



METTLE

ISSUE FOURTEEN

METTL, a collection of stories and interviews
with influential New Zealand business leaders,
curated by MinterEllisonRuddWatts.



Welcome to METtle, our publication that examines the ever evolving changes that impact decisions made by the leaders, organisations, communities, and people of Aotearoa New Zealand.

At a time dominated by debate around the Climate Change Commission's report to Government, and in an economy that continues to be challenged by a global pandemic, New Zealand has demonstrated the resilience, adaptability, leadership and innovation for which Kiwis are renown.

MinterEllisonRuddWatts is constantly analysing and evaluating how climate change and the effects of the pandemic drive change, and create new opportunities, at breakneck pace. We valued the chance to ask top-tier thinkers how they are navigating their path forward, and how they are transitioning to more sustainable business models – an important topic for our people, our business community and our planet.

Like METtle, MinterEllisonRuddWatts continues to examine ways to reassess and reinvent thought processes to help move organisations forward.

I hope you enjoy the lessons learnt and opportunities uncovered in this issue.

SARAH SINCLAIR, CHAIR, MinterEllisonRuddWatts



What's next?

This is the question seemingly being asked in every boardroom and by every executive team.

In this issue of METtle, we have asked this question across a number of areas and in a variety of ways: how soon could international travel be re-established if an effective global vaccine passport system can be put in place? What are the key shifts in risk management that directors need to absorb in a Covid world? What behaviour might property tax changes drive? What is the potential for new asset bubbles to arise? And what does real leadership look like in uncertain times?

We are only able to do this because of the stellar opportunities we have been given to sit down with people at the forefront of New Zealand's new economy. In this issue we explore the topic of Covid vaccines and passports, particularly what New Zealand can learn from other countries in this area, with David Morgan, Chief Flight Operations and Safety Officer and Chief Pilot at Air New Zealand, and John Fraser, the Dean of the Auckland Medical School.

Blair Turnbull, CEO of Tower Insurance, Joanne Ogg, EY's Managing Partner Auckland, and highly reputed director Jonathan Mason gave us their time to discuss changes in risk management post-Covid. Brad Olsen, Senior Economist and Director of Infometrics, Todd Lauchlan, Managing Director of JLL in New Zealand, and Kiri Barfoot, Director of Barfoot & Thompson, all helped us to examine what the impacts of the Government's latest policies may be on the investment sentiment of New Zealanders.

We also share leadership insights from Antonia Watson, CEO of ANZ and Michael Ahearne, CEO of SkyCity, who both discuss the importance of empathy and authenticity during turbulent times.

We appreciate the time with each of the contributors, and also thank our former partner, Cathy Quinn for her insights and guidance on the themes discussed in this issue of METtle

We hope you are able to press 'pause' and find something in these pages that provokes useful answers to the question: what's next?

Silvana Schenone, Partner and Head of Corporate & Mark Forman, Partner



6 A CAUTIOUS APPROACH TO INTERNATIONAL FREEDOM

Professor John Fraser, Dean of the Faculty of Medical Sciences at the University of Auckland and Captain David Morgan, Chief Operational Integrity and Safety Officer at Air New Zealand exude cautious optimism when discussing the Covid-19 learning curve and the vaccine programme.

12 ARE WE BLOWING BUBBLES?

With the New Zealand Government announcing several housing and property policies, Mattle questions what the impact will be on the investment sentiment of New Zealanders.

18 BUILDING RESILIENCE THROUGH EMPATHY AND ACTION

ANZ Bank CEO, Antonia Watson discusses the need for foresight, determination and a positive attitude when leading through disruption.

24 SHARPENING THE FOCUS ON RISK MEGATRENDS

With views on risk management upended in the past 15 months, Mattle asks: how do businesses navigate the discipline of risk?

32 CROSSING BORDERS: AN IRISHMAN ON THE MOVE IN AUCKLAND

Mattle asks what drives SkyCity Entertainment Group CEO, Michael Ahearne.

A CAUTIOUS APPROACH TO INTERNATIONAL FREEDOM



**KIWIS ARE THE ULTIMATE TRAVELLERS. WE CRAVE EXPLORATION,
TAKING OUR PRODUCTS AND A 'NUMBER-EIGHT WIRE' ATTITUDE
AROUND THE WORLD – AND WE'RE GREAT AT
WELCOMING PEOPLE TO OUR SHORES.**

So, as Covid-19 clipped our wings for quite a time, key questions are starting to burn: when will our borders reopen, and how can we do it safely?

MEttle spoke to two different experts in this area: Professor John Fraser, Dean of the Faculty of Medical Sciences at the University of Auckland and formerly Head of the School of Medical Sciences. He graduated from Victoria University and gained his PhD in biochemistry at Auckland University in 1983, followed by a postdoctoral research in Immunology at Harvard University. A Fellow of the Royal Society of New Zealand for his work on superantigens (that result in excessive activation of the immune system), he has a long-standing interest in immunity and infectious diseases, particularly around the mechanisms of virulence and pathogenicity of gram-positive organisms.

Stepping out of the laboratory, Captain David Morgan oversees people safety, business continuity and emergency management as Chief Operational Integrity and Safety Officer at Air New Zealand. He is also Chair of the IATA Safety Flight and Ground Safety Committee and has a front seat to the development of a global solution to the Covid passport conundrum.

They share their views with MEttle, exuding cautious optimism when discussing the learning curve Covid-19 has provided, the importance of a successful vaccine programme and how we will gain international freedom once more.



“18 months is a phenomenally short time for the world to develop such effective vaccines.”

Professor John Fraser, University of Auckland

DOES THE VACCINE GET US TO THE START LINE?

How soon will we earn back our ability to travel internationally, and what do we need to do to get there?

Professor Fraser points out that if we are looking at all of this in terms of time, it's worth remembering that it has only been 18 months since the world first discovered the virus – and while that may seem an age for a person living in locked-down UK, it's an altogether different scenario in terms of getting back to worldwide travel after an event of such global magnitude.

“Although it's not the first time the globe has been hit by a viral pandemic, 18 months is a phenomenally short time for the world to develop such effective vaccines and put us in a position to be having a discussion about travel. In reality, the timeline has been very short, made possible by recent scientific and technological advances. If Covid-19 had struck 10 years ago, things would have been very different.

“New Zealand is extremely fortunate to have been spared the awful consequences seen in the likes of Brazil and India, mainly due to the approach taken by the New Zealand Government. Sure, they've made some mistakes, but they reacted to something very unpredictable in a very short space of time. Overall, I think the response to keep the virus out of New Zealand has been appropriate and the best in world.”

Professor Fraser suggests that the consequence of being so successful, and essentially sterilizing New Zealand from the virus, is that we're not a high priority for a Covid vaccination solution, leading to a vaccine programme that appears to be taking longer than countries in high-risk locations like the UK and the US. However, he says:

“New Zealand does have a vaccine programme plan and sufficient resources are now in place to vaccinate the majority of the population over the next 18 months – all actions that we're now starting to see results from.”

So, if large numbers of people receive the vaccine, and particularly those people who are most at risk from severe cases of Covid, at what point could we re-open borders?

Professor Fraser suggests it is possible to do so once we are sure we have relegated the virus to a seasonal virus that we deal with every year like the flu. However, he adds that he wouldn't want to be the person to make that decision.

"It means changing the status of the virus from what we currently consider as a potentially lethal virus to a mild seasonal infection. It also doesn't address the question of what proportion of the population needs to be vaccinated before we can be assured that this will stem transmission of the virus, and thus can we open up our borders knowing we can handle any infection because the people likely to be severely infected are now suitably protected?"

And then there's the question how long the vaccine provides protection.

"It's a really important question. Normally, vaccines would not be released this quickly and would undergo approximately a decade of clinical trials, which then provide a clear indication of when re-vaccination is required. We don't yet know any of that information; it's one of the consequences of the rapid deployment of a vaccination programme for this virus."

He regards the Pfizer vaccine as one of the credible vaccines developed and believes it will provide protective immunity of around one to two years, potentially longer with a booster shot. But not everyone will be vaccinated with the Pfizer vaccine, and other vaccines may be less effective over time which will further complicate the path forward.

"Other vaccines may be less effective over time which will complicate the path forward."

Professor John Fraser, University of Auckland

"This poses the question whether the New Zealand Government acknowledges that at some stage this virus will come to New Zealand, and that we will have the ability to manage it in the same way that we manage other seasonal infections. Flu kills 0.1% of people who get it, if we can get Covid down to that level by protecting those at high risk, then this should make the decision to open borders and large-scale international travel easier."

IATA TO THE FORE?

David Morgan confirms that a global passport solution is already well underway, led by the International Air Transport Association (IATA).

"As an industry we need a single system which provides strong assurance that people coming into a country are not a threat, and knowledge that we are keeping air crews safe and not exposing them to the virus. The challenge is how do you prove that to the appropriate agencies or countries you're trying to enter?"

Until now, he says, many travellers may only have known IATA as a logo on travel itineraries, but the organisation could become one of the most important in the world given its unique position in the information chain.

"Prior to Covid-19, IATA provided data around procedures, visas, health requirements and more when travelling globally. In the early days of the pandemic, individual countries were trying to find a Covid passport solution but quickly realised there were too many variables. As IATA already held the majority of individual country information, it has created the IATA Travel Pass and simply layered this process over the top of its current data.

"The IATA Travel Pass provides information to passengers on what tests, vaccines and other measures are required prior to travel and where they can get tested. Within the app, they can share their test and vaccination results in a secure and privacy-protected manner. The IATA travel pass effectively joins the dots of variabilities across countries to provide a confident result and provide governments the comfort to begin opening borders."

At the moment the app is a mechanism that will tie your travel itinerary to the airline, border control, your passport and access your testing information if you choose to share it. The app is based on decentralised technology which means there is no central database holding passenger information, says Morgan.

"The next tranche of work is incorporating the vaccination information into these records."

WHAT WILL TRAVEL LOOK LIKE?

Morgan believes that it is only a matter of time until we return to a 'new-normal', but there will be strings attached.

"Change is the constant for the aviation sector. September 11 changed aviation and Covid has changed it again. A Covid index will be key for airlines when people contemplate travelling. This will include factors like the prevalence of Covid in country of origin and destination, and the ability to get health insurance and receive support if you contract Covid."

"September 11 changed aviation and Covid has changed it again."

Captain David Morgan, Air New Zealand

He says airlines and airports are already implementing changes that are likely to be here long-term.

"I chair the IATA Safety Flight and Ground Safety Committee, and my peer equivalent at Qatar is the Deputy Chair, so there is a lot of discussion on the best way forward. In airports for example, the trick might be to put a 'fence' around each country, and Covid-free countries go through a green zone and others through a red zone. The complication is how to deal with people arriving from the high Covid infection zones and still try to keep everyone safe."

Professor Fraser agrees, saying that travel will become more available to countries whose rates of infection have been reduced by effective vaccination programmes, even if this takes some time to come through.

"Opening up borders systematically around the globe will be a tough decision to make. It will be done quite slowly, simply because it's a high-risk decision and needs to be handled very carefully."

THE FUTURE

Professor Fraser stresses the catastrophic consequences the virus could have had on New Zealand and hopes that we don't rush into opening borders without detailed consideration. He is hopeful that by year-end, New Zealand will be confident that the majority of our high-risk population is fully protected.

"We can then take a different view of what this virus represents to us and the best way forward."

"In two or three-years' time Covid will pass into history as another pandemic the world dealt with effectively. I wouldn't want to make rash decisions around opening-up borders and then paying the price for making the wrong decision. We've seen the dire consequences of other countries who have taken a different approach – I don't think that's going to happen within New Zealand."

"On the flip side, if we continue to keep the borders closed until we know everyone in the world is protected or not carrying the virus, we will never open them."

Morgan agrees that we must have confidence that the pandemic will be resolved.

"We will have to live with it for the rest of our lives. As far as Air New Zealand is concerned, we had to change our business plan and how we operate. But black swan events occur, the key is to be ready and have a resilient organisation with the capability that can recognise these events and deal with them."

"Have confidence in travel but understand it will be different. IATA, airlines and governments are all working hard to create a solution that will enable people to travel freely and safely between countries." 





“The IATA Travel pass effectively joins the dots of variabilities across countries to provide a confident result.”

Captain David Morgan, Air New Zealand

ARE WE BLOWING BUBBLES?

Over the last six months the New Zealand Government has announced several housing and property policies, including an extension to the bright-line test, removing interest deductibility, the reintroduction of depreciation for commercial buildings, and more.

The impact these policies will have on the investment sentiment of New Zealanders is yet to be seen. Will they achieve the desired effect of cooling the housing market and help struggling businesses, or create unintended long-term consequences?

Todd Lauchlan, Managing Director of JLL, Infometrics Senior Economist and Director Brad Olsen, and Kiri Barfoot, Director at Barfoot & Thompson, provide MEttle with their views as to what this means for our country's economy and the impacts they believe will emerge as the policies settle.

RESIDENTIAL PROPERTIES ACQUIRED ON OR AFTER 27 MARCH 2021 (EXCLUDING “NEW BUILDS”)

| | | |
|-------------------------------|--|---|
| Bright-line test extended | Capital gains taxed if sell within 10 years, up from 5 years | Excludes main home, but test tightened |
| Interest deductibility denied | No deductions for new borrowing from 1 October 2021 | Deductions on existing borrowing phased out by 2024/25 year |

COMMERCIAL AND INDUSTRIAL BUILDINGS

| | | |
|------------------------------------|-------------------------------|--------------------------------|
| Depreciation deductions reinstated | Depreciable from 2020/21 year | Excludes residential buildings |
|------------------------------------|-------------------------------|--------------------------------|



“If the Government wants to tackle the supply issue, it should consider the cost of building. Penalising landlords is not going to solve the problem.”

Kiri Barfoot, Barfoot & Thompson

Todd Lauchlan surmises that the bright-line test extension was something that most market participants saw coming. Despite seeing the bright-line test extension as quite onerous by international standards, he describes it as an understandable policy reaction to people moving en masse to invest in housing as an investment class.

“Fundamentally, if you’re exiting the residential housing market for capital gain you have to pay tax, so that’s not today’s problem. It may change the investment horizon for some investors, but many entering the housing market are long-term focused. If you are in that shorter-term trading market, then you’ve already been caught in the old tax regime.”

Kiri Barfoot agrees: “It will potentially have the adverse effect of people holding on to their property longer and actually reducing supply, which goes against what this policy is trying to achieve. If you look overseas, it hasn’t made a difference as people are still buying and selling, but when they sell, they either they take longer or try to get more money for the house to pay for the tax.”

“In the short-term people are adopting a ‘wait and see’ approach. Apart from the UK, which has a much watered down version of removal of interest expense deductibility, nobody seems to think this has happened overseas.

“Ultimately, it’s too early to say if this policy will achieve the Government’s desired effect straight away. What you can see is that new builds are now more attractive to people because they can still deduct interest and the bright-line test only applies for five years, not 10 years.”

However, Barfoot believes the cost of building a house in New Zealand is prohibitive compared to other countries.

“If the Government wants to tackle the supply issue it should consider the cost of building. Penalising landlords is not going to solve the problem.”

INTEREST DEDUCTIBILITY REMOVAL A SLAP FOR INVESTORS

Brad Olsen believes the surprise announcement of the removal of interest deductibility will change the mathematics of residential property investment for many people.

“Before there was no downside. People are still looking for capital gains, but they also must be able to service their mortgage. The cashflow element was important because you needed to have a good enough rental income, but it was offset against your costs. Now you can’t do that, so your cashflow becomes much more important.”

Barfoot agrees: “Most property investors are quite conservative people. Many only own one rental and could have inherited it,

becoming ‘accidental landlords’. They are not sitting at home, or out on their boat having a holiday because they’ve earned so much money from property. Most have big mortgages they need to service, and many didn’t mind subsidising the tenant or the rent because in the long term there’s an expectation of capital gain. Now they can’t deduct expenses, so where is the benefit?

“The wider implications are that maybe they don’t paint the house like they were planning, or the primary caregiver needs to go back to work to pay tax on the income no longer sheltered by interest deductions. Even though mortgage interest rates are going down, rates, insurance, meeting Healthy Home expectations are all going up, so there’s a lot of pressure on landlords.”

Olsen’s expectation is that there won’t be as many people jumping into the market from the investor point of view.

“I wouldn’t expect house prices to fall as there are still more people looking for properties than there are properties available, and even with more properties coming online as new builds, all of that takes time to work through.”

ARE WE BLOWING BIGGER BUBBLES?

So, what might the Government’s actions lead to? Lauchlan says that the depreciation change that came in last year reinstated the ability to depreciate commercial buildings, which is a very strong positive for that sector.

“From a macro level, it is a net positive. In the long-term this should mean more money delivered into the economy through new investment, new housing, Build to Rent and more.

“All things being equal, you will make less money buying an existing house, but for any other form of commercial property or residential new builds they are not affected by the changes.”

Olsen believes there is a potential risk that the Government’s latest policies may create a wider bubble but adds that stock market investment is less prone to a bubble, at least in the short-term.

“The stock market is much freer to operate. There are more options, if someone wants to put their money into a certain

business, they are going to look at that business with a fair amount of regard to its future outlook. In property there are not as many options.”

The big challenge is investors are looking for returns says Olsen: “Previously you had a continuum where some people put their money into a term deposit that was low yield but very safe, through to housing and stocks that were riskier but generally delivered higher return. Now, term deposit returns are minimal, so everyone is shifting to the riskier angle. In a sense you could pump up a stock market bubble, but you could also see households start to take on much more risk than they thought they were.”

WILL THE POLICIES ACHIEVE THEIR GOALS?

Through a wholly political lens, Lauchlan observes that New Zealand’s housing market has underwritten the wealth of mum and dad Kiwis for a long time, so whatever the Government can do to try and get that investment into a more productive state probably means a net positive for the overall commercial real estate sector.

“It’s more of a momentum and sentiment driven policy, because in reality I don’t believe supply and demand has changed enough to drive prices up by 20+ per cent in one year.



“If you remove the tail wind and get the market to stabilise then you allow the supply to react which is obviously part of that solution. It leaves a more stable long-term market and is a sensible response to a market getting out of kilter.”

Todd Lauchlan, JLL

“Ultimately, if you remove the tail wind and get the market to stabilise, then you allow the supply side to react, which is obviously part of that solution. It leaves a more stable long-term market and is a sensible response to a market getting out of kilter. I don’t think it will mean less money into real estate – I think it will mean less money going into residential housing.”

Olsen believes that house prices will still go up, but at a slower clip.

“We’re likely to see an even faster deceleration of the housing market because of the pile-on of policy ideas and similar. We had already seen the loan to value ratio restrictions reimposed by the Reserve Bank, which knocked some wind out of investors sails, especially with the Reserve Bank going to a 40% LVR from May.”

Broadly speaking though, he says that he believes the Government’s policies will achieve the desired effect.

“However, I think it is important to step back and see how we got here. Over the last decade New Zealand hasn’t built enough houses to meet the growing population, and we saw a massive decline in construction activity, as well as a commensurate reduction in the supply of construction ability with builders heading to Australia. When building activity began again in New Zealand there was plenty of intention, but not enough resources to get going.”

What followed, he says, was a period of population growth running far faster than we could build to keep up, which created the current undersupply situation.

“Due to the undersupply, prices have continued to go up as there was an incentive relative to other forms of investment, particularly as investors weren’t getting taxed as much from the eventual sale of the property as they were from other forms of income.”

Olsen believes the latest policy changes are designed to do two things, which will in turn have at least two flow-on impacts.

“Firstly, in the short-term the Government wants to reduce the level of investment activity and speculation. Therefore, property may not guarantee as a good a return as investors previously thought, and investors need to do their financial sums and understand if they’ll actually make a profit.

“Secondly, over the medium-term they’ll build more houses. This extra building can’t happen in the short-term as we simply don’t have enough resources. The Government’s aim is to cool the current level of activity while also expanding the stock that is available and try and reduce the gap between supply and demand.”

“What we’ve seen over the last year with investment changes will need to prompt a greater conversation in New Zealand about financial risk and assessing.”

Brad Olsen, Infometrics



CHANGING INVESTOR BEHAVIOUR

Olsen believes the Government has provided a direct signal to investors that they are on notice, and that returns from property investment are no longer golden, locked-in opportunities.

“There is an element of risk that there’s not the perpetual rocketing gains coming through in the housing market.

“That’s quite a flip as it has shifted from mindless investing due to an ‘assured’ return, to something that’s just a little bit more ambivalent about the outcome – now you’ve got to do your homework. What we’ve seen over the last year with investment changes will need to prompt a greater conversation in New Zealand around financial risk and assessing. We need to be aware of what is happening because I worry too many people jump in feet first.”

IS REAL ESTATE STILL WORTH IT?

From a commercial point of view, Lauchlan believes it is still a good investment in a risk-adjusted basis, particularly in locations like Auckland where there’s considerable economic activity and overseas investor interest.

“In the last year there has been significant changes in how people live, work and play, changes in lifestyles and more people entering the market. We still need to have net new investment, otherwise we’ll get gridlocked. New Zealand needs large organisations and new foreign investment to build new infrastructure, housing, and commercial property to cater for the strong demand and lessen the gap between supply and demand.”

Barfoot agrees: “If you look at investments over the longer term, property – whether it’s commercial or residential – is still a good long-term investment.”

EXPECTATIONS ARE CHANGING

To conclude, Olsen urges people to recognise that the risk environment is changing, and not only in property.

“It’s about what is motivating people to make money, where the money is coming from, and importantly what people want to do with their returns.

“There is going to be an underlying shift in the New Zealand market that property is not the be-all and end-all of investment. People have some strong views on what they expect from an investment option, and what they expect to do with their returns in terms of the social and cultural aspects as well as the economic underpinnings.

“If you’re someone who is creaming it in the housing space, from an economic point of view that’s great. But from an environmental, social, and cultural point of view there’s an emerging feeling that pure economic returns, at the detriment of peoples’ personal livelihoods, might not be an enduring way to run a business.” 





BUILDING RESILIENCE

THROUGH EMPATHY AND ACTION

Standing in as CEO during a tumultuous time in an organisation would test the resilience of most leaders, but to lead New Zealand's largest bank through a period of intense change with Covid, the repercussions of the Australian Royal Commission into banking, and further disruption takes foresight, determination and a great attitude.

Having worked her way through a highly successful finance career, Antonia Watson now holds the position of CEO of ANZ Bank. Her down-to-earth characteristics are moving the bank away from traditional styles of leadership and embracing the diverse, flexible, and changing nature of the workplace and adapting to an era of data-driven customer-centric banking.

Born in Auckland, success runs in Antonia's blood. She proudly talks of a photo she has of her mother being the only woman admitted to the Bar in her class surrounded by men. The inspiration derived from her mother and attending an all-girls school where she was surrounded by people who supported her, gave her the confidence to pursue a business career.

After attending Otago University to gain her accounting qualification, Watson completed three years at KPMG. Once she received her accounting qualification, she headed overseas.

"I travelled with a girlfriend for four months and then my-now husband for another month and arrived in London with no money and an urgent need to get a job. Morgan Stanley scooped me up for an urgent project – I didn't even have an interview – and I ended up working there for 13 years in London, Sydney and Budapest."

Initially working in finance roles, she moved into a Head of Infrastructure role in Sydney with line responsibility for finance and local responsibility for the back-office function. Her performance in this role took her to Hungary, where she became General Manager of the Business Services and Technology Centre, providing back-office functions for Morgan Stanley in North America and Europe, operating out of Budapest.

"I loved it," says Watson. "It was basically a start-up. I was first in on the ground, and when I left the centre had grown to 800 people – and continues to go from strength to strength."

However, Watson then adds, she knew she wanted to return to New Zealand, and even though it was in the middle of the GFC, she knew she was going to resign.

"On my trip home at Christmas in 2008, I put my feelers out and was interviewed for the role of Financial Controller at ANZ. Luckily for me they took their time offering me the role, which gave me the space needed to resign, leave Budapest and travel back to New Zealand ready for the next adventure."

She knew this was the right step in her career.

"I'd run a country team and had senior roles. If I was in a smaller company, I would have been expected to be applying for CFO roles, but I didn't feel I had the appropriate skills. Instead, I was able to enter a big organisation like ANZ as Financial Controller and work through that role until the CFO at the time returned to Australia and I stepped into his shoes."

Watson believes becoming CFO was one of her more exciting appointments.

"I began to realise that people saw someone who looked like them, did things a bit differently and still achieved."

Antonia Watson, ANZ Bank

"It was my first role with a C in front of it, and when I said I was CFO people understood what it meant. This position provided me with a platform to champion diversity, and suddenly there were people who wanted to hear about me – and from me. I began to realise that people saw someone who looked like them, did things a bit differently, but still achieved. I was told 'it's great someone like you was appointed', which I think meant someone a bit less directive in style and with a more empathetic approach."

Continuing as CFO for four years, Watson then moved into retail and business banking, which provided her with front office experience and groomed her for the potential roles that could include CEO.

"In banking the traditional path to CEO is via the CFO role. You definitely don't have credibility until you've done a front-line role, and from there I was thrust into Acting CEO."

NAVIGATING CRISIS MANAGEMENT

Although the plan was always for Watson to cover David Hisco's role during a planned 11-week long-service leave period, ultimately the opportunity came in a slightly different package that involved a more challenging seven months. This meant she had to learn some lessons at speed.

"It was a pretty tough time. I didn't realise when you're in a role like this how much people feel you're theirs and the things they'll write about you when they don't even know you. I went from crying about headlines to growing a thick skin very quickly.

"But it wasn't just about me, our staff were in pain as well. Here we were working for a successful organisation when all of a sudden it imploded. We implemented a lot of communication and travelled around the country listening to people and focused on rebuilding the trust. We couldn't defend the situation easily, as no one wanted to hear our defence. We had to wait for the Deloitte report to be released, and we needed to have someone independent say the right processes were followed."

A woman with short, straight, grey hair is smiling at the camera. She is wearing a bright blue, zip-up jacket over a black top. Her hands are clasped in front of her. The background is a modern office interior with a large green plant and a window.

“Probably the biggest challenge at the moment is the huge amount of change happening and, with borders closed, the difficulty of getting appropriate resources to help with that change.”

Antonia Watson, ANZ Bank

In December 2019, Watson was officially appointed as CEO – and promptly went on a month’s much-needed leave. Then, two months after her return, the country went into lockdown.

“We went from one crisis to another and both of these situations required a really empathetic leadership style.”

Antonia Watson, ANZ Bank

“We went from one crisis to another, and both situations required a really empathetic leadership style. Our senior team went from rebuilding trust and pride in the organisation to the Covid situation, where our customers were in pain and there was this incredible uncertainty.

“It was all hands to the pump for weeks, with queues out the contact centre door, metaphorically speaking, except at 1pm when the country stopped calling us to listen to the Prime Minister’s updates. We were focused on getting our customers onto home loan deferrals if needed, working with central government and the Reserve Bank. It really was an amazing amount of collaboration in a short space of time.”

Throughout that time, she says the leadership team always knew they had to give staff certainty around their jobs and salary.

“I’m thrilled we weren’t in the position where staff needed to go on unpaid leave because we needed them working at full capacity. Being able to provide job security meant a lot to the team, with many having family members impacted. It was a financial concern we could alleviate.”

She adds that the bank was ‘lucky’ that it was so well set up from a technology perspective.

“This meant that most employees could work from home immediately. Our call centre was the exception, but we had started trialling remote working prior to the outbreak, so we managed to expedite a roll-out. It was an extraordinary achievement and I’m incredibly proud of how it turned out.”

Having spent most of her time as CEO tackling one crisis or another, Watson is now looking to the future. This means that the type of leader ANZ is looking for has changed and is now more specific around the qualities of the person.

“At ANZ this is called the New Ways of Leading, which includes: be curious, connect with empathy, grow people selflessly and create shared clarity. We test and ask people to demonstrate these aspects if we’re interviewing them, it’s very different from the traditional leadership style. By being able to exhibit and define the qualities we want to see in our people it brings more diversity and a different set of skills, and I believe it shows everyone we are changing.”

However, there are some challenges coming up, she adds.

“We have some significant regulation on its way which we’re in the process of enacting, whether it be the CCCFA (Credit Contracts and Consumer Finance Act), the BS11 outsourcing policy or new capital requirements. The potential for significant issues for customers doesn’t look as bad as it could have been, though it doesn’t mean that there isn’t still a lot to play out from the pandemic.

“However, ANZ continues to look to the future including how we invest, improving customer and staff experience and reducing risk. Probably the biggest challenge at the moment is the huge amount of change happening and the difficulty of getting appropriate resources to help with that change.”

She intends to tackle this by managing the process and keeping people focused.

“We won’t be putting our hands up and saying, ‘it’s all too hard’. We want to deliver better results, firstly through better digital experiences, straight-through processing and making less mistakes. Secondly, is to use our data to improve our customers’ financial wellbeing. We know a lot about our customers and can use data at scale. This will allow us to provide them with more useful and tailored communication. I believe this will be a game changer for our customers’ financial wellbeing and help them with all aspects of savings, housing, business, retirement and more.”

FROM DISRUPTION FEAR TO FINTECH PARTNERING

As an industry, banking has an enormous amount of change and potential disruption coming, and Watson faces it readily.

“We have moved on from being scared of disruption to looking at the disrupters as people who are prepared to take a risk and are nimble. They have less to lose than us. We acknowledge that disruptive FinTechs have some great ideas, and we’re starting to partner with them more.

“We acknowledge that disruptive FinTechs have some great ideas, and we’re starting to partner with them more.”

Antonia Watson, ANZ Bank

“I truly believe the future of banking will be like all industries: the customer becomes more and more central to everything. We have community standards and expectations, and if you’re not going to meet them, you’re not going to survive. It’s a digital and data-driven future which we’re excited to be part of, but at the same time we need to protect our most vulnerable customers, because for some of them the changing technology simply doesn’t fit with their needs.”

She is excited about the ability to deliver more by not relying predominantly on the traditional one-on-one conversation between customer and banker.

“Everyone responds to communications and messaging in different ways. If we do product suitability, we look at the behaviour of people who do and don’t get the message. There are still people who want a conversation with a banker, maybe when you buy a house for the first time you want someone to guide you. The next time, you just want to fill in the form online or on the app and don’t require the personal interaction. This means we need to make sure we’re catering for all those needs, and ANZ’s scale means we have the experts as well as a terrific app.”

AND THE BIGGEST LESSON?

“For me, the biggest lesson over the last couple years in an environment of Covid and crisis management has been resilience,” says Watson.

“During lockdown, one of our vendors invited me on a Zoom call with Julia Gillard. Someone asked her how she built resilience when she was the Australian Prime Minister. She said she learned to have two personas: Julia Gillard the person and Julia Gillard the Prime Minister. She explained that she learned to box-up the comments made about Julia Gillard the Prime Minister and keep them as two separate things. I was awestruck on how great it was to compartmentalise like that, and this advice has been immeasurably helpful for me.”

SHARPENING THE FOCUS ON RISK MEGATRENDS

**ONCE UPON A TIME, RISK MIGHT HAVE BEEN
SOMETHING OF A TECHNICAL, POTENTIALLY INFREQUENT,
ITEM ON BOARD AGENDAS. BUT NOT ANY LONGER.**

The last 16 months have upended all views of how to approach risk management, reinforcing the key – and increasingly prominent – role that it plays within businesses that are navigating their way through uncharted waters.



Primarily interested in the question of how Covid-19 has changed the approach to day-to-day business interactions, from the boardroom all the way through to individual home insurance, MEttle gathered insights from three people at the forefront of the discipline of risk: Joanne Ogg, EY's Managing Partner and leader of the firm's risk practice; Jonathan Mason, Chair of Vector, independent director of Zespri and Air New Zealand; and Blair Turnbull, CEO of Tower Insurance. We spoke with them about the changes they have seen – and implemented – now that risk has a clear voice in the boardroom.

A NECESSARY CHANGE IN VIEW

Joanne Ogg has seen the rapid evolution in the management of risk, specifically among the changing landscape of consumers, dynamic ecosystems, changing industry boundaries, disruptive business models and new competitive domains. This evolution, like so much else, has been turbo-charged by the pandemic. However, she says that this shift was already occurring before March 2020.

“There was a lot of change happening pre-Covid, but what we've seen post-Covid is that the pace has accelerated, resulting in fundamental attitudes changing to risk management. Traditionally, many businesses took the approach of compiling a list of risks they would revisit every six months if they were good businesses, every year if they were average, and longer if normal. This practice needed to change, and Covid has made it happen. Risk needs to be managed every day, rather than simply through a risk register every now and then.”

This advice is no different from what she would have said pre-Covid, Ogg adds.

“Covid has driven the need for organisations to be more nimble and agile in the way they operate, having to make decisions quickly and be able to change to respond when events happen, so inherently they need better thinking around risk.”

Blair Turnbull agrees with this view, saying that he has seen an enormous amount of change.

“Tower Insurance is a 152 year old business. It looks completely different today to 10 years ago, and we now look very different to even 15 months ago. The common denominator is how quickly change is happening, which means an organisation needs to assess risks, leverage technology and data to make timely decisions quickly.”

A PROBLEM WITH LABELLING

Identifying the challenge is a useful start, but what further change needs to take place? According to Ogg, businesses need to embed risk further into everyday decisions and activities.

“Many activities that we do aren't necessarily thought of as risk management, so the labelling of it is where people fall down. They are doing risk management all the time, they just don't specifically associate that that's what it is. When you layer risk management over a list of activities an organisation does, it can seem disconnected and hard to identify the value-add. But, in reality, most people are doing risk management every day, most of the time.”

To sharpen the focus on what sort of activities should be encapsulated within the area of risk in a Covid world, Jonathan Mason says he is seeing more analysis on cashflow, solvency, scenario-planning amid uncertainty.

“Covid hasn't really ended, even for the companies where it has faded significantly as an issue. The disciplines created on cashflow, operating within uncertainty, and having an appreciation for that uncertainty have had a significant impact. In general, boards have not gone back to pre-Covid business-as-usual in terms of risk management, instead taking a much closer review of issues created by Covid. Additionally, the cadence of board meetings has increased, with directors and managers watching issues much more carefully.”

Sharpening the beam further, Mason describes indirect effects from Covid on almost all of the companies on whose boards he sits.

“For Westpac the economy is much stronger than expected, but banks in general had a period of loan deferral in 2020, and no information about whether people could pay their mortgages, which created a heightened risk alert. It's still a bit of a 'wait and see' approach as it is hard to model a pandemic for a bank where there aren't any examples to compare. Zespri saw fruit consumption increase, which provided a record year, but also real risks around picking and packing fruit. If we had a Covid outbreak last April or May, public health would have been emphasised over fruit picking.”



“Risk management needs to move beyond the risk register and should be integrated into everything an organisation does.”

Joanne Ogg, EY



“We’re embracing technology to try to educate our customers on their insurance and therefore their risk.”

Blair Turnbull, Tower Insurance

DATA-DRIVEN GUIDANCE IS KEY

As Turnbull says, risk is increasing in the world we live in.

“We all need to be able to assess risks and opportunities quickly. At the heart of that is data and technology. Use them to ensure your organisation can pivot and adapt to mitigate risk.”

In this evolving environment, often more information is better than less – not only for customers but also the businesses that serve them. Turnbull says Tower provides constantly evolving risk information and guidance to customers, covering two main areas.

“Two-thirds of our customers don’t understand their insurance, cover, price and why it differs to someone else, which partly relates to our industry’s love affair with jargon. However, we have an opportunity to simplify language and better inform people.

“We are doing this, and we are also aiming to change insurance from an annual event for customers to a more regular conversation, embracing technology to try and educate our customers on their insurance, and therefore their risk. What we want to do as part of risk management is help customers understand their profile as a homeowner or driver for example, which will help them mitigate risk through connected devices, and ultimately help them to manage it.”

However, he says that getting insurance can often seem complex.

“To assess risk, we can ask customers looking for house insurance up to 45 questions like: what is the gradient of your roof? This can leave a customer wondering if they’ll be in trouble at claim time. So, Tower recently launched a different approach, reducing this to only 10 questions, which we’ve done without degrading our own risk. We collate data from Corelogic around the typography of your home and exposure to events such as flooding. This creates a picture of the risk profile of your home, and it is often more accurate than what the homeowner knows themselves. This enables us to ask the right questions and ultimately reduces both the customers and our own overall risk.”

THREE QUESTIONS TO SPOT THE SWAN IN THE DARKNESS

Awareness of this approach is something that boards could also take advantage of as they raise the topic up the flagpole. Fortunately, this is already happening, says Ogg, who adds that she is seeing greater acknowledgement that boards should be thinking and talking about risk when setting strategy.

In doing so, she also says that boards should be asking themselves these questions.

“Firstly, what are the risks will prevent you from achieving your strategic priorities – are they front of mind, and is management thinking about them constantly? Secondly, when thinking about your strategy: what has to go right?, what could go wrong? And lastly, thanks to Covid, I’d suggest adding: what may surprise you?”

This last question Ogg says has been gaining traction at board and senior executive level since the advent of Covid.

“I don’t think anyone had asked prior to March 2020 “what may surprise us”. We’d always thought about the downside, the opportunity and upside, but not the left field angle. These three questions are practical questions to be thinking about in any kind of strategic planning session, project set up, or business case, for example. If a business can think about these three questions, and have good mitigations in place to respond, then they’re managing risk.”

“We’d always thought about the downside, the opportunity and upside, but not the left field angle.”

Joanne Ogg, EY

Mason provides further advice around the value and contribution directors can offer organisations on risk management.

“Often managers don’t get time to think, reflect, read and consider risks. Generic risk categories that companies do poorly on are often the ones that have high consequence, yet many consider low probability, so mitigation is deferred. When this risk hits the organisation the management and the board can be caught flat-footed. Directors aren’t in management mode each day, so they can come in and see things that management is often not aware of and increase the organisations priorities based on a different and broader view.”

To address this, he adds that one trick he uses is to read everything that is relevant – and more.

“For example, I will read very carefully any litigation against a board in Australasia. Simply to be aware of examples of how a board has gotten into trouble, and whether there are any lessons for me on my directorships. The best way to manage risk is by avoiding it, rather than managing it once it arises.”

Taking this approach further, to look left field and understand the wider implications of risks and inform his variety of directorships, Mason tasks himself to read periodicals like *The New York Times* and *The Economist* as well as everything at every board meeting, plus attending a significant number of talks and panel discussions.

“I go, I listen, and I think. I take the information and think about the impact on the company but also laterally, asking myself “does this have a wider impact on the economy?”

“We need to be aware of what’s happening and ask, “could this affect us?” Risk management is not about eliminating risk, but considering it before the fact, and then how to mitigate it and taking steps to do so. By absorbing information, directors and organisations can draw insights on how to apply and respond to the risk rather than waiting for the risk to emerge.”

He adds that you don’t learn only from reading.

“I also get insights from talking to young people about what they are passionate about, how policy might work, how to attract young people to organisations and how important our licence to operate is as a business.”

MOVING THE DIAL INTO THE FUTURE

Ogg says that she has seen ‘a lot of lip-service’ paid to business continuity, disaster recovery planning and crisis management prior to Covid, but fortunately that is now changing. She does add that more that needs to be done to enable business success in a time of exceptional risk.

“People have got through Covid fairly well so far because they got the right people together and got stuff done. Boards are now more in tune with risk management and we’re seeing the rise of the concept: ‘don’t just tell me, show me’. Directors and management need to be confident that processes are effective, and controls are operating. Organisations need to have good capability to respond and be resilient within an appropriate timeframe.”

This means, she says, that we need to move on from the idea of just knowing what the risks are and what we might do to make sure they don’t occur.

“We need to know that the processes, controls and plans are actually there and operating, providing assurance that the mitigation or treatment of risks identified is actually going to work and will help the organisation get back up and running.

“Resilience within supply chains, customers and Covid has taught us to have resilience in customer base channels, our supply chain, how we move products and our inventory. The just-in-time concept does not create resilience, as it has left people wanting and with a pretty big gap.”

Mason backs this up by focusing on the well-publicised risks presented to businesses by the current supply chain uncertainties.

“By absorbing information, directors and organisations can draw insights and how to apply and respond to risk rather than waiting for the risk to emerge.”

Jonathan Mason, Director



“There are some developers who won’t start work on a project unless they know all the materials are there, purely because of supply chain issues. We’re having to deal with a lot more variability, and it’s unprecedented how dysfunctional the supply chain is.”

Because this is an issue that is much wider than New Zealand, he adds that the uncertainty is likely to continue for another few years.

“We thought we were better at inventory management. With the variability in demand, the supply chain has toppled,

and it turns out we need more buffer stock, which will take time to fix.”

Ogg finishes by saying: “Risk management needs to move beyond the risk register. It should be integrated into everything an organisation does. It’s a practical process that should underpin all of our important decisions and actions if we wish to succeed into the future.” ^M



“As leadership and people responsibilities grow it becomes less about your individual capacity, and more about ensuring you have the right people with different and diverse voices around you and the table.”

Michael Ahearne, SkyCity Entertainment Group

CROSSING BORDERS

**AN IRISHMAN ON THE MOVE IN AUCKLAND
MICHAEL AHEARNE, CEO, SKYCITY ENTERTAINMENT GROUP**

Born in Waterford county, Ireland, Michael Ahearne has moved his family across the globe in pursuit of career opportunities in Australia, and now New Zealand, where he is CEO of SkyCity Entertainment Group.

An ambitious family man, he hasn't been afraid to look across borders for the next step in his career. He told MEttle that he has worked hard to gain the opportunity to become CEO of New Zealand's largest tourism, leisure, and entertainment company.

MEttle spoke to Ahearne to understand his leadership journey and his views on the factors that enable strong leadership in one of the most competitive business sectors.

“I’m an accountant by trade and I moved to Sydney just before 2000, where I spent 13 years working in the entertainment and gaming sector. First I worked with The Star Entertainment Group for 10 years and then with Aristocrat as COO of their Australia and New Zealand business,” Ahearne says, adding that his family then returned to Ireland, where he had secured a role at Paddy Power Betfair – now Flutter Entertainment – one of the largest gaming organisations in the world.

After three years there, Ahearne was approached by the previous SkyCity CEO to join the group as Chief Operating Officer.

“So, I moved my family to New Zealand, where I undertook the COO role for three years before stepping into the CEO position, which I’ve now held for the last nine months.”

Ahearne says that a deep knowledge of the SkyCity business, people, marketing, and operating model has been a huge advantage for him in the CEO role.

“I’m not trying to figure it out, I know what’s going on in the industry globally, what works from trial and error through my previous roles, and I know what does and does not work within the subtleties of the organisation and New Zealand.”

ROLLING YOUR SLEEVES UP

The SkyCity CEO role was an attractive option for Ahearne for many reasons, primary among them the hands-on nature of the organisation’s culture, he says.

“We’re a large organisation with more than 4,200 employees, and I love the people side of the business, and the dynamic of working with them. I like the culture of the company – it’s a business that is absolutely hands-on, working alongside employees and for customers.”

This means, he says, that the responsibilities that come with leading that many people are not for everyone.

“I love that if I want to talk to a customer, I can walk out of my office and there are thousands of them immediately available. So, what attracted me to this role was that SkyCity was a very physical and connected business.”

PUTTING A GREAT TEAM TOGETHER

When it comes to what makes a great leader, Ahearne considers the different leaders he has worked for and with, saying that while leadership styles differ the important thing for him has been to pick up positive traits and learnings along the way, and see the great style some leaders have with people or the commercial focus they have brought to their roles.

“I learned more from people who were different to me and I looked at how they approached situations. As leadership and people responsibilities grow, it becomes less about your individual capacity, and more about ensuring you have the right people with different and diverse voices around you and at the table. That approach is something I look for and which I’ve just started formulating.

“I’m trying to build a combination of people here who understand our business really well from an internal point of view, but also to look externally and bring people with very different perspectives and talents. Julie Amey is a great example; she has just joined SkyCity as CFO and comes from senior finance roles. She brings a breadth of experience that is completely different to what we have around the table, and I love that.”

BUILDING A SOCIAL LICENCE TO OPERATE

Ahearne is keenly aware of the community that the business exists within, and the social licence and responsibilities that an entertainment business like SkyCity has.

“SkyCity is an entertainment business that offers a variety of experiences like hotels, conventions and gaming. Gaming is a core part of it, and it’s a privilege to have licenses issued from the Government. But with that privilege comes responsibility. New Zealand has one of the most comprehensive regulatory environments in the world for land-based casinos, which is a positive thing. That brings responsibility which requires us to focus on elements like host responsibility and anti-money laundering, which are an integral part of our strategy and the culture of our organisation.

“However, more broadly, our social licence enables us to operate in the communities that we exist. Therefore, we have a responsibility to participate in those communities, whether that is in supporting local initiatives or charities alongside the trust that we have created.

“I was extremely grateful for the pōwhiri bestowed on my appointment as CEO by Ngāti Whātua Ōrakei, and under my leadership I am determined to strengthen that relationship and build stronger connections throughout our business with ahikā.”

Another focus for SkyCity is environmental sustainability, he adds.

“How do we participate and lead in areas of the environment? I’m proud that as an organisation we have again achieved Carbon Neutral status for the last year. It’s a vital part of our

business and not separate, because we're ultimately part of the community we exist in and serve."

CHALLENGE THE PAST, CREATE NEW IDEAS AND DRIVE CHANGE – TO BUILD BACK BETTER

Ahearne has now been in the CEO role for nine months. With his feet now firmly under the table, his vision for SkyCity is to continue delivering world-class entertainment to New Zealand and Australia.

"We have a huge team that comes to work every day and does an amazing job – their focus is to deliver world-class customer service. That excites us all and we love what we do."

Although last year was incredibly tough for any tourism business, Ahearne remains optimistic about the future.

"SkyCity has had a challenging couple of years, first with the NZICC fire and then with Covid, which has been significantly impactful to us," he says.

"Coming into the CEO role at this time offers an opportunity to rebuild the business in a different way, building back better. That's how I think of the business, we can build it back in a better and different way as we look forward.

"I think it's a great time to come into a business as CEO – it is about challenging the past, creating new ideas and driving change to create a new future. I wouldn't underestimate how long it will take to get through Covid and for travel to recover, but we've proved that we have built a business that can actually get through whatever is thrown at it." 

"I think it's a great time to come into a business as CEO – it is about challenging the past, creating new ideas and driving change to create a new future."

Michael Ahearne, SkyCity Entertainment Group

