Creating Long-Term Sustainable Value

Insights from 1,089 Aotearoa NZ CEOs

22 September 2026

Leadership and Governance Collective

Executive Summary

This report examines how environmental, social and governance (ESG) factors can enhance leadership and governance to create and sustain long-term value. It presents findings from Aotearoa New Zealand's largest CEO research programme, with 1,089 responses across for-profit, not-for-profit (NFP), government and iwi/Post-Settlement Governance Entity (PSGE) organisations.

Key Findings

ESG Drives Value: The vast majority of CEOs agree ESG contributes positively to long-term performance, with 78% reporting positive outcomes for ethical decision-making, 76% for organisational value and 75% for stakeholder trust.

Untapped Board Capability: Fewer than half of CEOs rated their boards highly effective in any aspect of governance and oversight, with long-term orientation and compliance and risk rated strongest. Yet 83% of CEOs identified at least one area where their board could better enable their leadership, highlighting the value of regular board performance assessments.

CEOs Are Motivated by More Than Pay: Purpose, contribution, strategic and intellectual challenge dominate CEO motivation. Financial rewards ranked lowest, with only 4–13% rating total pay or incentives as very important. Yet fair pay matters for retaining capable leaders.

Reward Long-Term Value Creation: CEOs favour rewarding sustained rather than annual performance and agree that longer-term incentives signal the time horizons and outcomes the board genuinely values. Incentives should reflect material financial and non-financial value drivers, with results that can be credibly measured and attributed to the CEO.

Aligning What Organisations Value: Leader KPIs more often reflect strategic priorities than culture or sustainability. Alignment to culture and sustainability weakens across promotion, succession, and incentives. Stated values can be undermined when leaders are rewarded for conflicting priorities and behaviours.

Investing Sustainably Creates Value: Over 81% of CEOs believe investing in sustainable practices strengthens organisational value. Key drivers include ethical responsibility, strategic integration and long-term value, while CEOs also associate sustainable practices with trust, reputation and risk management.

Materiality Matters: Environmental, social, workforce, product, supply chain, and governance priorities vary with purpose, stakeholders and operating model. Focusing on factors most material to creating and protecting value bolsters the case for sustainability and its impact.

From Commitment to Integration: More than 80% of CEOs are open to meaningful cultural change to enhance sustainability, but integration requires leadership behaviour, systems, and culture to reinforce it beyond policy and reporting.

Implementation Barriers: Cost is the most commonly identified barrier to integrating sustainability. Other barriers include linking ROI and organisational outcomes, measurement and reporting costs, overlapping requirements, short-term operational pressures and internal capability. Government and industry bodies can aid progress through financial incentives, clearer standards, shared resources, capability and coordination.

Putting Money Behind Sustainability: Around 80% of CEOs are prepared to pay extra for greener technology, and 55% of for-profit CEOs would absorb costs through lower margins. CEOs are committing capital to sustainability as part of investment and value-creation rather than treating it as a separate initiative.

Recommendations

1. **Govern for long-term value:** Define what the organisation exists to do, for whom, and how it creates value, then align board priorities and capability.
2. **Use board capability strategically:** Go beyond compliance and oversight. Use directors' expertise, experience, and judgement to challenge, support and enhance strategy and leadership. Evaluate the board regularly, identify gaps and strengthen contributions.
3. **Understand and enable the CEO:** Look beyond financial incentives to understand what motivates your CEO. Use remuneration to recognise contribution fairly and incentives to reinforce outcomes and time horizons.
4. **Align leadership with what matters:** Connect KPIs, incentives, promotion, succession and hiring to the strategic, cultural and sustainability outcomes the organisation says it values.
5. **Focus on material ESG factors:** Prioritise investment in the ESG factors most material to long-term value and performance.
6. **Embed sustainability:** Embed material sustainability priorities into strategy, culture, operations, innovation and investment rather than through separate policies or reporting.
7. **Turn commitment into investment:** Direct resources to sustainability initiatives where environmental and social outcomes strengthen long-term value, while maintaining financial viability to sustain purpose.

ESG is not separate from value creation. Governance determines what matters; leadership translates priorities into action; systems reinforce them; and investment determines if ambition becomes reality. Creating long-term sustainable value requires these elements to work together.

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Introduction

This report presents findings from Aotearoa New Zealand's (NZ) largest CEO research programme, based on responses from 1,089 CEOs across the for-profit, not-for-profit (NFP), iwi/Post-Settlement Governance Entity (PSGE), and government sectors. Data were collected between October 2025 and March 2026.

The research examines environmental, social and governance (ESG) factors through the lens of the CEO, exploring how leadership and governance can enable ESG to enhance long-term value creation. This is part of a broader research programme led by Susanna Lee, CEO and Founder of the Leadership and Governance Collective. With over two decades of experience in organisational research, including as a Director and New Zealand Equity Portfolio Manager at Harbour Asset Management, she draws on extensive expertise in leadership, governance, long-term company performance, and value creation.

The Leadership and Governance Collective is a collaboration of academics, executives, directors, and organisations committed to advancing organisational productivity and best practices across Aotearoa New Zealand. It delivers independent, evidence-based research in accessible formats to provide practical insights that enhance organisational performance, drive productivity, and strengthen community impact. The survey was executed through Massey University as part of a PhD programme, under the supervision of Professor Claire Matthews and Dr Jeff Strangl.

Acknowledgements

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Susanna Lee, CEO Leadership and Governance Collective

ESG and Long-Term Organisational Value

ESG has attracted scepticism from investors, policymakers, academics and commentators, with questions about financial value, measurement, greenwashing, reporting burden and whether it distracts from core organisational performance. Yet environmental and social outcomes have real consequences for people and the planet. So, what do CEOs think? Their attitudes and beliefs about ESG shape resource allocation and ultimately, progress on ESG performance outcomes.

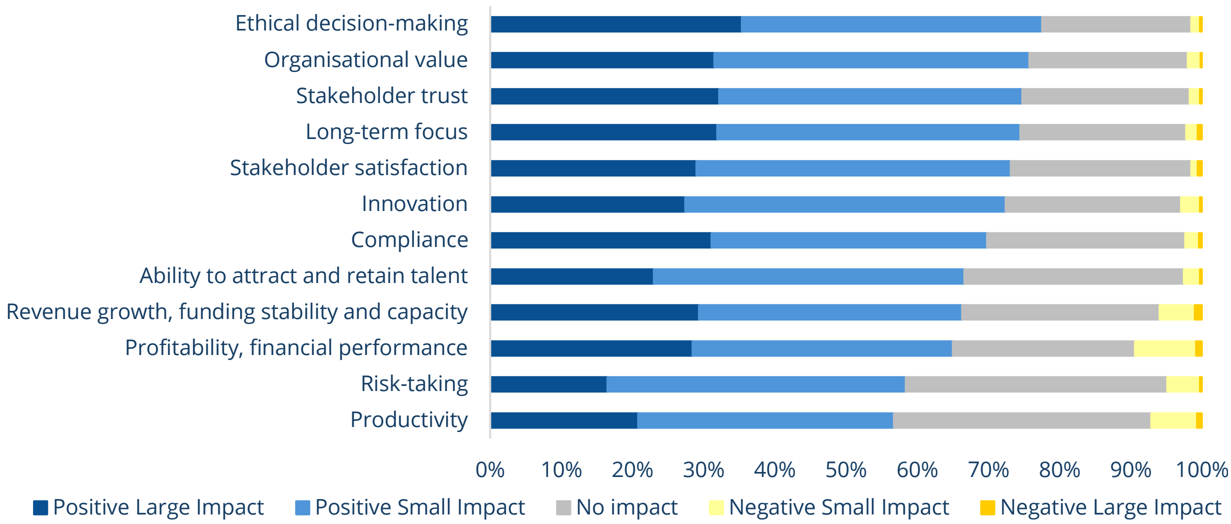
CEOs believe ESG positively influences a broad range of organisational outcomes. In Figure 1, a majority reported a positive impact on *every outcome* measured, with more than three-quarters citing *ethical decision-making* (78%), *organisational value* (76%) and *stakeholder trust* (75%).

Government CEOs had the strongest positive perceptions overall, particularly for *organisational value* and *stakeholder trust* (both 86%). **Iwi and PSGE** CEOs also reported particularly strong impacts on *organisational value* and *ethical decision-making* (both 84%). **NFP** CEOs recorded the strongest influence on *financial capacity, funding stability* and *financial performance* (72–73%). **For-profit** CEOs reported the lowest positive perceptions, but still recorded majority support across all outcomes, led by *organisational value* and *ethical decision-making* (both 73%).

Negative perceptions were uncommon. Fewer than 5% of CEOs reported negative impacts across *most outcomes*, except *profitability/financial performance, revenue growth/funding capacity,* and *productivity*, which ranged from 4% to 17%.

For CEOs and boards, the message is clear: ESG is not just a compliance exercise. It positively influences organisational outcomes, particularly value creation and ethical decision-making. Where ESG factors are material, they need to be embedded in strategy and decision-making.

Figure 1: ***Influence of governance and sustainability approaches on aspects of long-term performance***



Aligning Board Purpose to Create Value

Much of the attention in ESG falls on the 'E' and the 'S'. But without effective governance, environmental and social priorities can struggle to translate into action. Governance is a key mechanism that provides strategic direction, oversight and accountability for these priorities. How boards fulfil that role should reflect the organisation's purpose, stakeholders and how it creates value.

Differences in how CEOs view the board's role are evident across organisation types. **For-profit** CEOs most commonly identified the board as *a strategic partner to management* (47%), consistent with a stronger focus on strategy, growth and commercial value creation (Figure 2).

Government CEOs, with their accountability to taxpayers, ratepayers and the wider public, emphasised *monitoring risk, compliance and accountability* (54%). **NFP** CEOs most frequently viewed the board as a *formal oversight body* (42%), reflecting stewardship of organisational resources, mission and stakeholder accountability.

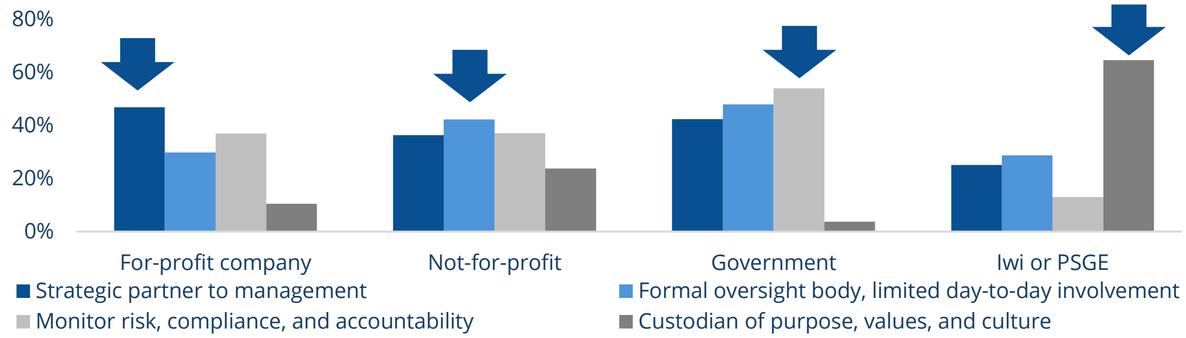
Most **iwi and PSGE** CEOs identified the board as *custodian of organisational purpose, values and culture* (65%).

This purpose-led approach was also evident among *Māori NFPs* (43%) and *religious organisations* (41%), and within the for-profit sector among *B Corps* (26%) followed by *family-influenced organisations* (19%), *founder-led and governed firms, small companies* and *cooperatives* (all 14%).

> *"The mission of the board is to serve as a strategic asset of the company."*
>
> *Ken Daly, 2016*
> *Former CEO, National Association of Corporate Directors (NACD)*

For CEOs and boards, effective governance starts with clarity about what the organisation exists to achieve and for whom. The board's role, priorities and contribution should be shaped around that purpose to strengthen performance and create long-term value.

Figure 2: ***Primary role of the board, by organisation type***



Note: Includes organisations with formal boards only. CEOs could select up to two roles; totals exceed 100%.

Board and Management Alignment

Where does governance end and management begin? Effective governance depends on boards and management understanding and respecting that boundary. Clear roles and decision rights enable boards to provide effective oversight and strategic guidance, while giving management space to lead and execute.

Board and management alignment in understanding and respecting their respective roles was generally strong across organisation types, with 61–82% of CEOs reporting *complete* or *partial alignment*. Figure 3 shows **for-profits** reported the highest levels of *complete alignment* (38%), consistent with boards often working closely with management on commercial strategy. Among **NFPs**, 31% reported *complete alignment*, consistent with a shared mission and purpose across board and management. **Government** reported lower *complete alignment* (17%), reflecting governance within statutory mandates and public accountability frameworks shaped by legislation, policy and public interest.

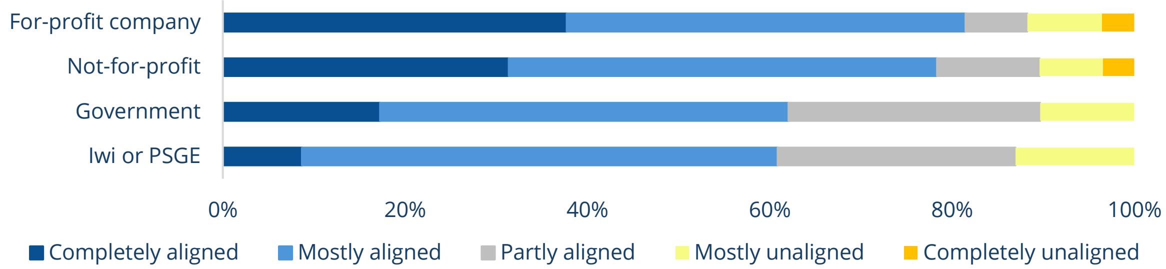
However, complete alignment remains relatively uncommon. With only 9–38% reporting *complete alignment*, there is an opportunity to clarify roles and governance boundaries, reducing ambiguity and overlap while enabling boards and management to contribute through their distinct capabilities.

"When management and directors have clear expectations for themselves and each other, the result is more than oversight. Interactions are forged among team players who elevate governance to a strategic advantage"

Harry Kraemer, 2026
Former Chairman and CEO, Baxter International

For CEOs and boards, effective governance is not about creating greater distance between board and management, but greater clarity about where each adds value. Clear boundaries enable boards to contribute strategically while giving management the space to lead and execute.

Figure 3: ***Board and management alignment in understanding and respecting their respective roles***



Embedding Material Value Drivers into Strategic Oversight

What gets embedded in strategic oversight is more likely to shape decisions, investment and action. Material value drivers therefore need to inform strategy, risk, investment and performance, rather than remain periodic agenda items.

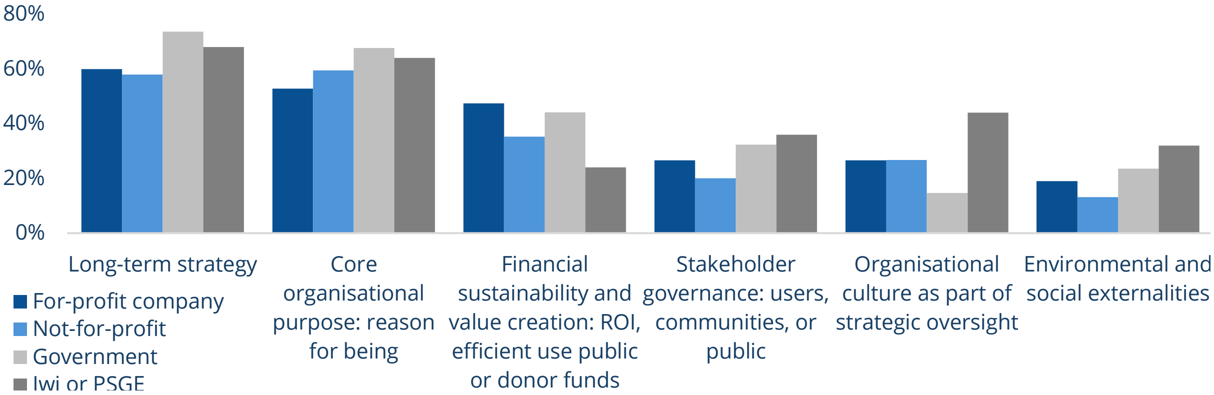
Figure 4 shows that boards most commonly **embed** *long-term strategy*, *organisational purpose* and *financial sustainability* into oversight. In contrast, *stakeholder governance, organisational culture* and *environmental and social externalities* were less frequently embedded within strategic oversight. These issues were more commonly considered through '**regular agenda items**' or '**at times**', rather than integrated in the core board process.

While **for-profit** boards prioritised *financial value creation* more than others (47%), **government** boards placed greater emphasis on *long-term strategy* (74%) and *core purpose* (68%). **Iwi and PSGEs** prioritised embedding *culture* (44%), *stakeholders* (36%), and *environmental and social externalities* (23%). **B Corps** also stood out for *embedding culture* into strategic oversight (58%), more than twice the *for-profit* level (27%), illustrating how strategic oversight can extend beyond traditional governance priorities.

The distinction is not whether boards consider material issues, but how deeply they integrate them into strategic oversight. Integration enables boards to consider the interdependencies between strategy, people, stakeholders, risk and long-term value, rather than treating them as isolated agenda items.

For CEOs and boards, as organisations face increasingly complex strategic, social and environmental risks, the opportunity to broaden strategic oversight goes beyond traditional governance. All material drivers of organisational value should inform strategy, risk and investment decisions to strengthen resilience, performance and long-term value creation.

Figure 4: ***Material drivers of organisational value embedded in board oversight, by organisation type***



Building Board Capability for Strategic Oversight

Strategic oversight is only as effective as the board's capability to deliver it. The right composition, expertise, information and performance measures enable boards to oversee material value drivers, support leadership and create long-term value.

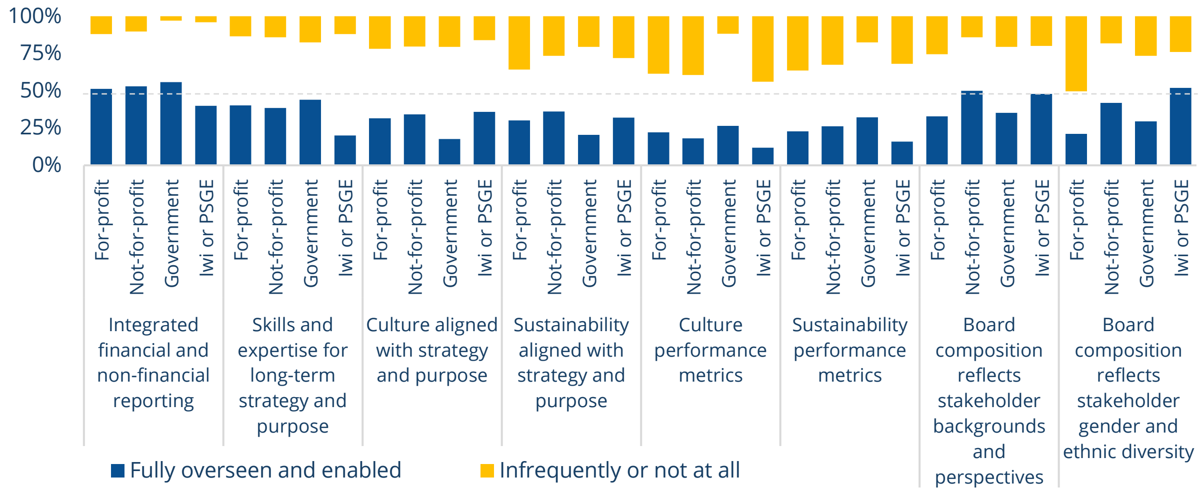
Integrated financial and non-financial reporting was the most **fully overseen and enabled** capability across organisation types (40–56%), followed by *skills and expertise to oversee long-term strategy and purpose* among *NFPs* (39%), *for-profits* (40%) and *government* (44%), as illustrated in Figure 5.

Performance measurement remains underutilised. *Culture performance metrics* were **infrequently or not enabled** by 39–44% of *organisations*; *government* was the exception at 12%, while 32–36% reported the same for *sustainability metrics* (*government* 18%). *Aligning sustainability with strategy and purpose* was also limited, with 21–36% reporting *infrequent or no enablement.*

Board composition could also be enhanced. *Board gender and ethnic diversity aligned with communities and stakeholders* was infrequently or not enabled by 18–50% of organisations, with *for-profits* at 21% *fully enabled* versus 50% *infrequently or not enabled*. *Representation of stakeholder backgrounds, experience and perspectives was stronger*, with 33–50% *fully enabled* and 14–25% *infrequently or not enabled*. This reveals a gap between the boards' understanding of stakeholders' perspectives and experiences and directly representing those lived experiences on the board.

For CEOs and boards, effective strategic oversight requires capability across board composition, expertise, information and performance measurement. Building the capabilities most relevant to organisational purpose and stakeholders can turn oversight of material value drivers into stronger performance outcomes and value creation.

Figure 5: ***Extent to which board capabilities are overseen and enabled, by organisation type***



Evaluating Board Effectiveness

Performance evaluation is standard practice, from frontline workers to leadership. It sets expectations, provides feedback, identifies capability gaps, and strengthens performance. It rarely relies solely on self- and peer appraisal. Boards should be no exception. Board assessments should consider individual director performance, how the board operates and how effectively its collective capabilities enable leadership to deliver on purpose, strategy, and performance.

Board evaluation was primarily **internally focused**. Figure 6 shows *informal feedback or ad hoc discussion* was most common across organisation types (43–49%). *Directors' self-evaluations* were commonly used by *for-profits* (43%) and *government* (36%), while 43% of *NFPs* assessed *board composition and strategic skills alignment*. Among *iwi/PSGEs*, *facilitated discussions or workshops* were most common (49%).

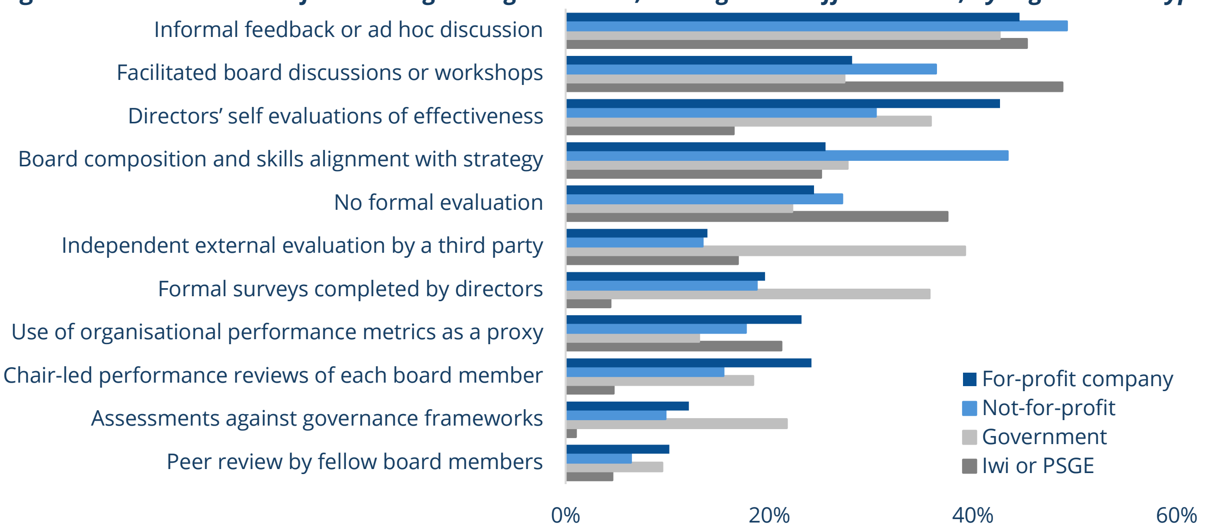
Financial and insurance services stood out for their **systematic evaluation**, including *chair-led performance reviews* (52%), *board composition and skills* (50%), *formal director surveys* (42%) and *independent external evaluation* (24%).

Except in government, boards were more likely to report *no formal evaluation* than an *independent external evaluation.* This use of director and board self-assessment provides little or no perspective on the consequences of board governance at the CEO, leadership or stakeholder level.

Follow-up on evaluations was limited: 4–34% reported *clear accountability and regular reporting*, 38–58% *informal follow-up* and 28–40% *no formal follow-up*.

For CEOs and boards, more systematic evaluation, incorporating perspectives beyond the board, can identify capability gaps, assess how effectively board capability is used, and strengthen its strategic contribution. Underutilising directors, individually or collectively, limits their contribution to value creation.

Figure 6: ***Board methods of evaluating their governance, oversight and effectiveness, by organisation type***



Board Effectiveness in Enabling CEOs to Achieve their Organisational Purpose

Boards are generally effective, but with room for improvement. Given the calibre and experience of the individuals in boardrooms, the question is not simply whether governance works, but whether it contributes as much as it could.

Fewer than half of CEOs rated their boards **highly effective** in any areas assessed in Figure 7. Boards were strongest in traditional governance areas: *long-term orientation* (36–44%) and *compliance and risk oversight* (32–47%), followed by *strategic guidance and decision-making* (20–39%) and *strategic risk-taking* (16–37%).

Boards in *founder-CEO firms* stood out for strategic contribution, with 54% rated **highly effective** in *strategic guidance and decision-making* and 53% in *strategic risk-taking*, consistent with a closer strategic fit between founder CEOs and their boards.

Across the areas assessed, 31–72% of CEOs rated their boards as **generally effective with room for improvement**.

This was particularly evident in *strategic guidance and decision-making* (48–72%) and *strategic risk-taking* (48–65%), indicating that boards are contributing strategically, but CEOs see considerable room to improve their effectiveness.

Effectiveness gaps were greater beyond traditional and strategic governance. *Environmental sustainability* had the lowest **highly effective** ratings (15–28%) and highest **neutral or ineffective** ratings (35–51%). *Social sustainability* also had higher **neutral or ineffective** ratings (20–37%), while *constructive board culture and dynamics* was 26–39% **highly effective** and 22–28% **neutral or ineffective**.

For CEOs and boards, the opportunity is not simply to add capability, but to make better use of the expertise, experience and judgement that already exists by optimising how that capability is directed and engaged to strengthen its contribution to purpose and performance for those the organisation serves.

Figure 7: ***Boards highly effective in enabling their organisation to achieve its purpose, by organisation type***

Enhancing Board Contribution to Leadership

Boards govern on behalf of those an organisation serves and are accountable for performance outcomes, while relying on leadership for execution. CEOs experience the impact of governance directly, and can provide a perspective that board self-assessment cannot. Perspectives beyond the board can reveal where governance could better enable leadership and overall performance.

More than **four in five CEOs** (82%; 888 of 1,089) identified **at least one way their board could better enable their leadership**, highlighting the importance of perspectives beyond the board.

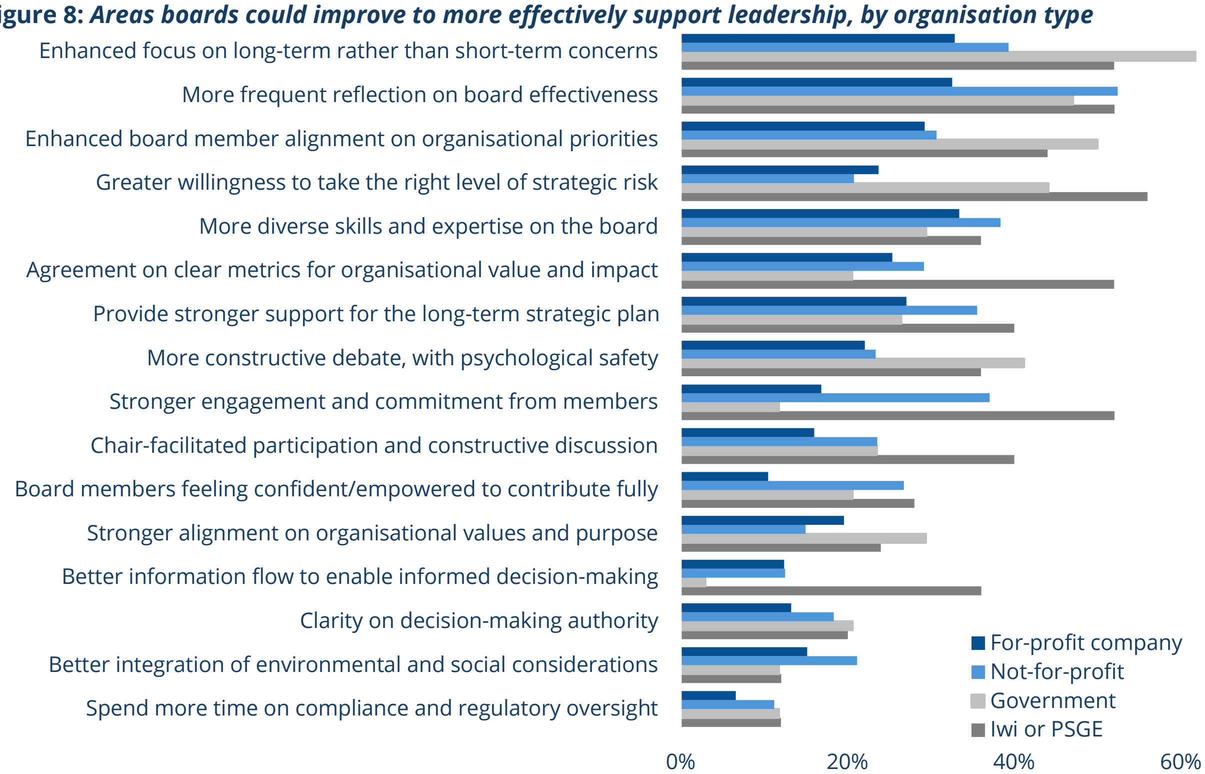
Enhanced focus on long-term concerns was the most common way CEOs identified for the board to better support their leadership (33–62%), followed by *reflection on board effectiveness* (33–52%), *alignment on priorities* (29–50%) and *taking the right level of strategic risk* (21–56%) (Figure 8).

The need for *more frequent reflection on effectiveness* was highest in *environment and conservation* (79%), *education and training* (57%), and *housing, community development* and *social services* (all 56%).

Most areas for improvement related to using existing capabilities rather than adding new ones; *more diverse skills and expertise* were identified by only 29–38%.

For CEOs and boards, who sits around the table matters, but so does how effectively their collective capability is used. Seeking perspectives from those who experience governance can reveal where boards could contribute more to long-term value for those the organisation serves.

Figure 8: ***Areas boards could improve to more effectively support leadership, by organisation type***



Enabling Leadership Through the CEO–Chair Relationship

The CEO–Chair relationship is central to effective governance, connecting the board's accountability for organisational performance to those it serves with the CEO's responsibility for leadership and execution. As the primary interface between board and management, its quality shapes trust, communication, strategic alignment and the effectiveness of both governance and leadership.

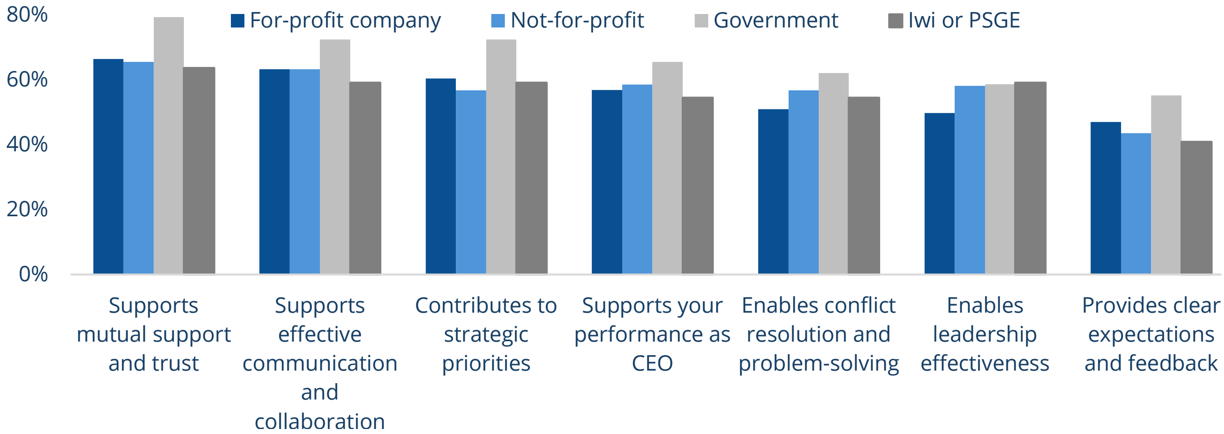
Figure 9 shows that CEO–Chair relationships are strongest in the **relational dimensions**. *Mutual support and trust* was rated highly effective by 64–79% of CEOs, followed by *effective communication and collaboration* (59–72%) and *contribution to strategic priorities* (57–72%). More than half also rated their Chair highly effective in *supporting CEO performance* (55–66%) and *conflict resolution and problem-solving* (51–62%).

The greatest opportunity is in **clear expectations and feedback**. Only 41–55% rated this *highly effective*, while 34–41% considered it *generally effective with room for improvement* and 10–19% neutral or ineffective. Trust and communication do not always translate into the clarity and feedback needed to optimise CEO performance.

> *"The strength of relationship between Chair and CEO is the bedrock that high performance is built upon."*
>
> *Amanda Blanc, 2026*
> *CEO, Aviva*

For Chairs, the opportunity is not simply to strengthen the relationship, but to make greater use of it. Trust and communication provide the foundation; clear expectations, constructive feedback and support can build on that foundation to strengthen leadership and, ultimately, CEO and organisational performance.

Figure 9: ***CEO–Chair relationship rated highly effective in enabling CEO leadership, by organisation type***



Motivating the CEO

Good leaders know that understanding what motivates an individual is fundamental to getting the best from them. The same should apply to CEOs. Boards seeking to attract, retain and enable the right CEO need to understand what motivates them personally. Yet CEO motivation remains largely unexamined, with research focused primarily on how pay and incentives influence CEO decisions and organisational outcomes.

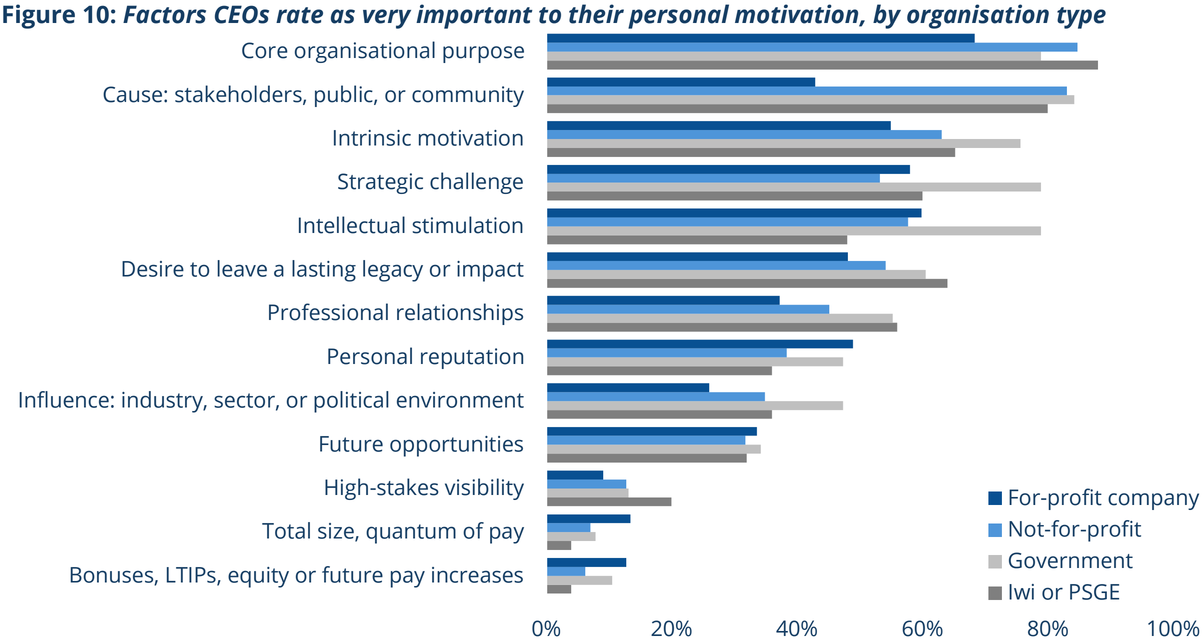
CEOs are primarily motivated by **purpose-related factors**. Figure 10 shows that *core organisational purpose* was rated **very important** by 68–88%, and *contribution to a cause, stakeholders, public value or community* by 43–84%. These were closely followed by **intrinsic factors**: *strategic challenge* (53–79%), *intellectual stimulation* (48–79%) and *intrinsic motivation* (55–76%).

Career and reputation factors were less prominent. *Personal reputation* was rated very important by 36–49%, *industry, sector or political influence by* 26–47%, and *future opportunities* by 32–34%. **Financial rewards** ranked lowest, with only 4–13% rating the total pay or financial incentives as **very important**.

What CEOs say motivates them contrasts with how boards traditionally seek to motivate them: CEOs placed greatest importance on purpose-related and intrinsic factors, while CEO reward structures tend to emphasise remuneration and financial incentives.

For boards, understanding what motivates their CEO is critical to how they engage, reward, challenge, and retain them in the long term. Financial incentives may have limited motivational effect when a CEO is primarily driven by purpose, impact or intrinsic challenge, but their design can signal what the board genuinely prioritises and expects.

Figure 10: ***Factors CEOs rate as very important to their personal motivation, by organisation type***



When CEO Pay Falls Short of Expectations

Pay may not be a primary driver of CEO motivation, but perceived underpayment can affect whether they stay. CEOs may remain motivated to perform while becoming less committed to the organisation when they believe their remuneration does not fairly reflect their role and contributions.

During their time in leadership, 44% of *for-profit* CEOs, 55% of NFP CEOs, 56% of Iwi/PSGE CEOs, and 58% of *government* CEOs had been offered remuneration below what they considered appropriate.

Of the 545 CEOs who were offered pay below what they considered appropriate, 543 reported at least one consequence. Figure 11 shows that 32–65% *accepted the role as a stepping stone or short-term move*, while 30–43% *felt undervalued*. 19–37% *attempted to renegotiate later*, up to 28% *continued to seek opportunities*, and 16–25% reported *impacts on their trust in or perception of the board*. Only 8–15% *felt less motivated* to perform. Perceived underpayment may secure a capable, motivated CEO in the short-term, at the cost of long-term commitment, continuity, and the CEO–board relationship.

Shareholder influence can constrain CEO pay, creating tension over CEO value. CEOs of *listed companies* or those with an *influential majority shareholder* were most likely to feel undervalued (42% and 47%).

For boards, pay matters more as a signal of how the board values the CEO's contribution than as a motivator, making fair remuneration a baseline expectation. Higher pay may have limited power to increase motivation, while underpayment can undermine trust, commitment and retention. Setting remuneration appropriately is not about motivating performance; it's about ensuring pay is not the reason a capable CEO leaves.

Figure 11: ***Consequences of perceived CEO underpayment, by organisation type***

What Is Your CEO Worth?

What makes a CEO worth what they are paid? Market benchmarks tell boards what other CEOs are paid, but not what a specific CEO is worth to their organisation.

CEO pay-setting commonly draws on the executive remuneration consulting industry that uses market and peer benchmarks. Governance guidance takes a broader view, including organisational characteristics, performance, strategy and incentive alignment.

CEOs prioritise different factors in determining appropriate pay: their ability to deliver, potential, experience, performance, and the complexity of what they are being asked to do. Figure 12 shows that *ability and future potential* were the top selection by 58–88% of CEOs, followed by *experience and track record* (47–75%) and *board assessment of performance* (40–55%). Organisational factors also mattered, with *complexity and risk* identified by 33–58% and *size and scale* by 28–47%. *Market and peer pay rates* were less prominent, noted by 22–39%.

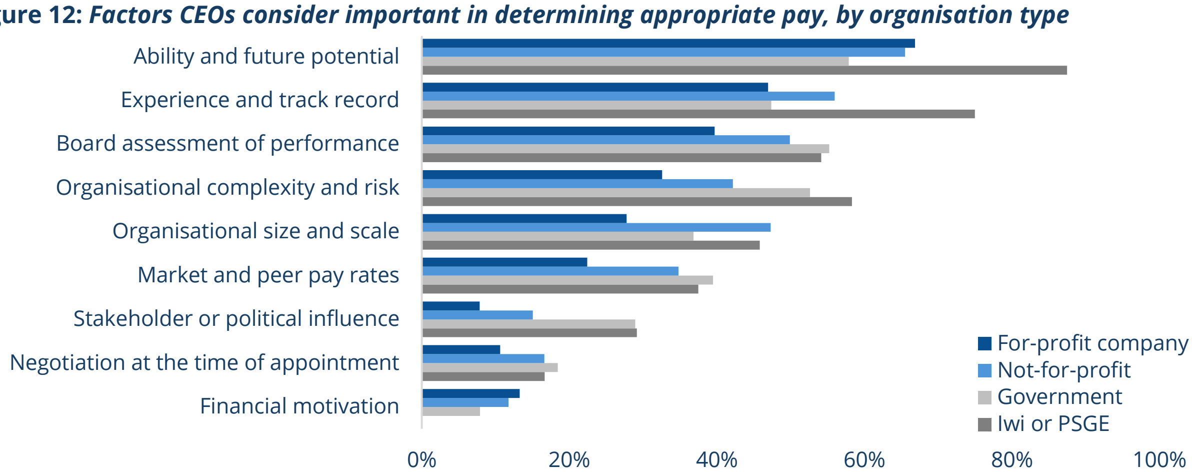
CEO views broadly align with governance guidance but suggest that remuneration should be forward-looking, recognising the capability and value CEOs are expected to deliver, with market rates providing context rather than defining it.

This challenges academic theories that place financial motivation or bargaining power at the centre of CEO pay, given the relatively low importance CEOs attach to *financial motivation* and *negotiation*.

> *"I promise you I will not work any harder or any less hard ... because someone is going to pay me more or less"*
>
> *John Cryan, 2015*
> *Former CEO, Deutsche Bank*

For boards, market benchmarks should be an input, not a substitute for judgement. Determining appropriate CEO pay requires assessing the capabilities required, the value the CEO is expected to create, and the complexity of delivering it.

Figure 12: *Factors CEOs consider important in determining appropriate pay, by organisation type*



How Much CEO Pay Should Tie to Performance?

Academic literature often portrays CEOs as favouring pay structures that maximise short-term financial reward while minimising personal risk. Actual CEOs present a different picture: they favour rewards for sustained rather than annual performance and prefer variable, uncertain incentives tied to targets they can meaningfully influence.

Preference for sustained performance measurement was the most consistent finding across organisation types, with 76–84% favouring rewards for *sustained performance over annual results* (Figure 13). Preference for *performance-linked rewards* was high for *for-profit* CEOs (78%) and *Iwi/PSGE* CEOs (76%), while 58% and 50% agreed that *variable pay reflects value creation, performance, and accountability*. *Long-term incentives* also *supported succession and continuity* for 69% of *for-profit* and 72% of *Iwi/PSGE CEOs*.

Government and NFP responses differed. Preference for *performance-linked rewards* fell to 58% for *government* and 50% for *NFP* CEOs, while 54% and 43% agreed that *variable pay reflects value creation, performance, and accountability*. *Government* CEOs can operate in more regulated, prescribed operational settings and may have less influence over longer-term direction and succession. For *NFP* CEOs, funding constraints mean that CEO pay competes with resources for beneficiaries and can constrain service delivery, making performance-linked pay less applicable. This is consistent with their preference for *pay stability* (75%).

For for-profit and Iwi/PSGE boards, CEO preferences are broadly aligned with governance guidance supporting performance-linked remuneration. The question is which outcomes genuinely reflect a CEO's contribution to strategy and execution, and how they should be measured to reward sustained, long-term value creation. For government and NFP boards, greater weight should be given to organisational context and the extent to which CEO performance can be meaningfully linked to outcomes.

Figure 13: ***Agreement with statements on fixed and variable pay, by organisation type***

Making CEO Incentives Longer Term

If boards want long-term value creation, why reward CEOs over shorter timeframes? Academic and practitioner research suggests CEOs value rewards less if they are paid later, an assumption reflected in remuneration design. Yet Figure 10 showed CEOs are most strongly motivated by organisational purpose and least by pay levels and rewards, raising the question: are CEOs themselves really the barrier to longer-term incentives?

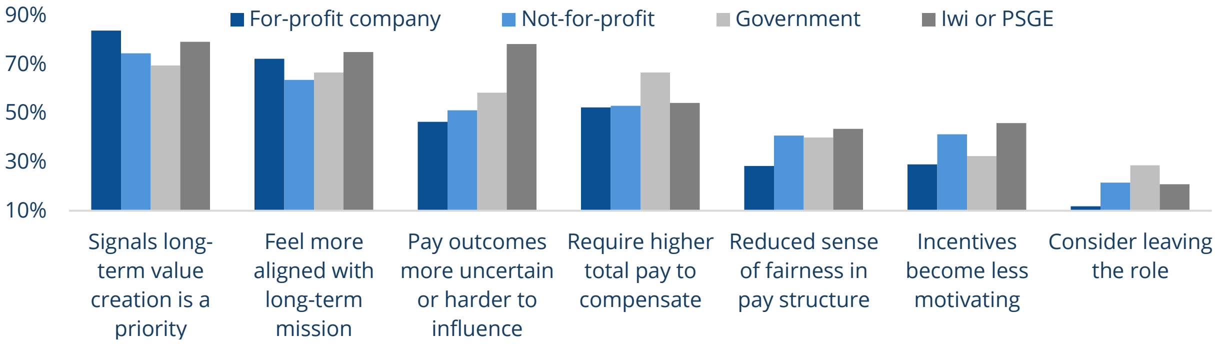
CEOs considered the most likely outcomes of making existing incentives longer term, while keeping total pay unchanged, to be a *signal that long-term value creation is a priority* (69–84%) and *increased alignment with the long-term mission* (64–75%) (Figure 14). Incentive structures signal to CEOs the time horizons and outcomes boards genuinely prioritise, reinforcing the need to get incentive design right.

CEOs recognised the trade-offs. Around half of *for-profit* (46%), *NFP* (51%) and *government* CEOs (58%) expected pay outcomes to become *more uncertain or harder to influence*, and 52–67% would *require higher total pay*. Fewer expected *longer-term incentives to reduce fairness* (28–43%), to become *less motivating* (29–46%), or to make them *consider leaving* (12–29%), while substantially more (33–54%) said they were *unlikely to leave* if incentives were made longer term.

Organisation type matters. For-profit CEOs gave the strongest *long-term value signal* (84%) while expecting the *lowest uncertainty* (46%), and few noted it *makes pay less fair* (28%) or affects the *likelihood of leaving* (12%). Government CEOs were most likely to require *higher total pay as compensation* (67%), reflecting more prescribed tenures, while NFP CEOs showed greater concern about *fairness* and *motivation*, with funding constraints potentially limiting their influence over strategic outcomes.

For boards, longer-term incentives can strengthen alignment and strongly signal long-term priorities. CEOs do not appear to be a barrier: *for-profit* CEOs are notably receptive to extending incentive horizons, while for *government* and *NFP* boards, their suitability depends on whether long-term outcomes can be meaningfully attributed to CEO performance.

Figure 14: ***Likely or somewhat likely outcomes of making current CEO incentives longer-term***



Linking CEO Pay to Material Value Drivers

What boards choose to reward sends a powerful signal about what the organisation values. Boards cannot credibly expect CEOs to prioritise material social and environmental outcomes if executive incentives reward only financial performance. Doing so signals that social and environmental outcomes are secondary to financial performance, regardless of formal values or priorities.

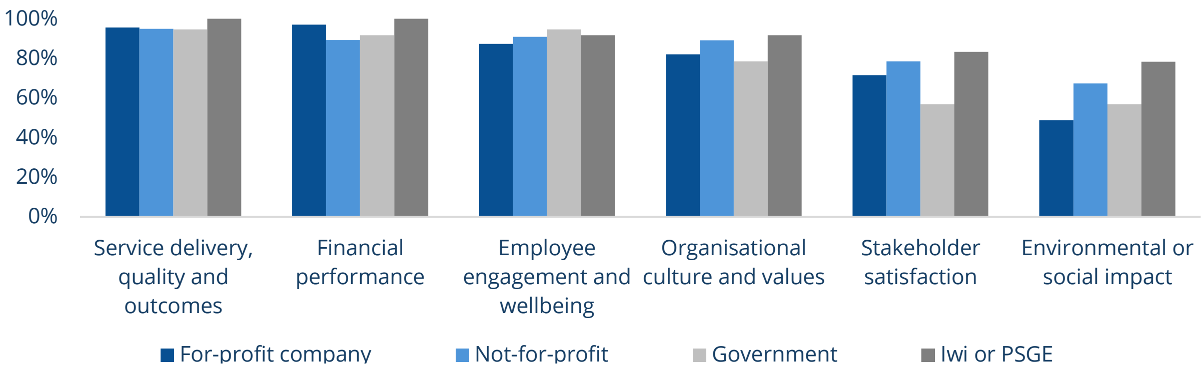
However, linking CEO pay to non-financial outcomes raises common criticisms, such as whether the outcomes can be objectively measured, translated into robust targets and fairly attributed to CEO performance. But do CEOs consider these measures credible and fair?

CEOs largely consider both financial and non-financial measures **credible and fair ways to assess CEO performance**. *Service delivery, quality and outcomes* received the strongest support (95–100%), followed by *financial performance* (89–100%), *employee engagement and wellbeing* (87–95%) and *organisational culture and values* (78–92%), as illustrated in Figure 15. Only 0–6% of CEOs placed these measures on the **not credible spectrum**.

Support remained **positive although less consistent** for *stakeholder satisfaction* (57–83%) and *social and environmental impact* (49–78%). Only 0–11% of CEOs placed *stakeholder satisfaction* on the **not credible spectrum**. Scepticism towards *social and environmental impact* was greatest among *for-profit* (26%), followed by *government* (24%), *NFP* (15%) and *iwi/PSGE* CEOs (4%).

For boards, the implication is clear: remuneration frameworks should reflect what the organisation considers material to long-term value. Where material social and environmental outcomes are absent from CEO performance measures, boards risk signalling that financial outcomes ultimately take precedence. The challenge is to determine which material value drivers to include and establish targets that are measurable, attributable and sufficiently robust to influence reward. Effective remuneration should reinforce the organisation's strategic priorities, not compete with them.

Figure 15: ***CEOs rating pay-linked KPIs a fair and credible/somewhat credible way of assessing performance***



Aligning Leadership with Strategy, Culture & Sustainability

What organisations say they value means little unless they reflect it in their actions. What senior leaders are measured on, who gets promoted and what gets rewarded signals to people what really matters. Aligning KPIs and rewards with stated strategic, cultural and sustainability priorities, while hiring and promoting leaders with the capabilities to deliver them, signals the behaviours and outcomes the organisation values.

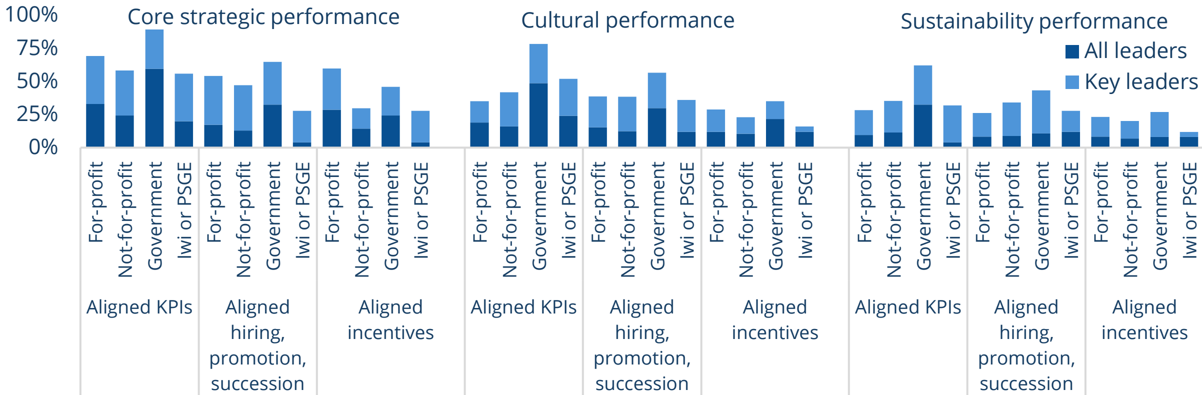
KPIs are the most direct mechanism for setting expectations and measuring leadership performance. Figure 16 shows *core strategic KPIs* were the most aligned for *all leaders* or *leaders with key responsibility*, ranging from 56–89% across organisation types. Alignment was lower for *culture* (35–78%) and *sustainability* (28–62%) *KPIs.* Organisations are more likely to translate strategic priorities into formal leadership expectations than culture or sustainability priorities.

Setting expectations through KPIs is only the first step. Reinforcing them through incentives that reward performance in valued areas, and embedding these priorities in hiring, promotion, and succession decisions, is more complex and requires deliberate action.

Across organisation types, *core strategic performance* alignment averaged 68% for *KPIs*, falling to 49% for *hiring, promotion and succession* and 41% for *incentives*. The same progression was evident for *culture* (52%, 43%, 26%) and *sustainability* (39%, 33%, 21%). While these are unweighted averages across organisation types, the pattern is consistent: alignment weakens as organisations move from setting expectations to reinforcing them through leadership progression and reward.

For CEOs and boards, the opportunity lies in closing this gap. If strategy, culture and sustainability are material to long-term value, aligning KPIs, leadership progression and incentives creates self-reinforcing governance mechanisms that shift these priorities from aspirational to expected behaviours and outcomes.

Figure 16: ***Leaders with KPIs, progression and incentives aligned with strategy, culture and sustainability***



Enabling Effective Executive Remuneration

Capable leaders expect to be paid fairly for the responsibility they carry. Fair and competitive executive remuneration helps organisations attract and retain the leaders they need. But determining what is fair is rarely straightforward.

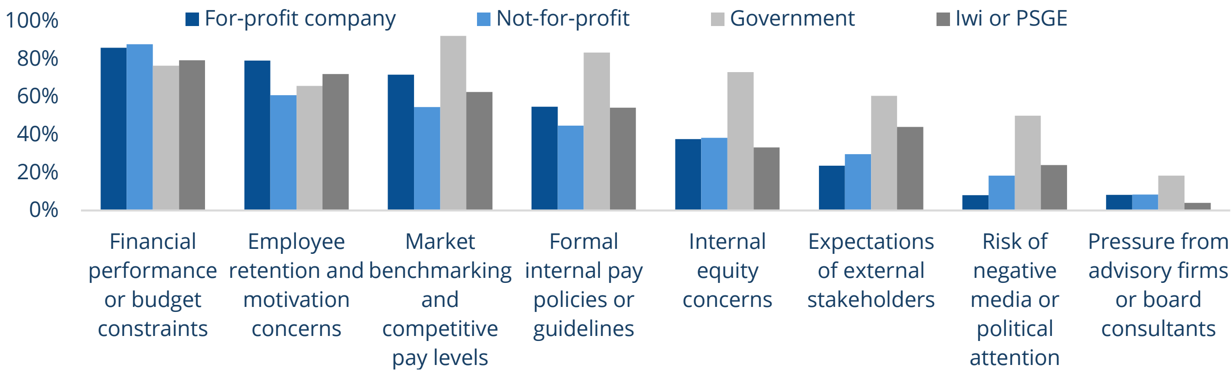
For most organisations, CEOs identified three practical considerations as most influential in their organisations' executive pay decisions: what is affordable, what will retain and motivate capable leaders, and what the market pays. Figure 17 shows that *for-profits*, *NFPs* and *iwi/PSGEs* ranked the same three factors highest and in the same order: *financial or budget constraints* (79–86%), *retention and motivation* (61–79%) and *market benchmarking and competitiveness* (55–72%) were rated **influential or very influential**.

In *financial and insurance services*, *retention and motivation* (91%) outweighed *financial constraints* (88%) and *market benchmarking* (59%), consistent with the value high-quality leaders can add to organisational performance and profitability.

> *"I don't worry so much about the business, the strategy. If we can continue to attract the best, I know they will ultimately figure out how to run the company in a very tough environment"*
>
> *Paul Polman, 2015*
> *Former CEO, Unilever*

Government followed a different sequence, reflecting a more constrained pay-setting environment. *Market benchmarking* (92%) and *formal pay policies* (83%) were most influential, followed by *financial or budget constraints* (76%) and *internal equity* (73%). *External stakeholder expectations* (61%) and *media or political attention* (50%) also carried considerably greater influence than in other organisation types. In this environment, where pay-setting conditions may be constrained, market benchmarking provides CEOs and boards with a defensible basis for pay decisions that can be readily explained to external stakeholders and the public.

Figure 17: ***Important and very important influences on pay decisions for senior leaders, by organisation type***



The question is whether these competing pressures leave boards sufficient scope to make effective pay decisions. Confidence was mixed. Figure 18 shows that only *for-profit* CEOs showed majority **agreement** that **current frameworks enable fair and effective pay decisions** (53%), compared with 32% of *government* and *NFP* and 16% of *iwi/PSGE* CEOs. A further 28–47% **somewhat agreed**, indicating qualified confidence across much of the sample.

External pressure was particularly evident in *government*, where 68% agreed or somewhat agreed that **reputational or external perceptions constrain pay-setting**, compared with 44% of *iwi/PSGEs*, 41% of *NFPs* and 28% of *for-profits*.

Importantly, pay-setting constraints did not necessarily translate into impaired remuneration outcomes, as illustrated in Figure 19. Most CEOs, 61–83% *across organisation types*, reported that formal governance processes and stakeholder or public concerns had **not constrained pay outcomes** in ways that affected pay effectiveness or alignment. *Government* CEOs reported the highest *external pay constraints* for leaders (68% in Figure 18), while 61% reported *no impact on pay effectiveness or alignment* (Figure 19). This highlights that the issue is not the presence of constraints, but whether boards retain sufficient discretion within them to make effective pay decisions.

For CEOs and boards, some constraints are inevitable and appropriate. The challenge is maintaining sufficient flexibility to offer fair and competitive remuneration while meeting legitimate financial, governance and stakeholder expectations. Where pay is constrained, other factors such as purpose, culture, flexibility, development opportunities and broader employment conditions become increasingly important in attracting and retaining capable leaders. An organisation unable to offer the highest salary can still compete for exceptional leaders through purpose, autonomy, scope of the role and the work environment. These should form part of the overall leadership proposition.

Figure 18: ***CEO views on executive pay framework effectiveness and constraints, by organisation type***

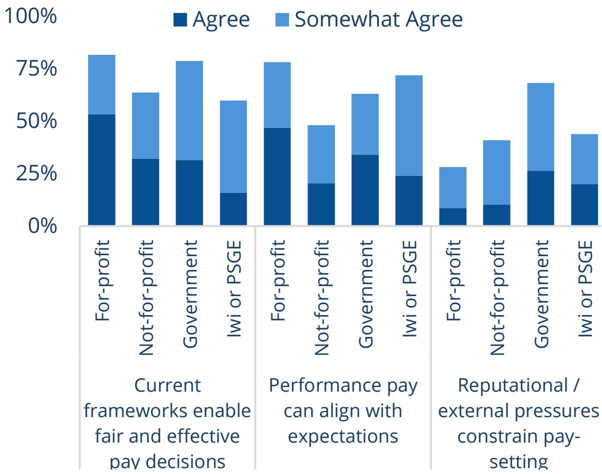
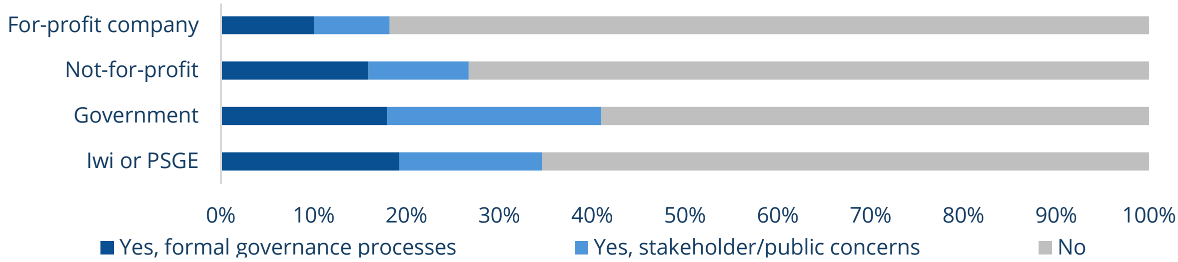


Figure 19: ***Governance processes or stakeholder concerns that constrained senior leader pay outcomes***



Aligning Leadership Behaviour with Values

Employees notice whether leaders' actions match their words. If an organisation *says* it treats employees like family, puts customers first, or has a sustainable strategy, but increases executive pay while cutting staff, rewards needless upselling, or selects cheaper, less sustainable materials, its actions send a different message. What leaders model, reward and challenge shapes daily behaviour regardless of stated values

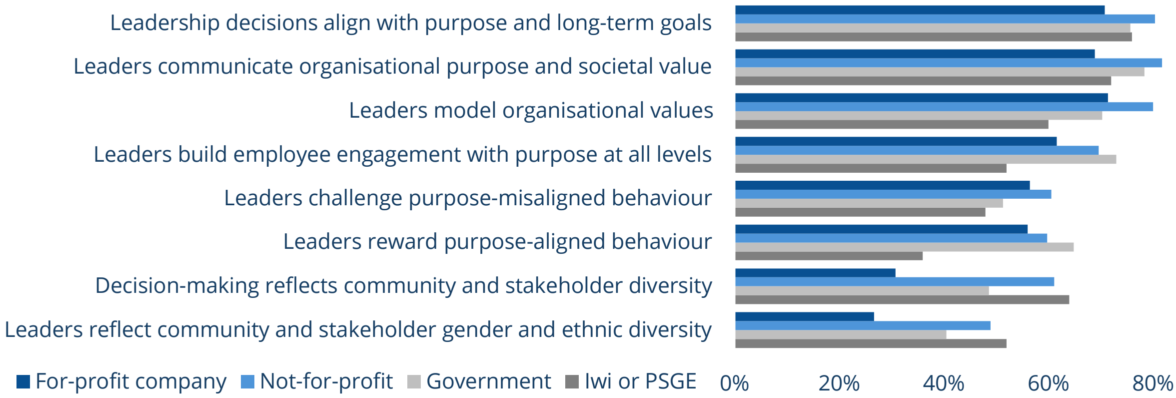
Senior leaders most **strongly support organisational purpose and values** through *communicating purpose and societal value* (69–82%), *decisions aligned with purpose and long-term goals* (71–80%), and *modelling organisational values* (60–80%) (Figure 20). Further, 52–73% of senior leaders across organisation types strongly supported *building employee engagement with purpose*, connecting what the organisation seeks to achieve with employee motivation and contribution.

Strong support was lower for leadership **reinforcing purpose and values**. Between 36–65% of CEOs reported leaders *rewarding purpose-aligned behaviour*, while 48–61% reported *challenging misaligned behaviour*, reinforcing values and expectations around what is and is not acceptable.

Strong support was lowest for inclusive leadership decision-making and representation: 31–64% reported *leader decision-making reflecting community and stakeholder diversity*, and 27–52% reported that *leadership reflects stakeholder gender and ethnic diversity*. Iwi/PSGEs showed the strongest support on both measures, followed by NFPs. Representation brings lived experiences and perspectives directly into leadership decision-making, which awareness and support for diversity cannot replicate.

CEOs and boards should ensure stated values are consistently reflected in leadership behaviour, decision-making, behavioural reinforcement and leadership composition. Gaps can be addressed through leadership expectations, feedback and development, performance, reward, hiring and succession decisions.

Figure 20: ***Senior leader behaviours strongly supporting purpose and values, by organisation type***

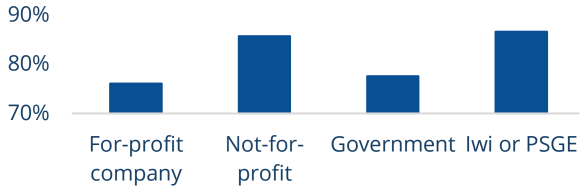


Aligning Employees with Organisational Purpose

Employees make decisions every day that shape how an organisation works in practice. When they understand what the organisation seeks to achieve, believe in its goals and are motivated to contribute, their collective effort strengthens execution, cultural coherence and ultimately long-term performance.

Figure 21 shows relatively high CEO-**estimated workforce alignment** across organisation types. 76% of staff in *for-profits*, 78% in *government*, 86% in *NFPs*, and 87% in *iwi/PSGEs* were motivated and aligned with the core purpose, including its social, environmental, and broader stakeholder goals. This alignment helps translate purpose into collective employee behaviour, strengthening execution and the credibility of ESG commitments.

Figure 21: ***CEO-estimated staff motivation and alignment with purpose and ESG priorities***



For CEOs and boards, the priority is to ensure employees understand how their roles contribute to organisational and ESG goals and have the motivation, capability and support to achieve them. Where alignment is weaker, barriers should be understood and addressed.

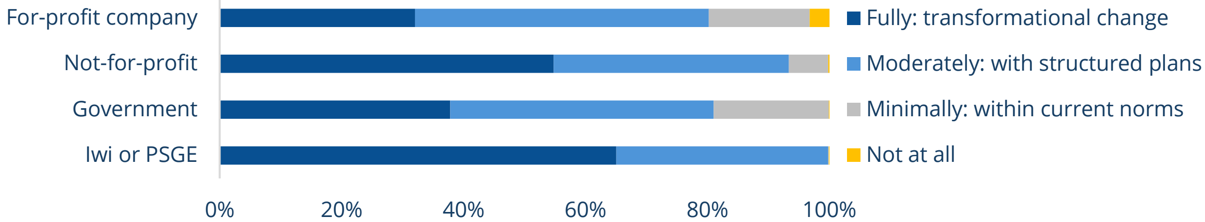
Shifting Culture for Sustainability

Sustainability commitments are easy to make but harder to deliver when they require changes to established behaviours and ways of working. Willingness to change culture indicates how prepared an organisation is to embed sustainability beyond policy and reporting.

Over 80% of organisations were *fully* or *moderately* open to cultural change. Figure 22 shows iwi/PSGEs (65%) and NFPs (55%) were most open to *transformational change*, compared with government (38%) and for-profits (32%). Conversely, around one in five *government* and *for-profit* CEOs were *not open to change* beyond current norms.

For CEOs and boards, once willingness is established, the focus shifts to implementation: identifying the behaviours and norms to shift, then aligning leadership, capability and organisational systems to support change.

Figure 22: ***Willingness to change culture for sustainability, by organisation type***

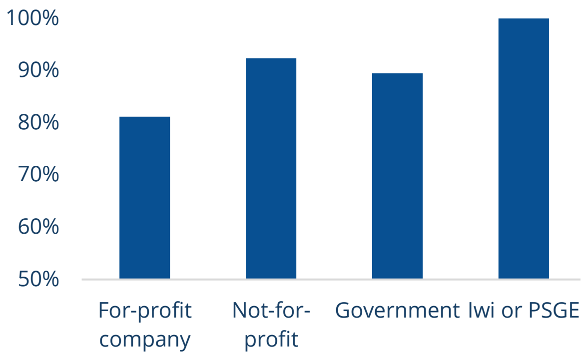


Investing in Sustainability to Create Value

Whether organisations invest in sustainable practices depends largely on whether leaders believe they create value.

An overwhelming majority of CEOs across all organisation types believe investing in sustainable practices adds to their organisations' value. Figure 23 shows this ranges from 81% of *for-profit* and 89% of *government* CEOs to 92% of *NFP* and 100% of *iwi/PSGE* CEOs, reinforcing sustainability as a driver of organisational value rather than a peripheral concern.

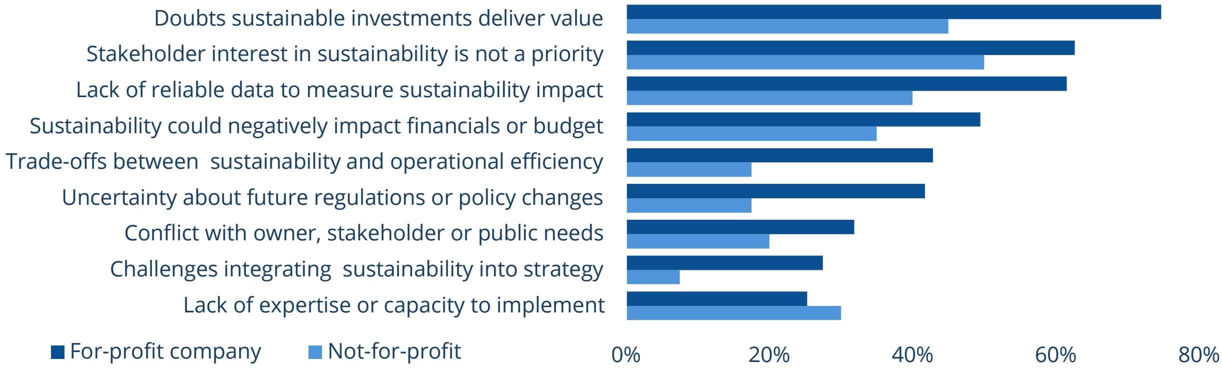
Figure 23: *CEOs who believe investing in sustainable practices adds organisational value*



CEOs attribute the value created through sustainable investment to a range of factors, including ethical responsibility, strategy, long-term value creation and employee values. Figure 24 shows that *ethical responsibility* was consistently important across organisation types (68–79%), alongside *integration with organisational strategy* (56–72%) and *long-term value creation* (50–72%). The sources of value vary. The emphasis varies by organisation type. *For-profits* place greater emphasis on *employee values* (64%), *growing client and stakeholder demand* (61%) and *long-term value creation* (60%), reflecting stronger workforce and market drivers. For *iwi/PSGEs*, investment in sustainable practices is more deeply rooted in identity, core purpose and intergenerational stewardship, shaping how sustainability is *integrated into strategy* (72%) and approached as a source of *long-term value creation* (72%).

Figure 24: *Why CEOs believe investing in sustainable practices adds organisational value*

Figure 25: ***Why CEOs believe investing in sustainable practices does not add organisational value***



A minority of CEOs, fewer than 20% *across organisation types*, were unconvinced that sustainable investments add to organisational value. Figure 25 shows that among these *for-profit* CEOs, *doubts that sustainable investments deliver value* (75%), *sustainability being a low priority despite stakeholder interest* (63%), and *a lack of reliable impact data* (62%) were the leading concerns, followed by *financial or budgetary impacts* (49%). *NFP* concerns were less concentrated, led by *sustainability being a low priority despite stakeholder interest* (50%) and *doubts that sustainable investments create value* (45%).

Most CEOs also believe that investment in sustainable practices strengthens organisations beyond the value of the investment itself, including perceptions of the organisation, stakeholder trust, competitiveness, and risk management.

Figure 26 shows that across *organisation types*, 71–84% of CEOs agreed they *support stakeholder credibility and trust*, 71–88% *demonstrate long-term commitment to ethical operations*, 71–78% *respond to changing expectations*, and 68–88% *reflect leadership accountability for sustainability challenges*. Sustainable practices were also seen to help identify *environmental and social risks, legal exposure, and stakeholder scrutiny,* and *position organisations positively against peers*.

For CEOs and boards, investing in sustainable practices is most compelling when it connects to organisational value drivers. Making these connections explicit and demonstrating the resulting value can strengthen the basis for prioritising sustainability investments alongside other demands.

Figure 26: ***CEO agreement on the organisational benefits of sustainable practices, by organisation type***

Enabling Material Environmental Drivers

Environmental priorities become strategically meaningful when they connect to how an organisation creates and protects value. Material environmental factors vary with operations, resource use, reliance on natural systems and exposure to environmental and climate risks.

Almost **nine in ten CEOs** (87%; 942 of 1,089) identified at least one environmental factor as material.

Iwi/PSGEs identified several environmental factors as more material than other organisation types, reflecting their intergenerational view that connects environmental health, wellbeing and value creation. Figure 27 shows *water and wastewater management* was material to 92% of iwi/PSGE CEOs, followed by *climate adaptation and resilience* (84%) and *biodiversity impacts* (80%).

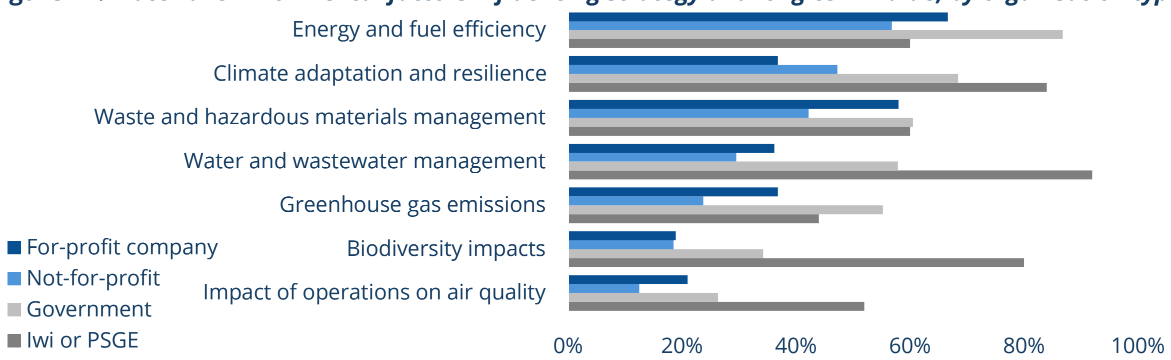
Government CEOs, with broader responsibilities for public assets, services, and long-term risks affecting communities, placed relatively high importance on *energy and fuel efficiency* (87%) and *greenhouse gas emissions* (55%).

For-profit and **NFP** environmental materiality is more closely linked to industry and direct operating exposure. **Energy and fuel efficiency** was particularly material in *transport* (87%), *manufacturing* (81%), *construction* (77%) and *wholesale trade* (76%), while **waste and hazardous materials** management was especially material in *wholesale trade* (85%), *accommodation and food* (83%), *manufacturing* (82%) and *retail* (78%), linking environmental outcomes directly to operational performance.

Longer-term environmental risks were material to fewer CEOs because they have less immediate impact. **Climate adaptation and resilience** were most material for *environment and conservation* (75%), *electricity, gas, water and waste* (62%), *financial and insurance* (53%) and *agriculture, forestry and fishing* (52%). **Biodiversity** was material to *environment and conservation* (88%), then *transport, postal and warehousing* (43%), reflecting natural systems and environmental conditions that affect long-term value.

Foreign-controlled firms placed more

Figure 27: ***Material environmental factors influencing strategy and long-term value, by organisation type***



emphasis on *energy and fuel efficiency* (89%), *waste management* (70%), *greenhouse gas emissions* (59%), and *water management* (57%). **B Corps** and **listed companies** identified a broader range of material environmental factors, while **cooperatives** stood out on *climate adaptation and resilience* (64%). **Large for-profits** were more likely to identify *energy and fuel efficiency* (76%), *greenhouse gas emissions* (49%) and *climate adaptation and resilience* (50%) as material, consistent with greater operational scale and environmental exposure.

For CEOs and boards, with 80% of CEOs reporting that sustainability investment adds organisational value, the question is what to prioritise for greatest value. Materiality helps direct strategy, time, resources, and investment towards the environmental risks and opportunities most consequential to organisational performance and long-term value.

Enabling Sustainable Supply Chains & Products

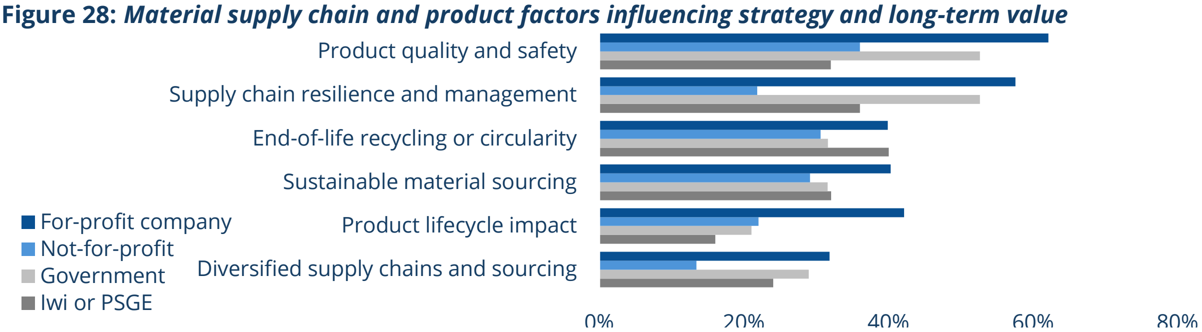
Product and supply chain factors are most material when physical products, materials and supply networks are central to operations. 810 of 1,089 (**74% of CEOs**) identified at least one material factor.

Materiality varies considerably by industry and sector. Figure 28 shows **product quality and safety** was material to 53% of *government* and 62% of *for-profit* CEOs, and particularly material in *manufacturing* (90%), *wholesale trade* (85%) and *construction* (74%). **Supply chain resilience and management** was similarly material to 53% of *government* and 58% of *for-profit* CEOs, rising to 79% in *wholesale trade*, 77% *in electricity, gas, water and waste, 76% in manufacturing and 70% in retail*. These sectors rely heavily on reliable supply chains and physical products to operate and deliver value.

Material sourcing and **product lifecycle impacts** were more material in product-intensive sectors, at 59% and 61% in *manufacturing*. **Circularity** was most material in *retail* (59%) and *electricity, gas, water and waste* (65%). Materiality reflects how products and materials are sourced and managed across their lifecycle.

For CEOs and boards, identifying factors material to resilience, performance and stakeholders is critical. These factors can then inform strategy, risk and investment to support long-term value creation.

Figure 28: ***Material supply chain and product factors influencing strategy and long-term value***



Enabling Material Social Sustainability Drivers

How an organisation treats and engages with the people in its orbit, and responds to their needs, can strengthen or undermine long-term value. **97% of CEOs** (1,061 of 1,089) identified at least one material social factor.

Social materiality varies by purpose, responsibilities and operating context. **Community relations** are highly material for *iwi/PSGEs* (96%), *NFPs* (85%) and *government* (82%), compared with 55% of *for-profits*, reflecting the central role of communities in their purpose (Figure 29).

For-profits, with a more **commercial focus**, identified customer sustainability satisfaction (70%), *responsible marketing and advertising* (48%) and *fair disclosure and labelling* (31%) as more material than other organisation types.

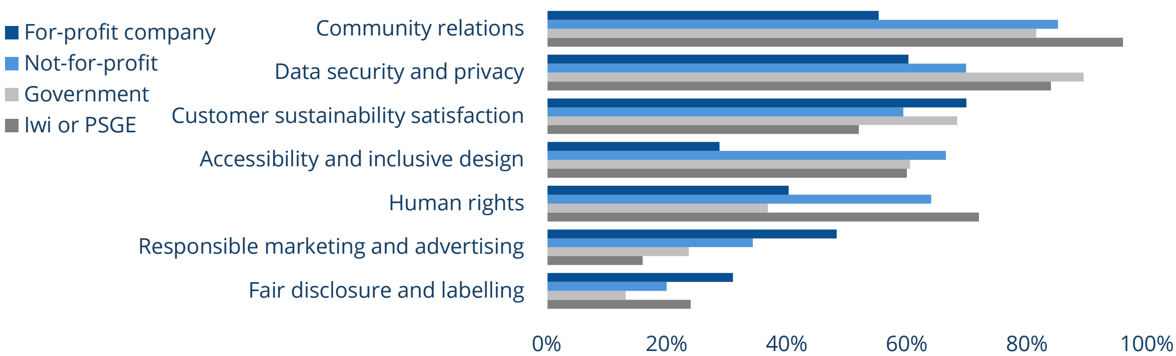
Social materiality varies with **industry and stakeholder dynamics**. *Customer sustainability satisfaction* was particularly material in *accommodation and food* (83%), *electricity, gas, water and waste* (81%), *construction* (79%) and *housing* (76%), reflecting demand for more sustainable products, services and solutions. *Data security and privacy* were more material in information-intensive sectors, including *financial services* (88%), *technology* (87%) *and information, media and telco* (86%), where protecting information is fundamental to stakeholder trust.

NFPs' social materiality was tied to their **purpose and the people** they serve, with *community relations, human rights* and *accessibility* particularly material where social and community outcomes are central to their work.

Foreign-controlled firms placed greater emphasis on *data security and privacy* (76%) and *human rights* (59%), while *B Corps* and *cooperatives* identified a broader range of social factors as material, particularly community relations, fair disclosure and labelling, human rights and customer sustainability satisfaction.

For CEOs and boards, with social factors material to almost every organisation, the priority is focusing attention and resources on those most relevant to the organisation's purpose and stakeholders to strengthen relationships, responsiveness, and long-term value.

Figure 29: ***Material social sustainability factors influencing strategy and long-term value***



Enabling Drivers of Workforce Sustainability

An employee's capacity to create value is not uniform. A highly capable and motivated person can create the output of many, while disengagement can destroy value. As a core dimension of social sustainability, workforce sustainability reflects the health, motivation, skills and leadership people need to perform at their best. **98% of CEOs** (1,069 CEOs) cited at least one material workforce factor.

Many workforce priorities are consistent across organisation types. Figure 30 illustrates *employee wellbeing* was material to 92–100% of CEOs, followed by *health and safety* (87–100%), *leadership and succession planning* (78–96%) and *talent development and retention* (71–89%), reinforcing that long-term outcomes depend on protecting, developing and retaining people.

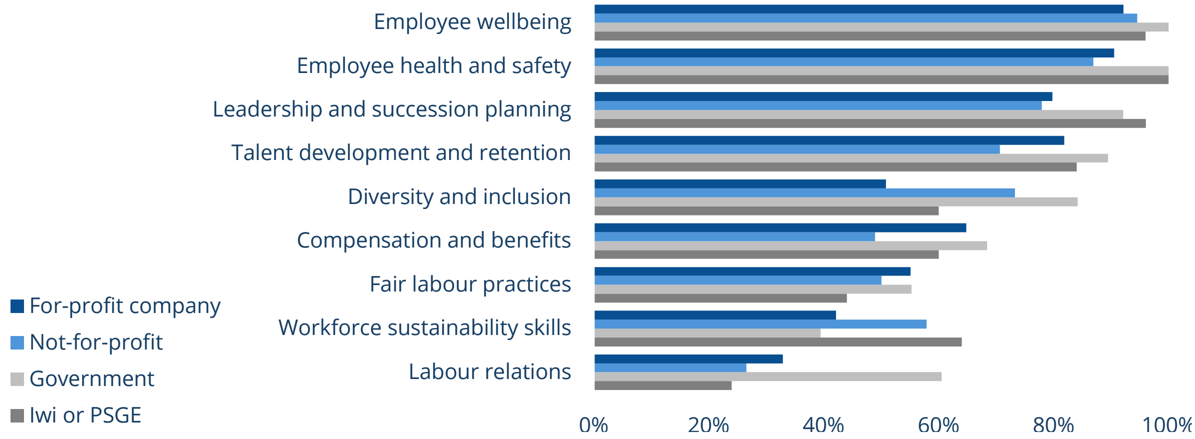
Government CEOs placed greater emphasis on *diversity and inclusion* (84%) and *labour relations* (61%), consistent with their diverse public stakeholder base and collectively represented workforce. *Government* and *for-profits* also placed the highest emphasis on *compensation and benefits* (68% and 65%).

Industry differences reflect the nature of work. *Health and safety* was most material in physically intensive sectors, while *diversity and inclusion* was prominent in people- and community-oriented sectors. *Workforce sustainability skills* were more material in *housing* (77%), *electricity, gas, water and waste* (69%), and *health care, social* and *disability services* (67%).

Within for-profits, **foreign-controlled firms** focused on *compensation and benefits* (78%), *talent development and retention* (89%), and *diversity and inclusion* (65%). **B Corps** stood out for *diversity and inclusion* (81%), *fair labour practices* (71%) and *sustainability skills* (71%), reflecting their focus on sustainable value creation.

For CEOs and boards, workforce drivers are the most widely recognised material social ESG factor, identified by 98% of CEOs. Prioritising healthy, capable, and motivated people strengthens performance and value creation.

Figure 30: ***Material workforce sustainability factors influencing strategy and long-term value***



Enabling Material Governance Drivers

Governance has a protective and value-creating role. Effective boards bring skills, expertise and judgement to enhance strategic thinking, challenge assumptions, and introduce new ideas, perspectives, networks and opportunities management may not have. However, many material governance factors reflect baseline requirements that protect organisations when governance falls short.

Governance materiality was widespread, with **96% of CEOs** (1,047 of 1,089) identifying at least one material factor.

Leadership and board policies were the most consistently material factor across organisation types, identified by 72–92% of CEOs. **Codes of conduct, ethics and anti-corruption** were similarly material (73–87%), followed by **stakeholder engagement** (58–84%).

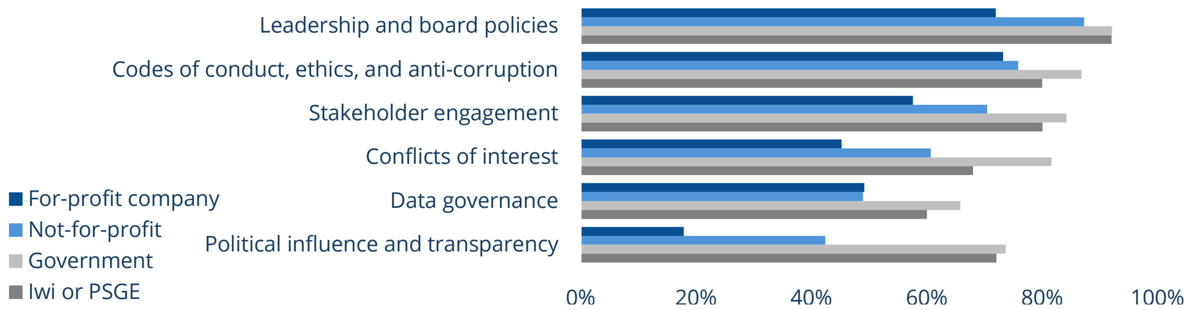
Government and **iwi/PSGEs** placed strong emphasis on *political influence and transparency* (74% and 72%) and *conflicts of interest* (82% and 68%). Some **NFPs** also rated these factors highly, with *political influence and transparency* being most material in housing (65%), while *conflicts of interest* were material in *housing* (82%), *religious activities* (73%), *disability* (70%) and *health care and social assistance* (69%).

Data governance was most material where information and organisational scale increased its importance, including *health care and social assistance* (71%), *information, media and telco* (70%), *disability* (67%) and *technology* (61%). *Large for-profits* also placed more emphasis on data governance (58%) than *small firms* (35%), reflecting their greater complexity.

Foreign-controlled firms stood out on *ethics and anti-corruption* (84%), *data governance* (65%) and *conflicts of interest* (60%), while **cooperatives** emphasised *leadership and board policies* (100%) and *stakeholder engagement* (73%). **B Corps** and **listed companies** identified a broader set of factors as material.

For CEOs and boards, effective governance protects value through strong governance foundations, including ethics, accountability, and effective oversight. Beyond this baseline, directors' skills, judgement, perspectives, and networks should be harnessed to strengthen strategy, identify opportunities, and improve performance and value creation.

Figure 31: ***Material governance factors influencing strategy and long-term value, by organisation type***



Integrating Sustainability

Sustainability can be a tick-box exercise or a policy disconnected from the core organisation. To motivate people and create sustainable value, sustainability must be embedded in strategy, culture, operations and innovation.

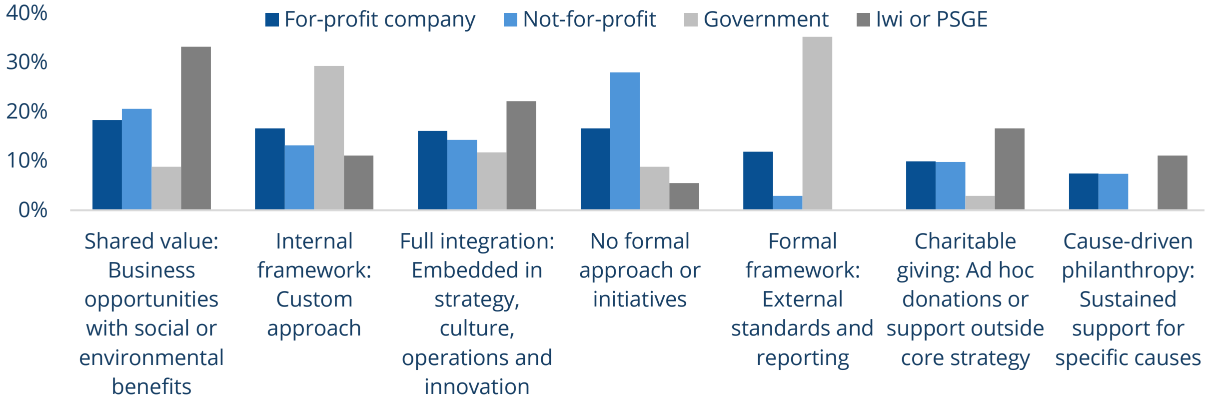
Iwi/PSGEs show the strongest orientation toward integrated value creation, with 33% adopting *shared value* and 22% *full integration* (Figure 32). **Government** CEOs favour structured approaches, primarily *formal frameworks* (35%) and *internal frameworks* (29%). **For-profits** are more mixed, with *shared value* (18%), *internal frameworks* (17%), *no formal approach* (17%) and *full integration* (16%) similarly prevalent. **NFPs** are more polarised: 28% with *no formal approach*, and 35% with *shared value* or *full integration*.

Industry and organisational structure show varied forms of integration depending on how sustainability connects to organisational values. **Full integration** is most prevalent among **B Corps** (59%) and **listed companies** (23%), and in *environment and conservation* (46%), *accommodation and food* (32%) and *agriculture, forestry and fishing* (27%). **Shared value** is prominent in *housing* (43%), *environment and conservation* (38%), and among **B Corps** (28%) and **cooperatives** (22%). **Formal frameworks** are more common among **foreign firms** (28%) and **listed companies** (20%), and in *financial and insurance services, retail,* and *electricity, gas, water and waste* (30% each).

> *"I would really advise everyone to see sustainability as part of the core business and integrated in the vision and the business strategy."*
>
> *Helena Helmersson, 2025*
> *Former CEO, H&M Group*

For CEOs and boards, there is no single approach to integrating sustainability. What matters is embedding material ESG factors into strategy, culture, operations, innovation and decision-making to support long-term value creation.

Figure 32: ***Approaches to sustainability integration, by organisation type***



Overcoming Barriers to Sustainability

Strong sustainability ambitions can lose momentum when organisations struggle to integrate them into strategy and operations. Understanding what constrains implementation helps CEOs and boards turn priorities into action.

Overall, **91% of CEOs** (994 of 1,089) identified at least one barrier to integrating sustainability into strategy and operations.

High initiative costs were the most consistent barrier across organisation types, identified by 55% of *government*, 49% *of NFP, 44% of for-profit, and 40% of iwi/PSGE* CEOs, as shown in Figure 33. Even *B Corps* reported *high initiative costs* (58%), illustrating that cost remains a barrier even where commitment is strong.

The cost of **measurement and reporting** was high for *government* (50%) and highest for *listed companies* (56%), consistent with their greater formal accountability and reporting requirements.

With their stronger commercial focus, *for-profits* reported the greatest **difficulty linking sustainability performance to organisational outcomes** (47%) and **unclear ROI** (43%).

A lack of sector-wide benchmarks and standards was a barrier for *a third* of *for-profits* and *NFPs*, hindering target setting, benchmarking and tracking progress.

Cooperatives stood out for **fragmented regulatory or stakeholder demands** (50%), reflecting the challenge of balancing multiple stakeholder interests.

Around *one in four CEOs* cited **internal capability or systems** as a barrier, noting a gap in their ability to deliver outcomes.

For CEOs and boards, overcoming barriers requires clarifying the value of sustainability, focusing investment on material priorities, and building capability, systems and measures to connect sustainability to performance outcomes.

Figure 33: ***Key barriers to integrating sustainability into strategy and operations, by organisation type***

Government and Industry Bodies as Enablers

Progress on sustainability can be enabled or constrained. Government and industry bodies play a role through funding, setting standards, shared resources and coordination, helping organisations achieve their sustainability goals. **90% of CEOs** (979 of 1,089) identified at least one action that could support these goals.

Financial incentives were the preferred support across organisation types, cited by 80% of *iwi/PSGE*, 55% *of for-profit, 54% of NFP* and 50% of *government* CEOs, reflecting cost concerns (Figure 34).

Government, listed companies and *finance and insurance firms* placed more weight on consistent, credible reporting given public, shareholder, or regulatory accountability. **Clear, consistent reporting standards** were prioritised by 63%, 68% and 66% respectively, while 47%, 40% and 41% sought **standardised metrics and assurance frameworks**. **Reducing overlapping reporting requirements** was also important (47%, 44% and 38%).

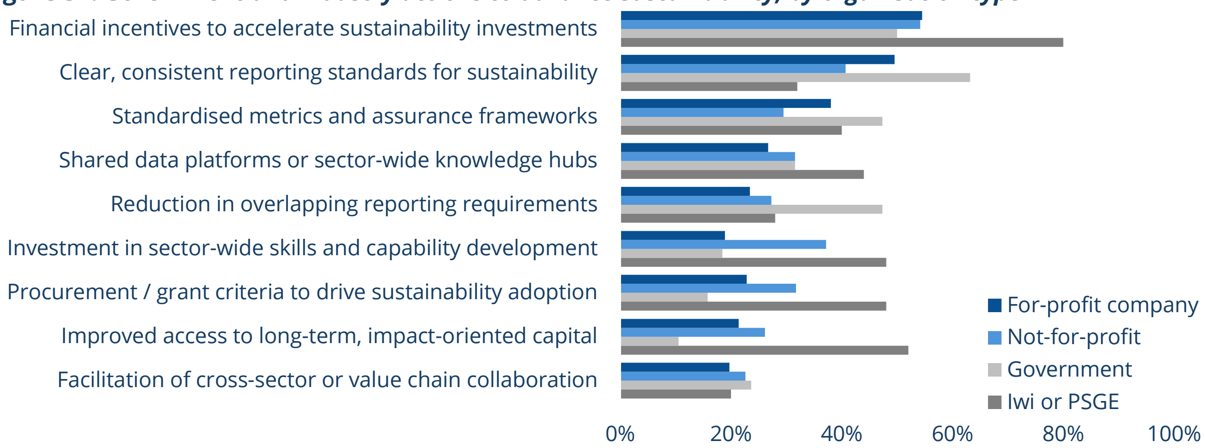
Iwi/PSGEs identified broader investment needs, with 52% prioritising access to **long-term, impact-oriented capital** and 48% **procurement or grant criteria**.

Iwi/PSGEs and *NFPs* also prioritised **sector-wide skills and capability development** (48% and 37%), while around *one in three CEOs* across *organisation types* prioritised **shared data platforms or sector-wide knowledge hubs**. Around *one in five* also sought **cross-sector or value-chain collaboration**, pointing out the potential for externally facilitated capability development and knowledge sharing.

Industry needs reflect operating pressures, with *capital-intensive* and *cost-sensitive sectors* placing greater emphasis on **financial incentives**, while regulated and *infrastructure sectors* prioritised **consistent standards** and **shared implementation support**.

For government and industry bodies, the opportunity is to reduce complexity, improve clarity and coordination, and create the conditions to accelerate progress towards sustainability goals.

Figure 34: ***Government and industry actions to advance sustainability, by organisation type***



Investing in Greener Technology

Believing that sustainability creates value is one thing. Paying more for it is another. When greener technology carries a higher upfront cost, investment decisions reveal how far CEOs are willing to back their sustainability convictions with capital.

Most CEOs were prepared to pay more for greener technology, providing tangible evidence that CEOs see sustainability benefits as valuable enough to justify higher upfront investment. As shown in Figure 35, willingness to accept a premium ranged from 79% among *NFP* and 87% among *iwi/PSGE* CEOs.

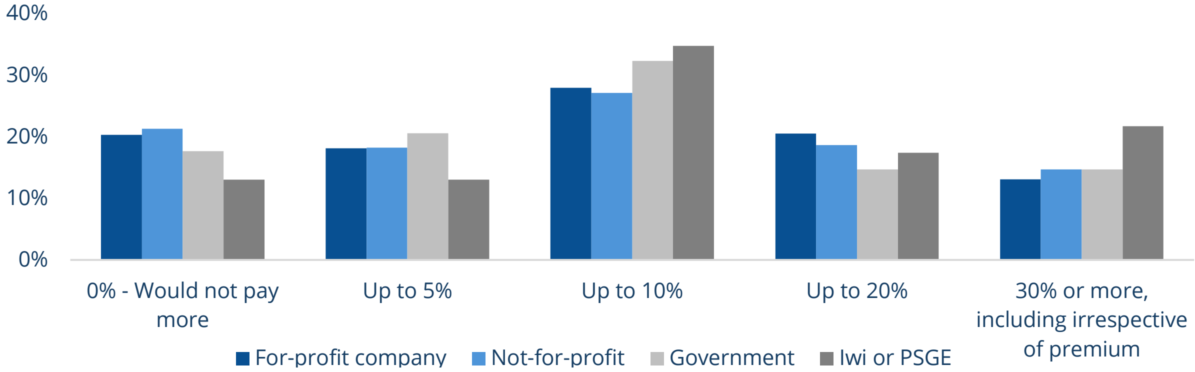
Willingness was high among more visible or scrutinised organisations, including *government* (82%), *B Corps* and *foreign-controlled firms* (both 97%), and *listed companies* (89%), but also among less visible organisations, including *for-profit companies* (80%) and *NFPs* (79%). This breadth shows sustainability is more than a tick-box exercise or public rhetoric; CEOs are willing to invest.

Willingness to pay **30% or more, including irrespective of the premium**, was less common, ranging from 13% of *for-profit* CEOs and 15% of *NFP* and *government* CEOs to 22% of *iwi/PSGE* CEOs. The higher *iwi/PSGE* willingness is consistent with their stronger intergenerational orientation, where longer-term environmental and social outcomes are more closely connected to value creation. *B Corps* and *transport, postal and warehousing* showed the greatest willingness to pay **30% or more** (31% each), followed by *environment and conservation* (20%).

Most CEOs set clear financial limits, with 64–68% *across organisation types* prepared to pay a premium of **between 5% and 20%**. CEOs see substantial value in investing in greener technology, but the value it provides must justify the premium.

For CEOs and boards, willingness to pay more for greener technology turns sustainability intent into financial commitment. With around 80% prepared to pay a premium, CEOs recognise that higher upfront costs can be justified by the long-term value created.

Figure 35: ***Maximum premium CEOs would pay for greener technology, by organisation type***



The Urgency of Delivering Sustainability

Sustainability ambition is not only about what organisations are prepared to achieve, but how quickly they want to achieve it. For a sustainable project, the delay CEOs are willing to tolerate indicates how they balance implementation urgency against other organisational constraints.

Most CEOs placed relatively high importance on timely implementation. Figure 36 shows 56–72% across organisation types would either prioritise **time-to-market** or tolerate a delay of no more than **one year**. This was highest among *for-profits* (72%) and *government* (69%), followed by *NFPs* (60%) and *iwi/PSGEs* (56%).

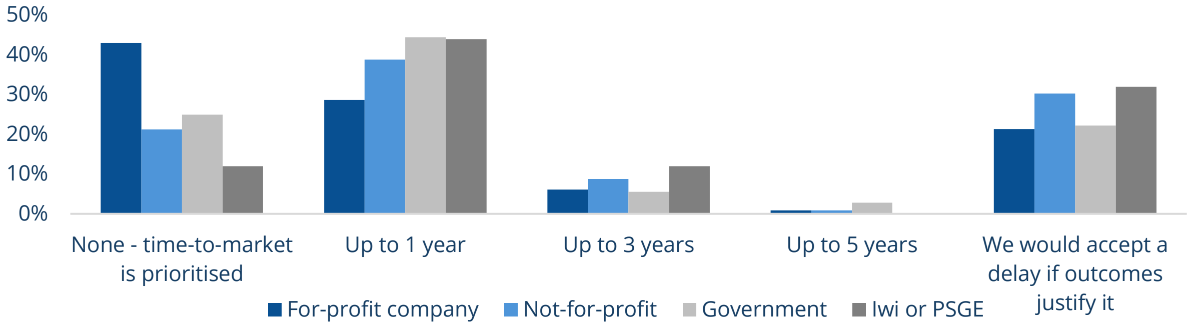
The balance differed within this group. *For-profits* were much more likely to prioritise **time-to-market** (43%), compared with 12–25% across other organisation types. In contrast, **up to one year** was the most common response among *NFP* (39%), *government* (44%) and *iwi/PSGE* CEOs (44%). This is consistent with *for-profits* facing greater market and commercial pressure for immediate project delivery, while other organisation types show greater willingness to accommodate some delay. *Cooperatives* stood out, with 55% prioritising time-to-market.

Industry differences reinforce this commercial dimension. **Time-to-market** was prioritised by 63% of *rental, hiring and real estate*, 59% of *financial and insurance services*, and 53% of both *transport, postal and warehousing* and *information, media and telco*.

Only a small minority accepted delays of **three to five years**. However, 21–32% across organisation types would **accept a delay if outcomes justify it**, suggesting that for a meaningful group of CEOs, the acceptable timeframe depends on the value of the eventual outcome rather than a predetermined limit.

For CEOs and boards, sustainability carries urgency across most organisations. Setting clear priorities and timelines can help maintain momentum and help ensure higher environmental and social standards are treated as a priority rather than something that will eventually happen.

Figure 36: ***Tolerance for project delays to support sustainability performance, by organisation type***



Margin Sacrifice for Sustainability

Sustainability cannot come at the expense of an organisation's own long-term viability. Nor can financial viability come at the expense of environmental and social exploitation. More sustainable products, materials and ways of operating can increase unit costs that cannot always be passed on to end users. Willingness to sacrifice margin shows how far organisations are prepared to absorb these costs in their bottom line, although their ability to do so depends on the cushion within their existing margins.

Sustainable investment, such as greener technology, often entails upfront costs. Sacrificing margin has an ongoing effect on profitability, making it an enduring financial challenge for *for-profits*. Figure 37 shows 45% of CEOs would accept **no margin sacrifice**, while 35% would sacrifice **up to 5%**. Only 20% were prepared to sacrifice **more than 5%,** combining the categories.

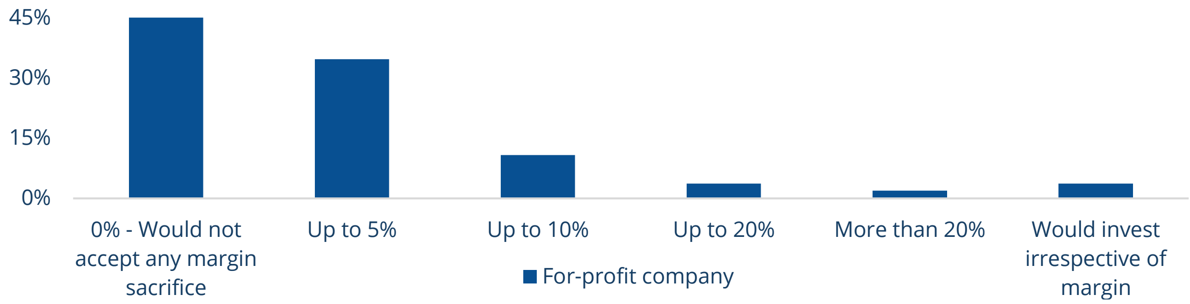
Industry differences show where margin can be sacrificed to absorb sustainability costs. In *electricity, gas, water and waste*, 75% were willing to accept some margin sacrifice, followed by *professional, scientific and technical* (68%), *financial and insurance* (62%), *technology* (59%) and *transport, postal and warehousing* (55%). **Up to 5%** was the most common sacrifice.

Willingness was lower in *wholesale trade* (30%) and *retail* (41%), where competitive pricing and tight margins can limit capacity to absorb additional costs, and in *rental, hiring and real estate* (47%), where sustaining returns to capital is important.

Ownership and organisational structure influenced willingness. 82% of *B Corps* were prepared to sacrifice some margin for long-term sustainability, compared to 55% of *for-profits* overall. Willingness to make more substantial sacrifices of **over 5%** was highest among *B Corps* (39%) and *foreign-controlled firms* (32%).

For CEOs and boards, sustainability investment needs to strengthen rather than undermine long-term organisational viability. Understanding where sustainability costs can be absorbed, passed through, offset by efficiencies or supported by greater customer value is crucial to improving environmental and social outcomes while maintaining financial viability.

Figure 37: ***For-profit willingness to sacrifice margin for long-term sustainability***



Conclusion

A clear message emerges from 1,089 CEOs: ESG considerations are not peripheral to organisations or a compliance exercise; they are part of how organisations create and protect long-term value. Yet recognising their value is not enough. Rather than focusing only on traditional governance factors, creating long-term sustainable value requires alignment between what organisations value and how they are governed, led and resourced. Governance, leadership, strategy, culture, systems and investment need to work together to reinforce all material drivers of value.

Governance is central to achieving this alignment. Boards bring together highly capable people with substantial experience, expertise, and judgement that can contribute as strategic partners well beyond traditional oversight. CEOs see greater scope for boards to contribute through long-term focus, strategic insight, clearer alignment on priorities, appropriate risk-taking and more frequent board evaluation. Strong CEO–Chair relationships provide a foundation, but trust and communication should translate into clearer expectations, feedback, and strategic support.

Leadership alignment is equally important. CEOs are motivated primarily by purpose, contribution and intrinsic challenge rather than financial reward. Remuneration structure nevertheless signals what boards value. More broadly, leadership systems signal organisational priorities: alignment is strongest in strategic KPIs and weakens through promotion, succession and incentives, particularly for culture and sustainability. Where these systems reinforce conflicting priorities from stated values, commitments risk losing credibility.

Sustainability is also widely regarded as a source of organisational value, but implementation remains uneven. Environmental, social, workforce, product, supply-chain and governance priorities differ substantially by sector, organisational purpose and operating model. This reinforces the importance of materiality: sustainability efforts create more value when they are focused on the factors most consequential to resilience, performance, stakeholders and how organisations create long-term value.

The main barriers are practical rather than ideological. Cost, measurement, capability, unclear ROI and short-term pressures constrain implementation even where commitment is strong. At the same time, the vast majority of CEOs (around 80%) are prepared to pay extra for greener technology, and more than half of for-profit CEOs would absorb sustainability costs through lower margins. Sustainability is increasingly part of mainstream strategy and capital allocation, making its exclusion from governance and strategic decision-making harder to justify.

Long-term sustainable value comes from embedding material ESG priorities into how organisations are governed, led and resourced. The opportunity is not to add more ESG rhetoric and activity, but to align what organisations value, how they make decisions and where they commit resources.

Implications for Leaders and Boards

- **Broaden governance beyond oversight:** Treat the board as a strategic asset, using its capability to shape long-term strategy, generate ideas and advance the material drivers of organisational value.
- **Translate purpose into leadership expectations:** Align CEO expectations, remuneration, succession and leadership systems with the outcomes and time horizons the organisation genuinely values.
- **Make materiality the organising principle for ESG:** Focus governance, investment and measurement on the environmental, social and governance factors most consequential to the organisation and the value it creates.
- **Close the implementation gap:** Embed sustainability through strategy, culture, operating systems and capital allocation rather than relying on policy, reporting or stated commitment.
- **Balance sustainability with organisational viability:** Direct investment towards initiatives that strengthen environmental and social outcomes while sustaining the financial capacity required to deliver organisational purpose.
- **Strengthen board effectiveness:** Improve board evaluation and the CEO–Chair relationship so the board has the insight required to understand where and how it can add the greatest strategic value.

Final reflection

The question is not simply whether ESG creates value. The vast majority of CEOs believe it does and are prepared to commit resources accordingly. The challenge is to ensure governance, leadership and organisational systems reflect that conviction. Long-term sustainable value depends less on what organisations say they value, and more on what they govern for, prioritise, reward, and invest in.

"Managing … not only the level of returns, but the level and duration of returns, recognizing that our success — and the success of the communities we serve and the wider world — are inextricably bound together"

Indra Nooyi, 2017
Former Chair and CEO, PepsiCo