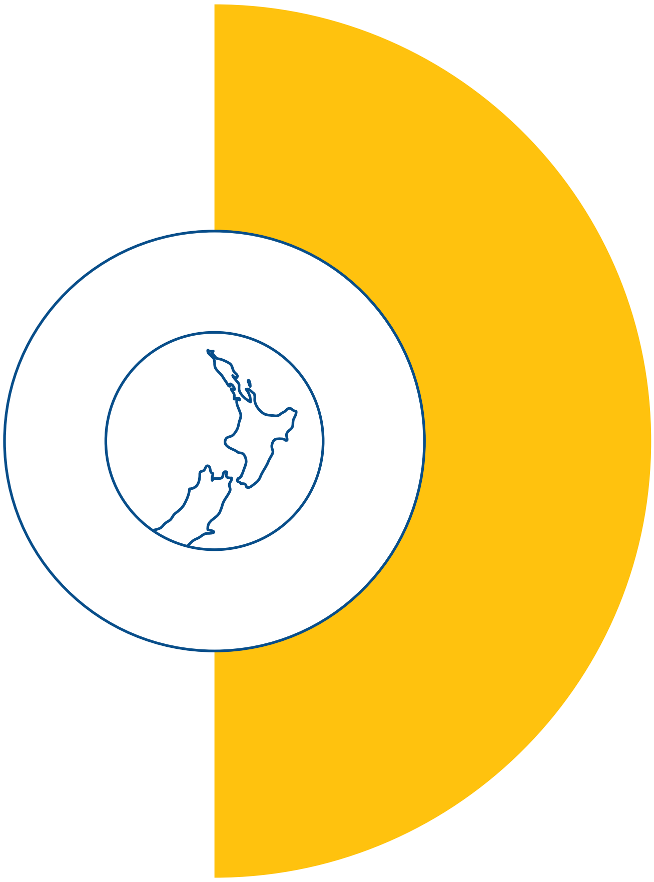


Director Sentiment Survey 2021

The Institute of Directors (IoD) with ASB has released its 2021 Director Sentiment Survey report. The survey takes the pulse of the director community in New Zealand.

ASB
ONE STEP AHEAD

Institute of DIRECTORS
NEW ZEALAND

Contents

SURVEY INSIGHTS

The Institute of Directors' annual Director Sentiment Survey takes the pulse of New Zealand's governance community to identify issues and challenges that matter to our members. It provides high-level views sourced from directors of a broad range of entities on economic, business and governance issues. During 2021, the global pandemic has continued to bring challenges for boards across our businesses and communities, and this report provides more insights on views on the pandemic and future outlook.

We carried out an online survey between 16 September and 12 October 2021. Thank you to IoD members for their valuable contribution, for the fifth year in a row we exceeded 900 responses. The survey is the eighth annual survey and the sixth in which the IoD has partnered with ASB.

This report summarises the survey findings, and we also highlight sector specific results where there has been a noticeable difference in their results when compared to the total (for all sectors combined). There is also a short accompanying report providing insights from respondents of not-for-profit entities.

Leading through a pandemic

This is the second year directors have led their organisations through the challenges of COVID-19 on top of the more usual background of change. Moreover, the survey was conducted over mid-September and early October, when Auckland (and at the end of the period Northland and parts of the Waikato) were at COVID-19 Alert Level 3. Similar to last year, the majority of directors reported that their organisations had been negatively affected by the pandemic, and expected economic deterioration over the coming year. Even so, a majority of directors expected their own organisations' performance to improve over the next year, closely mirroring last year's faith in the ability to get through the challenges ahead.

COVID-19 again caused challenges for organisations, with around 60% of directors reporting that COVID-19 had a negative impact on the performance of the organisations they are involved in. More positively, over half of directors expect their organisations' performance to improve over the next year despite a collective view that the economy's performance will weaken over the year. These results are very similar to those of the 2020 survey.

The pandemic also influenced directors' perceptions of the challenges and risks ahead for the economy and their organisations, though it wasn't the only factor. Labour quality and capability is seen – as it perennially is, but even more so this year – as the most significant impediment to national economic performance and the biggest risk directors' organisations face. Border restrictions were also high on the lists of issues for the economy and organisations, likely reflecting that the isolation and quarantine system is contributing to the challenges of recruiting people, sending staff overseas for commerce, and for restarting international tourism and education. Vaccine effectiveness and supply chain disruption were also high on the list of directors' concerns, and vaccination of workforces is a looming consideration for many organisations.

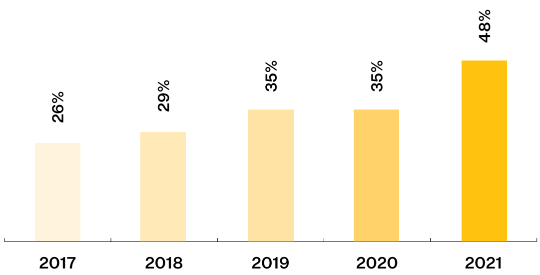
For organisations, COVID-19 vaccinations and whether to make them mandatory for workers, offers a range of considerations and complexity around health and safety, employment law and privacy matters. This year we asked directors whether workplaces should be able to mandate COVID-19 vaccinations for their workers and a strong majority (80%) said they should be able to.

Demand for talent soars

With border restrictions in place we have seen demand for talent soar and it is no surprise to see labour and capability considerations feature even more strongly in the survey this year. Fifty-seven percent of directors (up from 32% in 2020) said that labour quality and capability is one of the biggest impediments to national economic performance. In addition 30% said labour quality and capability is the single biggest risk facing their organisation, up from 14% in 2020. Given this, it is not surprising to see an increase in boards (88%, up from 84% in 2020) discussing strategic talent related issues and risks, such as employee engagement, performance and retention. Additionally 58% of respondents said that their board has assessed the impact of technology, automation and/or artificial intelligence on their organisation, workforce and future skills needs.

More boards engaging on climate issues

COP26 saw a surge in the call for urgent action on climate change and boards have a critical leadership role in taking action on climate-related issues. This year we saw a lift in the proportion of directors (48%, up from 35% in the last two years) saying their board is engaged and proactive on climate change risks and practices in the business. Although engagement is increasing, there's still some way to go for many boards as we reach a critical juncture on the road to creating a sustainable future.



Board engaged and proactive on climate risks

This year, 20% of respondents (up from 13% in 2020) said that their latest annual report included disclosures on climate-related risks and/or the impact of climate change on their organisation. However this was significantly higher for publicly listed companies at 68% (up from 42% in 2020).

In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill passed into law, broadening non-financial reporting by requiring certain 'climate reporting entities' to make climate-related disclosures. Reporting will be made against reporting standards issued by the External Reporting Board (XRB) and will be aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

XRB is currently consulting in stages on the development of the climate standards and expects to issue a final standard in December 2022, to apply to financial years beginning in 2023, so reporting in 2024. Boards that are facing mandatory disclosures and haven't already started are highly encouraged to start early to ensure they have the right governance structure, processes, data, skills and experience in place to meet their obligations.

Overseeing diverse risks

Organisations continue to face challenging times in an increasingly complex operating environment. Boards are having to oversee an array of different risks and it is critical that they receive the right information from management (and other sources) to effectively oversee the range of risks facing the organisation. There was some improvement but also some regression in the information boards receive from management:

- Sixty-one percent (up from 54% in 2020) of boards received comprehensive reporting from management on non-financial risks and had discussed actions to address them in the last 12 months.
- Meanwhile fewer boards (44%, down from 47% in 2020) are confident that their board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them. However, it is encouraging to see a slight lift in the proportion of boards (60%, up from 54% in 2020) who are regularly discussing cyber-risk and are confident that their organisation has the capacity to respond to a cyber-attack or incident.
- However more boards (46%, up from 41% last year) said they received comprehensive reporting from management about ethical matters and conduct incidents, and the actions taken to address them. In addition, 56% of respondents (53% in 2020) said their board had assessed ethics risks in the last 12 months.

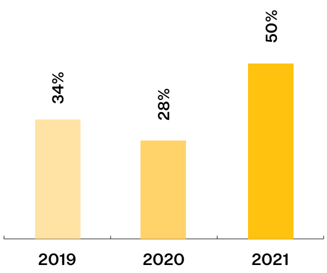
Know your supply chain

Just 17% of respondents said their board has assessed risks and issues associated with modern slavery and worker exploitation in their organisation and supply chain. However this was significantly higher for publicly-listed companies at 43%.

Meanwhile just over half (52%) are confident that their board, staff, business partners and supply chains are familiar with and adhere to their organisation's ethical standards. Again this is much higher for publicly-listed companies at 68%.

ESG – an expanding landscape

Environmental, social and governance (ESG) matters are a continued focus for investors and other stakeholders. An organisation's position on social issues can affect its reputation and the public's perception and trust in the organisation.



CEO speaking out on social issues

This means leadership on ESG matters and long-term sustainability is getting more attention in the boardroom and we saw this in the engagement on climate change risks. This year we also saw a small lift in the proportion (72%, up from 67% in 2020) of directors saying environmental and social issues are very important to their business.

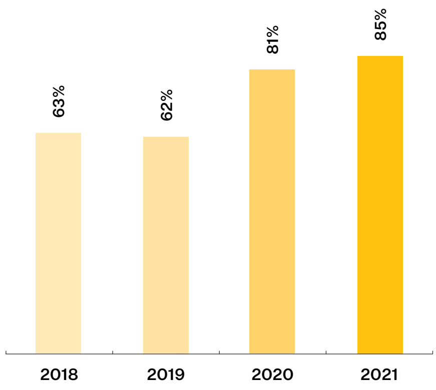
Furthermore, the proportion of respondents who think the CEO should speak out on social issues has almost doubled (50%, up from 28% in 2020). Meanwhile a slightly higher proportion (54%) thought the board should (in the first time asking this question). In another first-time question this year we found a strong majority of boards (85%) regularly discuss the organisation's brand and reputation.

Stakeholder expectations can be a driving force behind change for organisations and thus it is no surprise that most boards (90%, up from 87% in 2020) consider stakeholder interest very important to the business. In another first question this year we asked directors if their boards were engaged and pro-active in developing cultural competency in respect of Te Ao Māori and over a third (36%) said they were. This was significantly higher for directors of government organisations (74%) and state-owned enterprises (67%).

Stakeholder governance – a call to review directors' duties, published in July 2021 by IoD and MinterEllisonRuddWatts' discusses the evolving corporate governance landscape in relation to stakeholders, including national and international trends and developments.

Spotlight on mental health and wellbeing

For the past two years, we have seen a lift in the proportion of boards regularly discussing workplace mental health and wellbeing with an all-time high this year (85%, up from 81% in 2020). COVID-19 has created challenges for all communities and organisations are grappling with workers facing fatigue due to extended periods of uncertainty. Many boards (72% of those surveyed) have approved initiatives to help address workplace mental health issues in the last 12 months.



Discussed workplace mental health issues

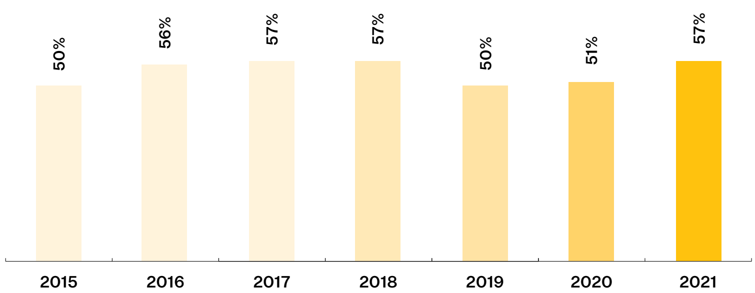
The culture and practices of organisations can also have a significant impact on the wellbeing of employees. Boards play a critical leadership role in fostering high ethical standards and setting the tone for a healthy organisational culture. This year 80% of respondents said their boards regularly discuss and monitor the culture of the organisations, a slight increase on 77% in 2019 when we last asked this question.

One of the steps that boards can take to help promote and support an ethical workplace culture is ensuring there are effective whistleblowing practices and speak up provisions. Although we saw a good lift between 2019 and 2020 (from 35% to 40%), there is negligible change this year with 41% of respondents saying their board had discussed whistleblowing and how the organisation made speak-up provisions effective in the last 12 months.

As part of their leadership role, it is important for boards to consider their own culture around the board table and look out for the wellbeing of their fellow board members. Director wellbeing is critical to well-functioning boards and 62% of boards discussed the wellbeing of their members in the last 12 months. As organisations continue to face increasing pressure on their operating environment, we encourage directors to look out for their fellow board members' mental wellbeing and help build the collective resilience of the board.

The future board

As the operating environment continues to change it is not surprising to see that just over a third of directors (34%) think current board structures (including committees) will be totally transformed in the wake of new business models. While over two thirds (71%) of directors expect technology to transform how their board is operating by 2030 (eg using real time, interactive data in the boardroom, artificial intelligence). However, we have seen little change in the trend over the past seven years (ranging between 50% and 57% in 2021) in the proportion of directors that think their board has the right capabilities to deal with increasing complexity and risk. Boards undertaking succession planning in 2022 should ensure their skills matrices include the expertise and attributes needed now and for the future.



Right capabilities to deal with increasing business complexity and risk

SURVEY KEY FINDINGS

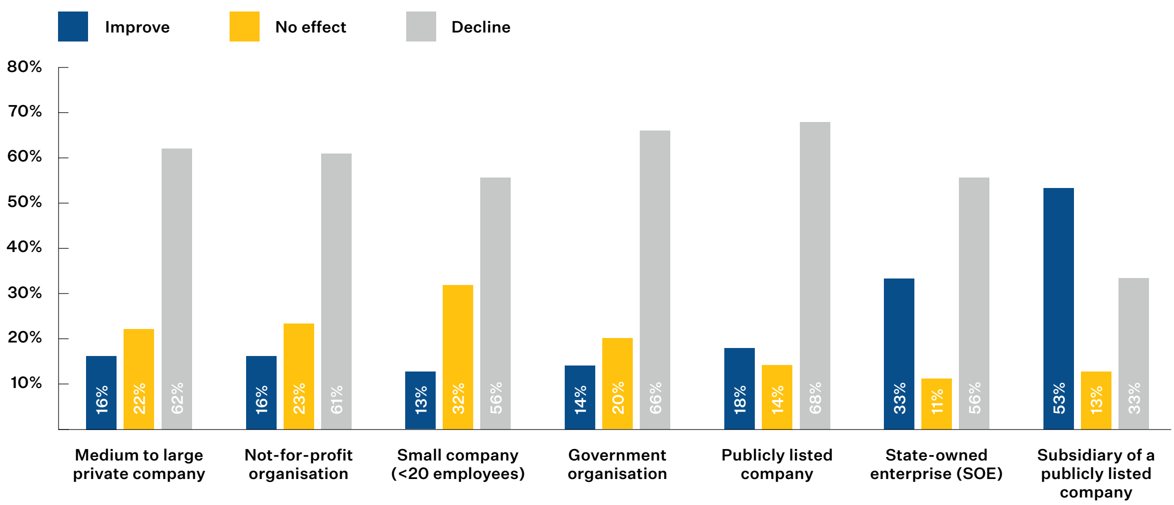
QUESTION 1:

In what way has COVID-19 affected the performance of your organisation this year?

As with last year, the COVID-19 pandemic has created significant disruption for organisations. Businesses with strong linkages to Auckland have been affected by multiple lockdowns. The external border restrictions mean international tourism and education are a shadow of their former selves, in-person external trade connections remain limited, and labour shortages have been compounded. Global supply chains have been stretched and more expensive to use. Strategic planning remains difficult. The impacts will have been diverse, but have affected the majority of organisations surveyed.

Directors were once again asked how COVID-19 had affected their organisations, with very similar overall results to last year. 61% of directors said their organisations' performance had been negatively affected, similar to last year's 60%. 16% said their organisation had experienced a positive impact, down slightly from 22% last year, while 23% of directors reported no effect (18% last year). On balance, a net 45% (positive minus negative) of directors reported that COVID-19 had negatively affected their organisations, overall weaker than the net 38% reporting a negative impact in 2020.

By organisation type, directors of publicly-listed companies and government organisations reported the highest proportion of negative impacts at around two thirds. For all bar one organisation type, the majority of directors reported COVID-19 had had a negative impact. The sole contrast was from directors of subsidiaries of publicly-listed companies, for which the majority judged COVID-19 had had a positive impact on their organisations – and the only organisation category that on net saw COVID-19 as having a positive impact. Although the sample size is small for that organisation type, there was a clear weighting to a favourable impact, and a contrast to the prior year's universal net negative impact.



Impact of COVID-19 on business performance

QUESTION 2:

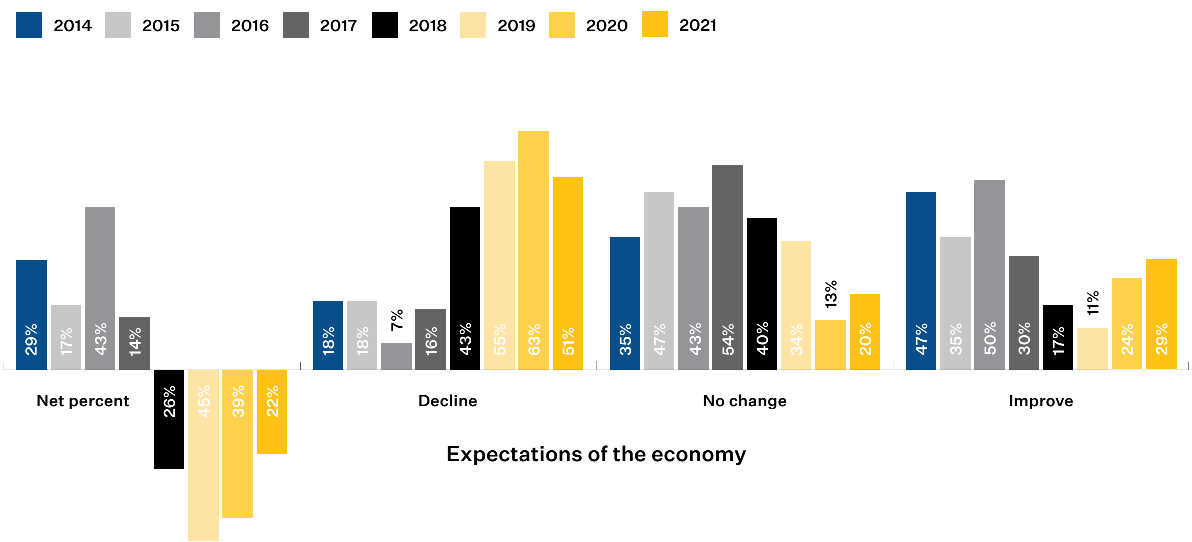
How do you expect performance of the New Zealand economy to trend in the next 12 months?

As with last year, directors were overall pessimistic about the economic performance for the year ahead, although to a lesser extent than in 2020. While 29% of directors expected the economy's performance to improve over the year, slightly up from 24% last year, 51% expected economic decline, down from 63%. 20% expected no change (13% last year).

On a net basis ('improve' responses minus 'decline'), a net 22% expect the economy to decline over the next 12 months. That is a less downbeat read than the net 39% expecting decline last year – and is considerably more resilient given the circumstances. Last year's survey happened when COVID-19 had been eliminated after the lockdown in August-September, though with some uncertainty while the General Election was in play. This year's survey occurred when sustained COVID-19 restrictions were in force and as New Zealand was forced to shift away from its COVID-19 elimination strategy, with uncertainties about the path forward starting to mount.

At the time of surveying all parts of New Zealand had been operating under degrees of COVID-19 restrictions since mid-August with little idea of when restrictions would eventually ease: it wasn't until after the survey closed that the new Traffic Light System was revealed. It only became clear in the latter part of November exactly when various regional blocs will move into the new system and regional borders will be dismantled. The 'new' normal for organisations is going to be different to what directors were accustomed to in the old Level 1, with an added health and safety dimension that potentially includes requiring staff, customers and site visitors to be fully vaccinated. Material relaxation of the external border was even more up in the air during the survey period, with MIQ capacity being cut back and the 'lottery' system introduced.

Directors involved with the subsidiaries of publicly-listed companies (73%) were the most pessimistic about the economic outlook, followed by directors of state-owned enterprises (61%) and publicly-listed companies (59%). The least pessimistic directors come from not-for-profit organisations (46%) and government organisations (42%).



**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 3:

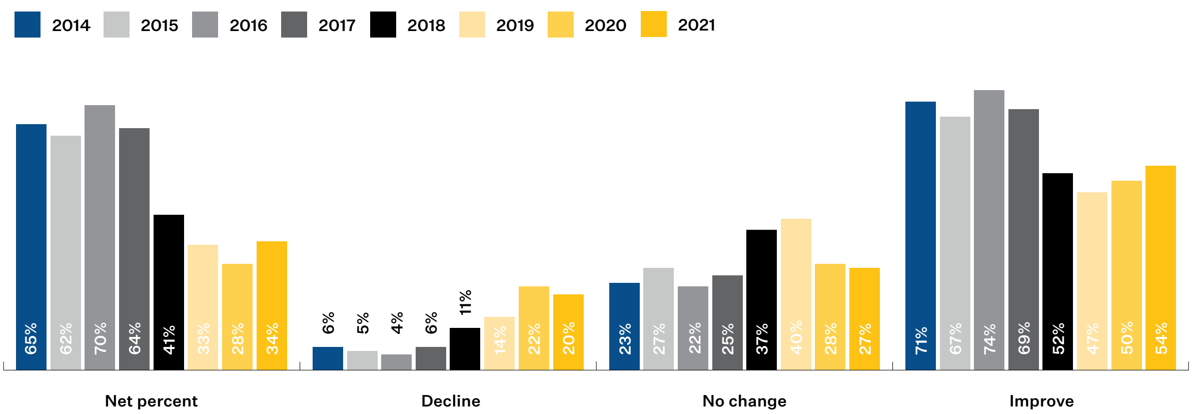
How do you expect performance of your organisation to trend in the next 12 months?

This survey saw directors build on last year's optimism that their organisations would rise above the anticipated negative economic backdrop. Fifty-four percent of directors expected the performance of their organisation to improve over the next 12 months, up from 50% in last year's survey. Meanwhile, 20% expected their organisations' performance to decline, a touch down from 22% last year.

On a net basis (improve minus decline), a net 34% of directors expect their organisations' performance to improve over the coming year. Last year a net 28% of directors were positive about the outlook. This improved organisational performance is expected to come at a time when a net 22% of directors expect the economy's performance to decline. The optimism was fairly evenly spread by organisation type, though directors of state-owned enterprises were the most circumspect.

The results mirror last year's survey. As we noted in 2020, it is quite common during times of heightened uncertainty for survey respondents to be more upbeat about their own organisations' outlook than they are about the broader economy's prospects. Amongst the myriad of uncertainties New Zealand is facing, the range of them will be narrower at an individual organisation level. Moreover, directors and executives will have greater control over the uncertainties relevant to their organisations. The pared-back list of key challenges and an ability to do something about them is undoubtedly an influence on the differing degrees of optimism about the future. Many directors will have seen from last year that the sun does rise again on their organisations' performance once COVID-19 restrictions are eventually eased.

Nevertheless, not everyone can be exceptional relative to the overall economy. From Question 1, it is clear last year's optimism still faced headwinds from the ongoing challenges delivered by the pandemic. The operating environment will remain testing, particularly over the next few months as New Zealand transitions away from lockdowns and the COVID-19 elimination strategy to adapting to endemic presence of COVID-19 .



Expectations for business performance

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

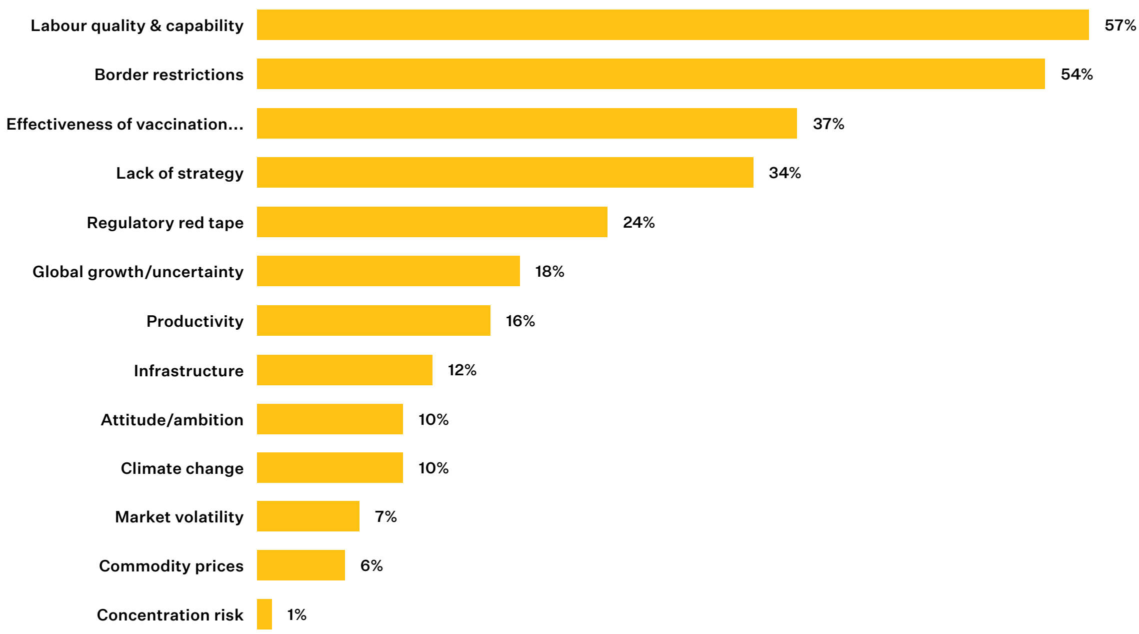
QUESTION 4:
Biggest impediments to national economic performance

As in previous years, directors were asked to choose up to three factors they saw as the biggest impediments to national economic performance. The list this year includes two new pandemic-related factors. Labour quality and capability came out on top, chosen by 57% of directors, which is the highest proportion since 2018 when the country faced simpler challenges. The dominance of labour in the survey coincides with the reported unemployment rate dropping to 3.4% (the lowest since the eve of the 2008 Global Financial Crisis) and widely-reported challenges businesses were facing in finding labour.

Border restrictions followed closely behind, cited by 54% of directors. These restrictions have played a key part in minimising the incidence of COVID-19 in New Zealand – but not without considerable cost to commerce and to individuals' freedoms. The tourism and international education sectors have been heavily impacted by the lack of inbound customers and labour challenges have been compounded by the difficulty of bringing people into New Zealand. Export- and import businesses have found it extremely difficult or risky to plan overseas trips, particularly given the vagaries of the MIQ system. The effectiveness of vaccine schemes (37%) was in third place, closely followed by lack of strategy (34%).

Sector snapshot:

- Labour challenges were of greater concern for the directors of publicly-listed companies and government organisations (both at 65%), medium-to-large private companies (61%), and subsidiaries of publicly-listed companies (60%).
- Border restrictions as an impediment were rated highest by directors of publicly-listed companies (69%), subsidiaries of publicly-listed companies (60%) and government organisations (58%). Directors of state-owned enterprises (33%) had the lowest assessment.
- Directors of government organisations (21%) and not-for-profits (17%) were most concerned about the impact of climate change.



Respondents were asked to select up to 3 of 13 options. In this year's list COVID-19 impact was replaced with border restrictions and effectiveness of vaccination schemes.

QUESTION 5:
Single biggest risk facing organisations

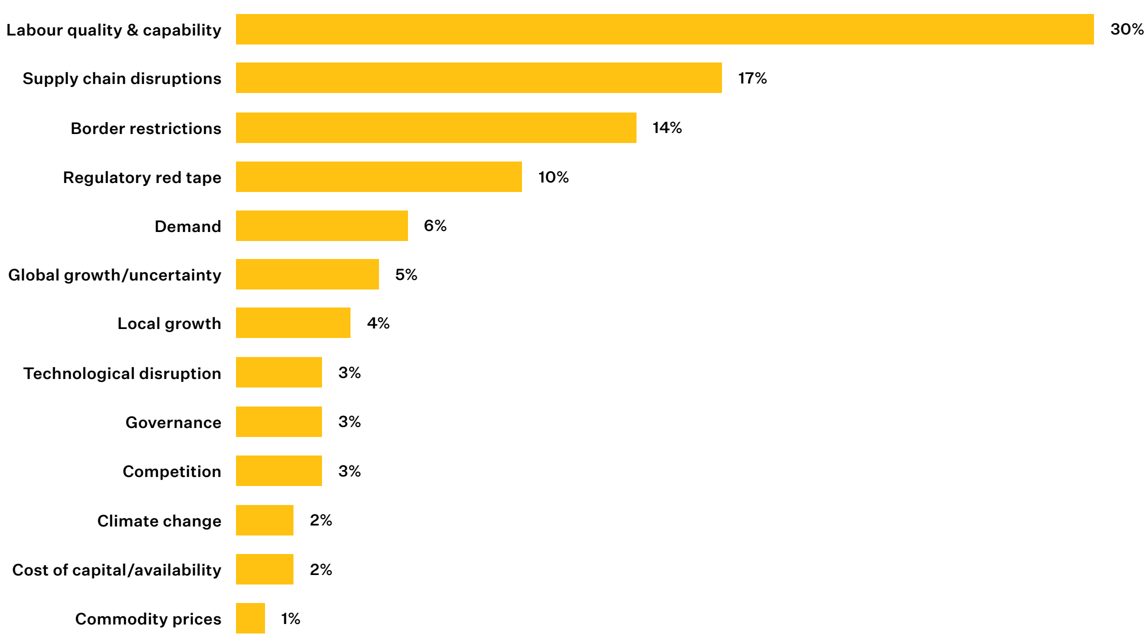
In a mirror of the economy-wide impediments, labour quality/capability was picked as the single biggest organisational risk by 30% of directors. Apart from last year, when we included 'COVID-19' as a response option, labour has consistently been the most cited risk – and it was second to COVID-19 last year. Organisations are grappling with the challenges of recruiting and retaining staff, and wage growth is accelerating.

Supply chain disruptions were the next most-cited risk (17% of directors). Since it started, the pandemic has disrupted global goods production, thrown shipping and ports into disarray, and also boosted the global demand for goods from people less able to travel and spending more time in their homes. The upshot has been shipping delays, goods shortages, and high shipping costs. All of these factors have created planning headaches for a wide range of businesses, and the challenges are likely to continue into next year.

Border restrictions were ranked in third place, with 14% of directors choosing this factor as the biggest risk to their organisations. Regulatory red tape and demand rounded out the top five most-frequently cited risk factors.

Sector snapshot:

- Supply chain disruptions were seen as a relatively high risk by directors of publicly-listed companies (25%), medium- to large-sized private companies (23%) and small companies (18%) – which are more likely to be involved in external trade than most organisations ranking it as a relatively low risk (government organisations (6%), subsidiaries of publicly-listed companies (7%), and not-for-profits (10%)).
- Border restrictions were of concern to more directors of publicly-listed companies (25%).



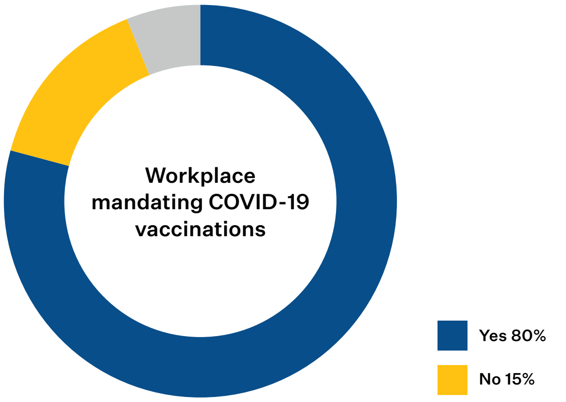
** Respondents were asked to select the single biggest risk facing their organisation. In this year's list COVID-19impact was replaced with border restrictions and supply chain disruption.*

QUESTION 6:
COVID-19 vaccinations

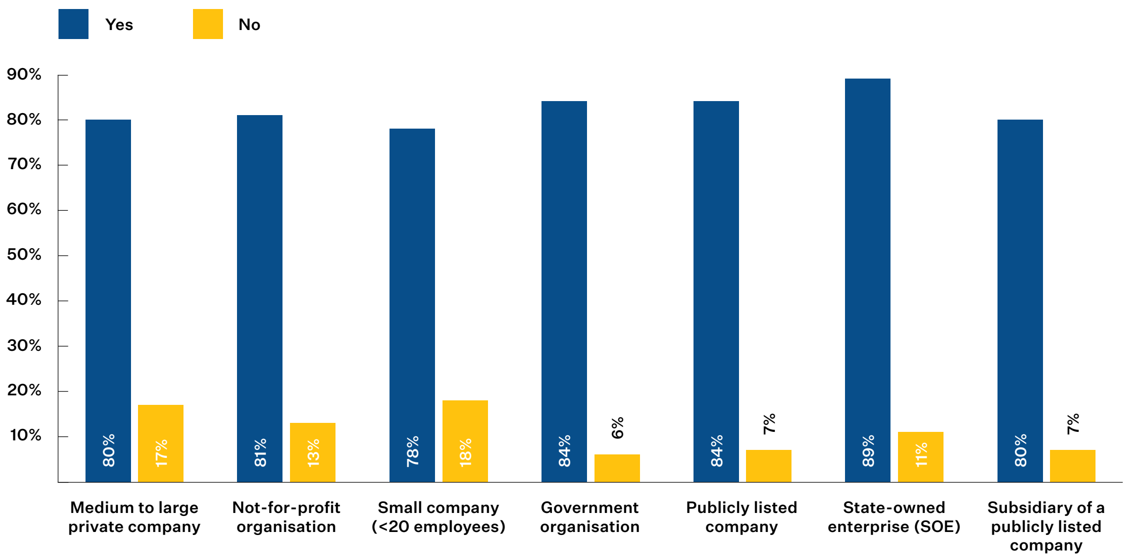
In this year's survey we asked directors whether workplaces should be able to mandate COVID-19 vaccinations for their workers.

A strong majority (80%) of directors said yes. While 15% said no and 6% didn't know or were unsure.

The level of support for mandatory vaccinations was reasonably static across sectors. However, directors of state-owned enterprises (89%), government organisations (84%) and publicity-listed companies (84%) all showed slightly higher levels of support.



Sector snapshot:



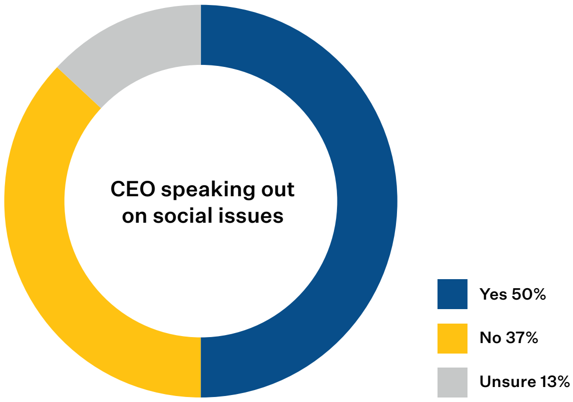
Workplace mandating COVID-19 vaccinations

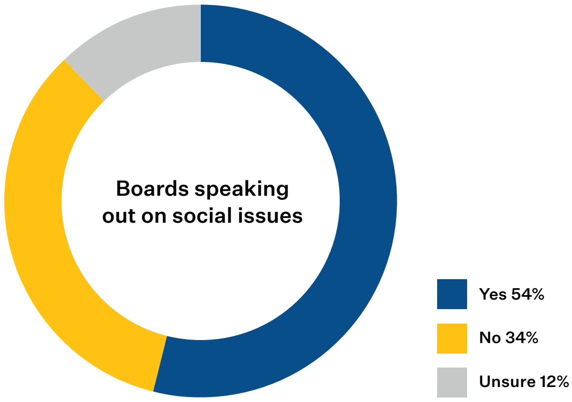
QUESTION 7–8:
Speaking out on social issues

In recent years, we have seen rising expectations for business leaders to be more vocal about their views on social issues. In the *Edelman Trust Barometer 2021*, 86% of the general population said they expected CEOs to speak out on social issues.

Since 2019 we have asked directors whether the CEO should speak out on social issues. This year, half of directors (50%) said the CEO should speak out on social issues beyond the business of the organisation, representing a significant increase on the last two years of 28% in 2020 and 34% in 2019.

This year for the first time, we also asked members views on whether boards should speak out on social issues. Slightly more respondents (54%) said that the board should speak out on social issues beyond the business of the organisation.





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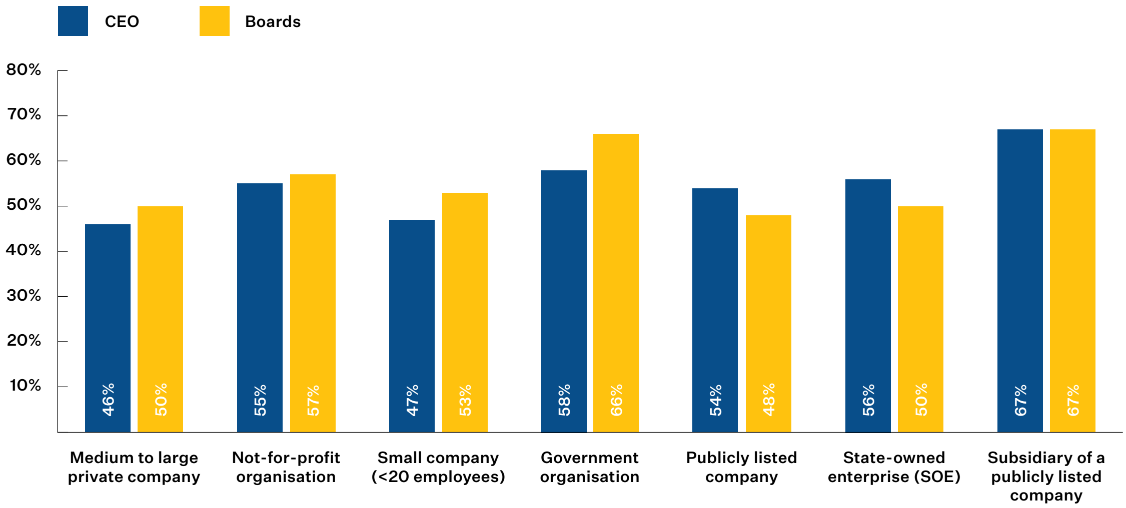


Should speak out on social issues

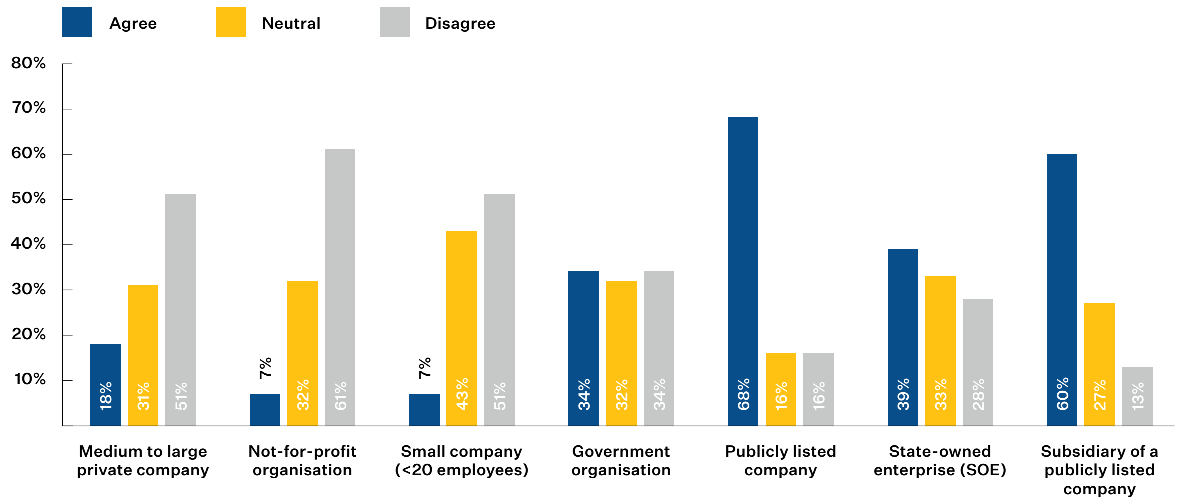
QUESTION 9:

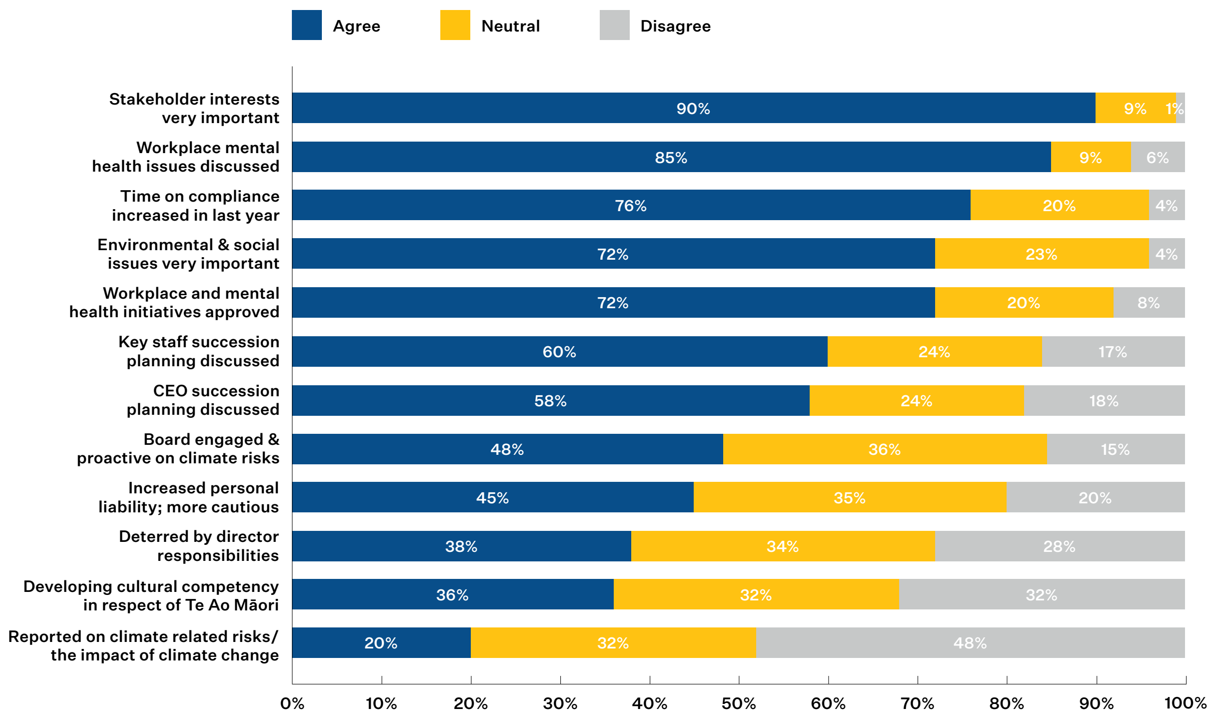
Governance issues

Insights from the survey about key governance matters facing directors.

- A strong majority (90% up from 87% in 2020) of directors said their board considers stakeholder interest are very important to the business.
- And there was a lift (72%, up from 67% in 2020) in the proportion of directors agree that environmental and social issues are very important to their business (this has ranged between 66% and 72% since 2017). This was higher for directors of government organisations (88%), publicly-listed organisations (82%) and subsidiaries of publicly-listed companies (80%).
- Boards have a critical leadership role in taking action on climate-related issues and this year we saw a significant increase in the proportion of directors (48%, up from 35%) agreeing that their board is engaged and proactive on climate change risks and practices in their business.
- In addition, 20% (up from 13% in 2020) said that their latest annual report included disclosures on climate related risks and/or the impact of climate change on their organisation. This was significantly higher for publicly listed companies at 68% (42% in 2020). Sector variations are set out in the sector spotlight below.
- Thirty-six percent of boards are engaged and pro-active in developing cultural competency in respect to Te Ao Māori. However, this was significantly higher for directors of government organisations (74%) and state-owned enterprises (67%).
- Time spent on compliance activities continues to increase for the majority (76%) of directors (up from 70% in 2020).
- This year 45% of directors (slightly down from 47% in 2020 and 2019) agreed that increased personal liability has made them more cautious in business decision-making.
- The majority of boards (85%) have discussed workplace mental health issues in the last 12 months and 72% have approved initiatives to help address workplace mental health issues. There was quite a variance across entity types with government organisations the highest (88%), and small companies the lowest (53%) in approving initiatives.
- Succession planning is critical for business continuity. However, just over half of boards regularly discuss succession planning in relation to the CEO (58%). While 60% regularly discuss succession planning in relation to key staff other than the CEO.

Sector spotlight: Inclusion of climate disclosures in annual reports.



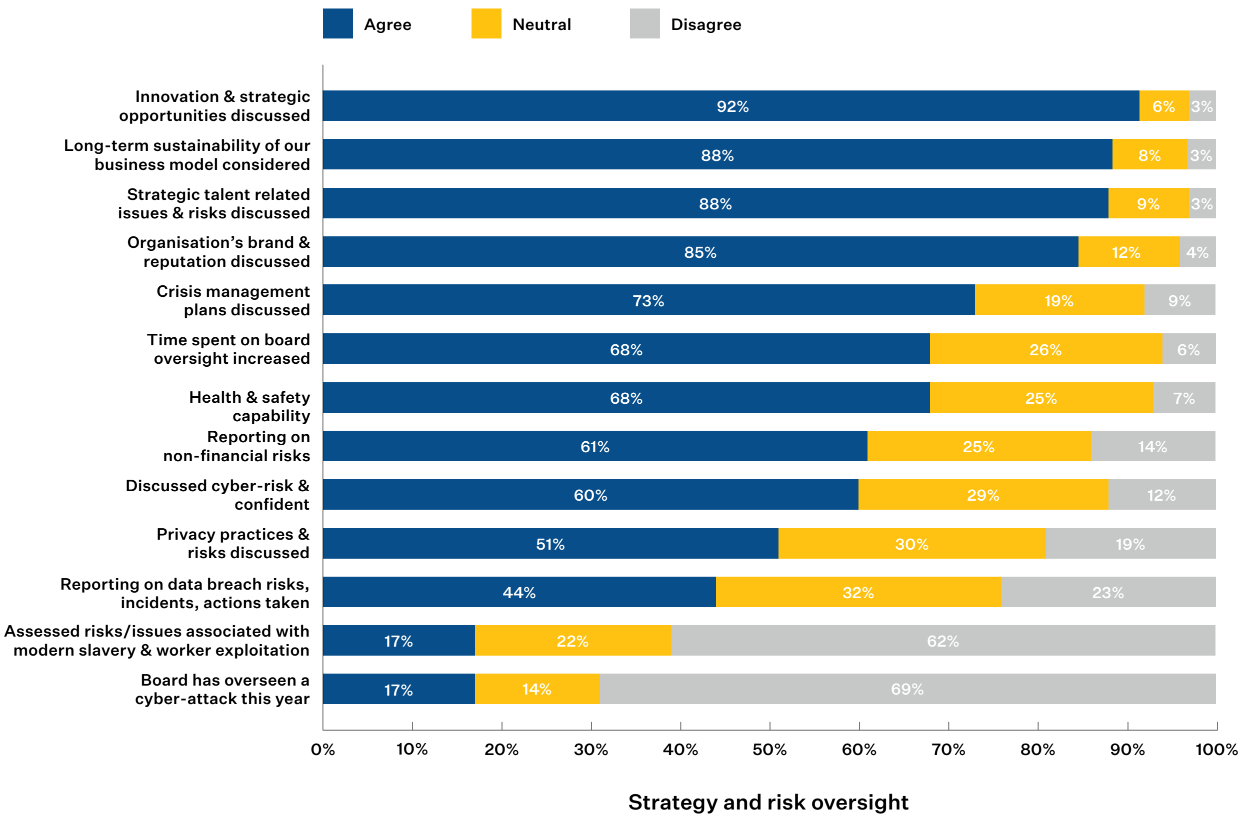


Governance and issues facing boards

QUESTION 10:
Strategy and risk

Insights from the survey about strategy and risk oversight.

- Board oversight of non-financial risks has been in the spotlight in recent years and it remains critical for boards to ensure they get the right information to properly monitor these risks. Sixty-one percent (up from 54% in 2020) of directors said their board had received comprehensive reporting from management on non-financial risks and had discussed actions to address them in the last 12 months.
- In a first-time question this year, 85% said their board regularly discusses the organisation's brand and reputation.
- Since the introduction of the Health and Safety at Work Act in 2015 the proportion of directors who think their board has the right capabilities to comply with director obligations under the legislation has ranged from 68% to 77%, with this year at 68%.
- There has been a further lift (60%, up from 54% in 2020 and 50% in 2019) in the proportion of boards that are regularly discussing cyber-risk and are confident their company has the capacity to respond to a cyber-attack or incident.
- Slightly fewer boards (44%, down from 47% in 2020) are confident their board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them. Just 17% of boards have overseen a cyber-attack in the last 12 months.
- Consistent with last year, just over half (51%) of directors agreed their board regularly discuss their organisation's privacy practices and risk.

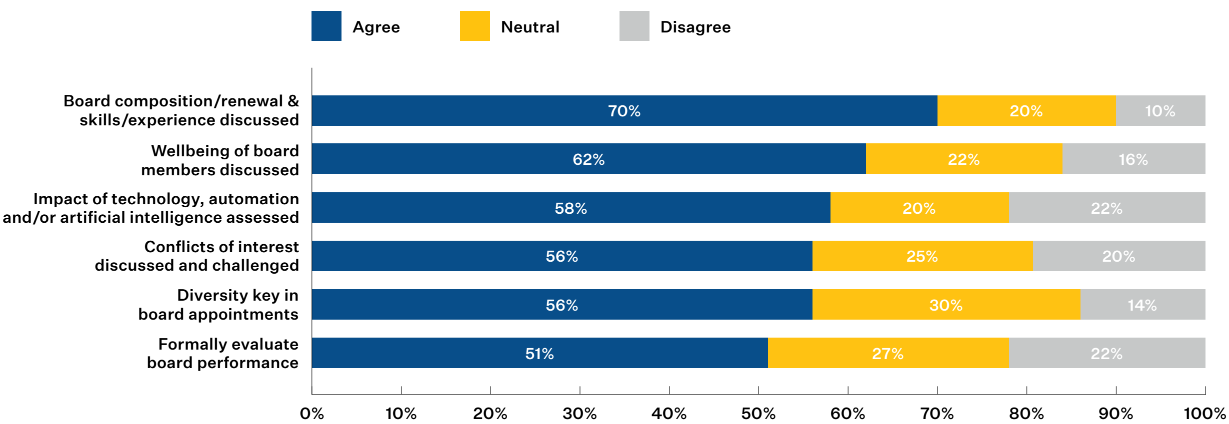


QUESTION 11:

Board practices

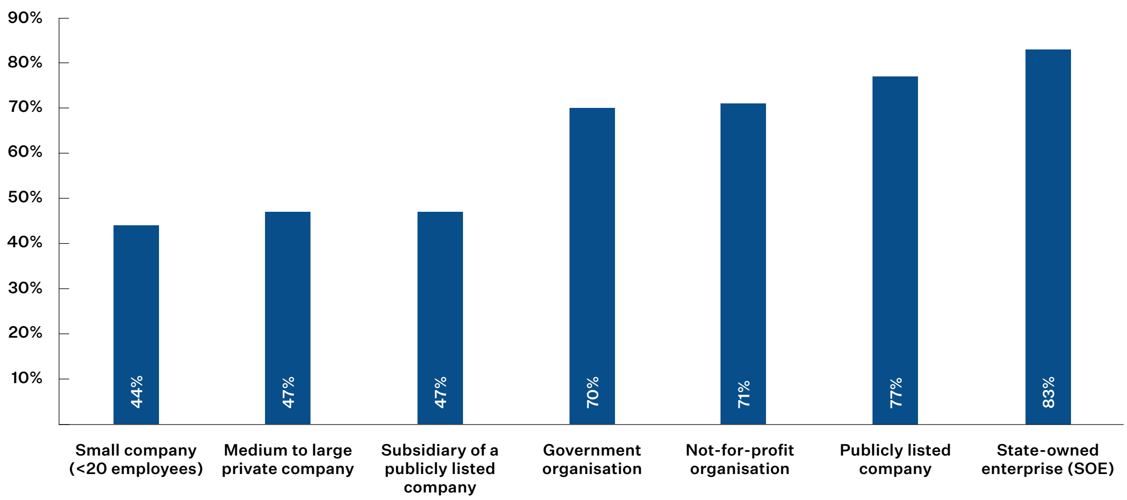
Insights from the survey about board practices.

- Just half of boards (51%) are regularly evaluating their performance. However, over two-thirds (70%) regularly discuss board composition/renewal and the skills/experience they need now and for the future.
- Diversity of thought is critical for robust decision making in the boardroom, yet fewer directors (56%, down from 66% in 2020 and 64% in 2019) were confident that diversity is a key consideration in making appointments to their board. However there is considerable variation across entity types as shown below.
- Fifty-six percent of directors said their board had discussed and challenged board member conflicts of interest in the last 12 months.
- Director wellbeing is vital to boards being able to function at their best and 62% of boards have discussed wellbeing of their members in the last 12 months.
- Fifty-eight percent of boards have assessed the impact of technology, automation and/or artificial intelligence on their organisation, workforce and future skills needs, slightly down on 61% last year.



Current board practices

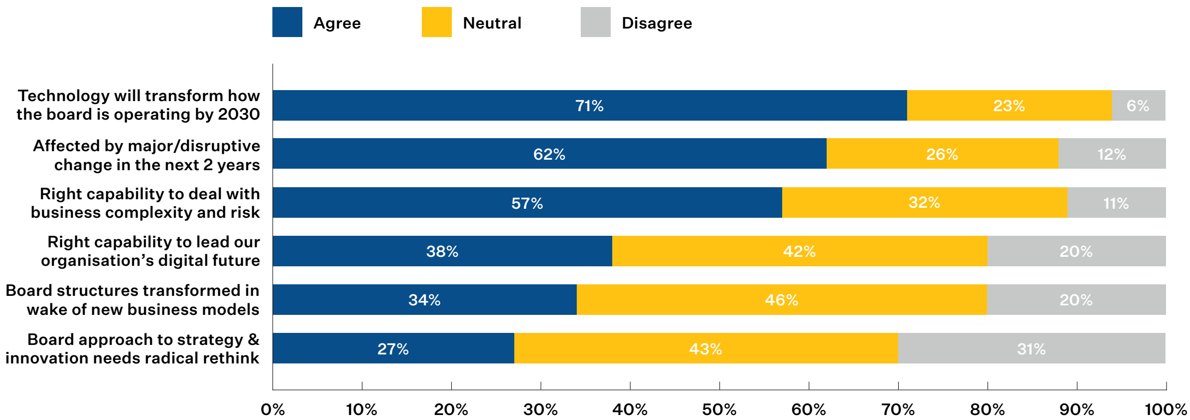
Sector spotlight: Diversity is a key consideration in making board appointments



QUESTION 12:
The future board

Insights from the survey about the future board.

- Just over a third of directors (34%) think current board structures (including committees) will be totally transformed in the wake of new business models. While over two thirds (71%) of directors expect technology to transform how their board is operating by 2030 (eg using real time, interactive data in the boardroom, artificial intelligence).
- Sixty-two percent of directors think their industry will be affected by major/disruptive change in the next two years, similar to last year's 60%. While in a new question this year, just over a quarter (27%) think the board approach to strategy and innovation needs a radical rethink.
- The proportion of boards (57%, up from 51% in 2020) that have the right capabilities to deal with increasing business complexity and risk has lifted again this year, but still within the range since 2015 of 50% and 57%.
- However there has been another small lift in the proportion (38%, compared to 35% in 2020 and 33% in 2019) of directors that agree that their boards has the right capability to lead their organisations' digital future. This is the highest it has been since 2016.

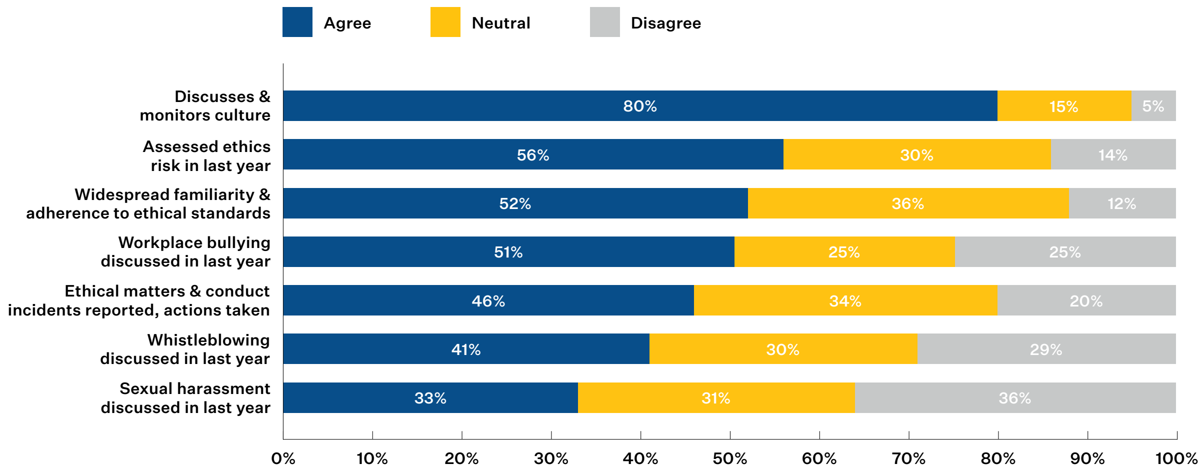


The future board

QUESTION 13:
Ethics, culture and conduct

Insights from the survey about ethics, culture and conduct.

- The majority (80%, up from 77% in 2019) of boards regularly discuss and monitor the culture of the organisation.
- Fifty-six percent (up from 54% in 2019) of boards have assessed ethics risks in their organisation in the last 12 months.
- While 46% (up from 41%) of boards receive comprehensive reporting from management about ethical matters and conduct incidents, and the actions taken to address them.
- Consistent with last year, just over half (52%, and 53% in 2020) of directors are confident that their board, staff, business partners and supply chains are familiar with and adhere to the organisation's ethical standards. While 41% (40% in 2020) discussed whistleblowing, and how the organisation makes speak-up provisions effective in the last 12 months.
- Just under a third of boards (33%, down from 35% 2019 and 39% in 2018) discussed sexual harassment in the last 12 months. While just over half (51%, similar to 52% in 2019) discussed workplace bullying.



Ethics, culture and conduct

SURVEY QUESTIONS AND RESULTS

The online survey was conducted from 16 September to 12 October 2021. Results are summarised from 935 responses. Not all questions were answered by all respondents (the average skip rate per question for the 2021 survey was 3.3%). Percentages may not add to 100% due to rounding.

Q1. In what way has COVID-19 affected the performance of your organisation this year?

Improve	16%
No Effect	23%
Decline	61%

Q2. How do you expect the performance of the New Zealand economy to trend in the next 12 months?

Improve	29%
No Effect	20%
Decline	51%

Q3. How do you expect the performance of your organisation to trend in the next 12 months?

Improve	54%
No Effect	27%
Decline	20%

Q4. What, in your view, are the biggest impediments to national economic performance? (you can choose up to three)

Labour quality and capability	57%
Productivity	16%
Infrastructure	12%
Regulatory red tape	24%
Lack of strategy	34%
Market volatility	7%
Global growth / uncertainty	18%
Attitude / ambition	10%
Commodity prices	6%
Concentration risk	1%
Border restrictions	54%
Climate change	10%
Effectiveness of vaccination schemes	37%

Q5. What, in your view, is the single biggest risk facing your organisation?

Labour quality and capability	30%
Technological disruption	3%
Competition	3%
Regulatory red tape	10%
Demand	6%
Local growth	4%
Global growth / uncertainty	5%
Cost of capital/availability	2%
Governance	3%
Commodity prices	1%
Border restrictions	14%
Climate change	2%
Supply chain disruption	17%

Q6. In your view should workplaces be able to mandate COVID vaccinations for their workers?

Yes	80%
No	15%
Don't know/unsure	6%

Q7. In your view should the CEO speak out on social issues beyond the business of the organisation (eg income inequality, housing, trust and racism)?

Yes	50%
No	37%
Don't know/ unsure	13%

Q8. In your view should the board speak out on social issues beyond the business of the organisation (eg income inequality, housing, trust and racism)?

Yes	54%
No	34%
Don't know/unsure	12%

Q9. Please indicate whether you agree or disagree with the following statements about governance in your organisation and issues facing boards:

	Agree	Neutral	Disagree
My board regularly (at least annually) discusses succession planning in relation to the CEO.	58%	24%	18%
My board regularly (at least annually) discusses succession planning in relation to key staff other than the CEO.	60%	24%	17%
Compliance related activities have increased in the last 12 months.	76%	20%	4%
The scope of director responsibilities is more likely to deter me from taking on governance roles now than 12 months ago.	38%	34%	28%
Increased personal liability has made me more cautious (risk adverse) in business decision making in the last 12 months.	45%	35%	20%
My board considers environmental and social issues are very important to our business.	72%	23%	4%
My board considers stakeholder interests are very important to our business.	90%	9%	1%
My board is engaged and pro-active in developing its cultural competency in respect of Te Ao Māori (eg tikanga and Māori mātauranga).	36%	32%	32%
My board is engaged and proactive on climate change risks and practices in our business.	48%	36%	15%
Our latest annual report included disclosures on climate related risks and/or the impact of climate change on our organisation (eg using the TCFD or other frameworks).	20%	32%	48%
In the last 12 months my board has discussed workplace mental health issues.	85%	9%	6%
In the last 12 months my board has approved initiatives to help address workplace mental health issues.	72%	20%	8%

Q10. Please indicate whether you agree or disagree with the following statements about strategy and risk oversight in your organisation:

	Agree	Neutral	Disagree
My board regularly (at least every two years) considers the long-term sustainability of our business model.	88%	8%	3%
My board regularly (at least annually) discusses innovation and strategic opportunities.	92%	6%	3%
In the last 12 months my board has discussed strategic talent related issues and risks, such as employee engagement, performance and retention.	88%	9%	3%
The time my board spends on risk oversight has increased in the last 12 months.	68%	26%	6%
My board has discussed crisis management plans (eg in the case of natural disaster, emergency CEO, viral social media incident) in our organisation in the last 12 months.	73%	19%	9%
My board has the right capabilities (skills and experience) to comply with director obligations under the Health and Safety at Work Act.	68%	25%	7%
My board regularly discusses cyber-risk, and is confident our organisation has the capacity to respond to a cyber-attack or incident.	60%	29%	12%
In the last 12 months my board has overseen a cyber-attack affecting our organisation.	17%	14%	69%
My board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them.	44%	32%	23%
My board regularly (at least annually) discusses the organisation's privacy practices and risks.	51%	30%	19%
My board receives comprehensive reporting from management about non-financial risks (e.g. culture, reputation, social media), and has discussed actions to address them in the last 12 months.	61%	25%	14%
In the last 12 months my board has assessed risks and issues associated with modern slavery and worker exploitation in our organisation and supply chain.	17%	22%	62%
My board regularly (at least annually) discusses the organisation's brand and reputation.	85%	12%	4%

Q11. Please indicate whether you agree or disagree with the following statements about current board practices:

	Agree	Neutral	Disagree
My board regularly (at least annually) discusses board composition/renewal and the skills/ experience we need now and for the future.	70%	20%	10%
Diversity is a key consideration in making board appointments.	56%	30%	14%
My board regularly (at least every two years) makes a formal evaluation of its performance.	51%	27%	22%
My board has discussed and challenged board member conflicts of interest in the last 12 months	56%	25%	20%
In the last 12 months my board has assessed the impact of technology, automation and/or artificial intelligence (AI) on our organisation, our workforce and our future skills needs.	58%	20%	22%
In the last 12 months my board has discussed the wellbeing of its members.	62%	22%	16%

Q12. Please indicate whether you agree or disagree with the following statements about the future board:

	Agree	Neutral	Disagree
I think my industry will be affected by major/ disruptive change in the next 2 years.	62%	26%	12%
My board has the right capabilities (skills and experience) to deal with increasing business complexity and risk.	57%	32%	11%
My board has the right capability (skills and experience) to lead our organisation's digital future.	38%	42%	20%
I expect technology will transform how my board is operating by 2030 (eg using real time, interactive data in the boardroom, artificial intelligence).	71%	23%	6%
I think the board approach to strategy and innovation needs a radical rethink.	27%	43%	31%
I think current board structures (including committees) will be totally transformed in the wake of new business models.	34%	46%	20%

Q13. Please indicate whether you agree or disagree with the following statements about ethics, culture and conduct in your organisation:

	Agree	Neutral	Disagree
My board regularly discusses and monitors the culture of the organisation.	80%	15%	5%
My board has assessed ethics risks in our organisation in the last 12 months.	56%	30%	14%
My board receives comprehensive reporting from management about ethical matters and conduct incidents, and the actions taken to address them.	46%	34%	20%
I am confident that our board, staff, business partners and supply chains are familiar with and adhere to our organisation's ethical standards.	52%	36%	12%
My board has discussed whistleblowing, and how the organisation makes speak-up provisions effective in the last 12 months.	41%	30%	29%
My board has discussed sexual harassment in the last 12 months.	33%	31%	36%
My board has discussed workplace bullying in the last 12 months.	51%	25%	25%

Q14. Please indicate the organisational category to which your most substantial directorship belongs (this is the organisation in respect of which you have answered the question above):

Medium to large private company (>$10 million turnover or 20+ employees)	43%
Not-for-profit organisation	23%
Small company (<20 employees)	16%
Government organisation	6%
Publicly listed company	7%
State-owned enterprise (SOE)	2%
Subsidiary of a publicly listed company	2%

CONTACTS

About the Institute of Directors

The IoD has over 10,000 members and is New Zealand's pre-eminent organisation for directors and at the heart of the governance community. We believe in the power of governance to create a strong, fair and sustainable future for New Zealand.

Our role is to drive excellence and high standards in governance. We support and equip our members who lead a range of organisations from listed companies, large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

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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