree	Neutral	Disagree
My board consistently applies a written code of business ethics (i.e. code of ethics / code of practice) to board decision-making.	52%	32%	16%
My board has assessed ethics risks in our organisation in the last 12 months.	55%	25%	20%
My board receives comprehensive reporting from management about ethical matters and conduct incidents, and the actions taken to address them.	46%	35%	19%
I am confident that our board, staff, business partners and supply chains are familiar with and adhere to our organisation's ethical standards.	48%	39%	13%
My board has discussed sexual harassment in the last 12 months.	39%	26%	35%
My board has discussed whistleblowing, and how the organisation makes speak-up provisions effective in the last 12 months.	44%	27%	30%

Q9. Please indicate whether you agree or disagree with the following statements about strategic talent management

	Agree	Neutral	Disagree
My board regularly (at least annually) discusses succession planning in relation to the CEO.	63%	23%	14%
My board regularly (at least annually) discusses succession planning in relation to key staff other than the CEO.	67%	19%	14%
In the last 12 months my board has discussed the impact of technology, automation and / or artificial intelligence (AI) on our organisation, our workforce and our future skills needs.	66%	18%	16%
In the last 12 months my board has discussed strategic talent related issues and risks, such as employee engagement, performance and retention.	85%	11%	4%

Q10. Please indicate the organisational category to which your most substantial directorship belongs (this is the organisation in respect of which you have answered the questions above)

Medium to large private company (>$10 million turnover or 20+ employees)	40%
Not-for-profit organisation	21%
Small company (<20 employees)	22%
Government organisation	7%
Publicly listed company	6%
State-owned enterprise (SOE)	2%
Subsidiary of a publicly listed company	1%

CONTACTS

About the Institute of Directors

The IoD is a non-partisan voluntary membership organisation committed to driving excellence in governance. We represent a diverse membership of about 9,000 members drawn from listed issuers, large private organisations, small and medium enterprises, state sector organisations, not-for-profits and charities.

The IoD aims to raise the standard of governance in all areas of New Zealand business and society.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good corporate governance.

About ASB

ASB Bank is a leading provider of integrated financial services in New Zealand including retail, business and rural banking, funds management and insurance. A member of the Commonwealth Bank of Australia (CBA) Group, ASB has carved a name for itself in the New Zealand banking landscape, looking after the financial wellbeing of more than 1 million customers. Committed to being an unbeatable team providing an unbeatable customer experience, ASB staff are passionate about helping our customers stay one step ahead.

In keeping with this spirit, the ASB Economics Team is focused on providing quality research and commentary on the New Zealand economy and financial markets. Led by Chief Economist, Nick Tuffley, the team aim to deliver timely analysis and up-to-the-minute accounts of market trends and developments.

Authorship

This report has been jointly prepared by the IoD and ASB.

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ASB
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