boardroom

DEC / JAN 2020

Magazine of the Institute of Directors in New Zealand

2020

Top five issues for directors

Regulators outline their priorities

Institute of DIRECTORS NEW ZEALAND

boardroom

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Boardroom is designed to inform and stimulate discussion in the director community, but opinions expressed do not reflect IoD policy unless explicitly stated.

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A note from the editor

As we enter 2020, this issue looks at what directors will be focussed on in the new year.

The annual “Top Five Issues for Directors” and *Director Sentiment Survey* bring together the expertise of our Governance Leadership Centre and the views of directors.

Pressures on directors’ time, increasing personal liability and the challenge of meta-issues such as climate change and technological disruption feature high on the agenda.

Our Chief Executive Kirsten Patterson offers some personal notes on future governance from a trip to the US in her regular column. Along with IoD President Alan Isaac, she attended the 2019 National Association of Corporate Directors conference in Washington, where she also caught up with Kiwi Chris Liddell, deputy chief of staff for policy coordination in Trump’s White House.

Continuing the forward-facing theme, three of New Zealand’s key regulators – the RBNZ, FMA and Commerce Commission – provide an insight into their work plans for 2020.

So there’s plenty to keep your brain ticking over while on your summer holidays.

Merry Christmas and a happy New Year,

Aaron Watson
Boardroom editor

Institute of DIRECTORS NEW ZEALAND

BoardRoom is the magazine of the Institute of Directors in New Zealand **iod.org.nz**

The Agenda

DEC / JAN 2020

A letter from America

KIRSTEN PATTERSON
CEO, INSTITUTE OF DIRECTORS

Tēnā koutou katoa

At the beginning of October, IoD President Alan Isaac and I attended the 2019 National Association of Corporate Directors (NACD) Global Board Leaders' Summit in Washington DC.

The NACD Conference is the largest gathering of professional non-executive directors globally. It attracted more than 1,800 attendees from the US, Canada, New Zealand, Australia, Singapore, Malaysia and Hong Kong.

The conference was of an extremely high quality and the issues discussed will help inform our work here at the IoD.

We also used the opportunity to connect with a number of potential speakers for IoD events.

LEADERSHIP

In the lead up to the conference, the NACD set the scene with the launch of the white paper Governance Fit for the Future: an Urgent Imperative for Board Leadership.

The paper argued that there is an urgent need to avoid complacency (Governance Fit for the Future actually describes complacency itself as "an existential threat"). In a metaphor from ice hockey – we were in the US, after all - it was said that boards need to be where the puck is going to be, not where it is right now.

In short, boards need to raise their game.

At a pre-conference panel event sponsored by KPMG, it was noted that boards are not leading the discussion on some of the greatest challenges of our time. The world's largest civil disobedience event, the global climate strike in September, for example, was led by schoolchildren.

Boards also need, speakers reiterated, to come to grips with tremendous shifts in diversity of our consumers and communities.

OK, BOOMER

One of the major shifts noted at the conference was generational – the attitudes and economic power of the millennials is beginning to be felt in the marketplace and the boardroom.

This is very evident at home in New Zealand, where Green Party MP Chlöe Swarbrick recently made headlines for using the phrase "OK, boomer" in parliament. "OK, boomer" is a somewhat dismissive phrase that expresses frustration with the attitudes of the previous – baby boomer and older – generations.

At the NACD conference, the "OK, boomer" mentality was investigated as part of a presentation on the differing views of the generations in the US.

The first point to note is that the oldest millennials are now 38 years old. They are not as young as they are often portrayed in media commentary and they may have children, or even adult children.

This coming generation has the potential to swing public debate on many trends in modern thought.

US millennials are more likely to disapprove of the Donald Trump presidency (67% vs 52% boomers), they believe the economic system is unfair (69% vs 62% boomers) and that the amount of profit made by corporations is unfair and unreasonable (63% vs 53% boomers). They look to government to step in to solve communal problems (64% vs 49% boomers) and they believe immigrants strengthen the nation (75% vs 52%). On climate change, a 56% majority believe human activity is the main driver while only 45% of boomers say the same.

CHANGING OF THE GUARD

Speakers noted that few US boards discuss how the board will evolve over time. It was quipped that it's easier to get on a board than it is to be removed.

What will the ideas of this new generation mean for governance as the millennials take an increasing number of seats at board tables?

Add in that we are about to see the largest transfer of wealth in history – estimated by one presenter at US$24 trillion – from boomers to millennials and you have a social change that boards should have on their radars.

Board composition puts the spotlight firmly on board diversity and skill mix. Boards need to be refreshing and driving performance of all members, making sure that the have the right talent. Talking about diversity is ultimately driving conversations about strategy and future opportunities.

A NOTE ON STAYING UP DO DATE

In a presentation on "21st Century Security: Risk & Opportunity", former NATO Supreme Allied Commander Europe Admiral James Stavridis, and NATO Supreme Allied Commander Europe offered an interesting observation on The Economist magazine.

In his experience, the information in *The Economist* dovetails with presidential security briefings he saw while in NATO role. If you want to stay abreast of geo-political issues, you could do worse than read it, he said.

A the IoD, we try to help members stay up to date – through courses, publications, research and opportunities to network with their peers. But as directors, we are all responsible for our own lifelong education. What are you reading to inform and educate yourself?

ON THE WAY HOME

After the conference, we met with New Zealander Chris Liddell (deputy chief of staff for policy coordination for President Trump) in the West Wing at the White House. We discussed the work the US is doing on deregulation, the future of work and AI.

We also discussed how New Zealand boards could attract more overseas directors or global kiwis (the high-net-worth members of Kiwi Expatriates Abroad – KEAs) to provide a global view in New Zealand board conversations.

This is currently difficult due to the usual NZ board cadence (monthly meetings). Liddell recommended that boards consider an advisory board (non-statutory with no liability) that meets one or two times a year and sits alongside the main board to allow overseas directors to return home for a dedicated "advisory board week".

This idea could have merit and you may wish to consider it in your board discussions. We would appreciate your feedback.

New Zealand IoD members are able to attend the NACD conference at local member rates, and we would welcome any NZ based members to join us when we attend the conference on 10-13 October 2020.

Ngā mihi

Kirsten KP

UpFront

Directors' duties and climate risk

In October, the Aotearoa Circle's Sustainable Finance Forum published a legal opinion on the obligations of New Zealand company directors (and managers of retail managed investment schemes) in relation to climate risk. The opinion summarises the international and domestic scientific, political and regulatory context before considering directors' duties under the Companies Act 1993 and other obligations. Key findings include:

- climate change is a foreseeable risk of financial harm to many businesses, especially in relation to the impacts arising from transitioning to a low-carbon economy
- directors duties, including the duty to act with reasonable care, mean directors should (and in some cases must) take climate change into account in their decision-making
- directors should assess the risk in the same way they would any other financial risk to the business and take action (if appropriate)
- directors of some companies may be required to disclose climate-related risk to their businesses.

From our Governance Leadership Centre

True or false: Directors should use the full name of their company on emails and other documents in company dealings?

Q&A

ANSWER

True: *Section 25 of the Companies Act 1993 provides that a company must ensure that its name is clearly stated in every written communication sent by (or on behalf of) the company and in every document issued by (or on behalf of) the company that evidences or creates a legal obligation of the company.*

Shifting to a sustainable financial system

The Sustainable Finance Forum also published in October an Interim Report on how the financial system in New Zealand may be redesigned to meet sustainability challenges and opportunities now and in the future.

The report explores the purpose, the role, and responsibilities of business and finance in society and sets out potential pathways for achieving a sustainable system. Topics covered include fiduciary duties, performance management and remuneration, education, system architecture, data and reporting, and scaling positive impact. The report is intended to be finalised by July 2020 and is the first step in designing a road map to 2030.

From our Governance Leadership Centre

NZ easiest country in which to do business – World Bank

The World Bank's Doing Business Report 2020 names New Zealand as the best out of 190 economies for the ease of doing business.

The World Bank economies across a number of indicators from starting a business to resolving insolvency.

Singapore was named in second place for the fourth year in a row, with Hong Kong, Denmark and Korea completing the top five.

Audit quality improves but inconsistencies persist - FMA

Audit quality has broadly improved again but auditors continue to apply standards inconsistently, the FMA's annual Audit Quality Report 2019 has found.

It highlighted the need for directors and company management to keep good accounting records and provide auditors with high-quality information.

The annual review is part of a three-year monitoring cycle of licensed auditors. Each of the audit firms reviewed for this report have been reviewed previously and the FMA found most auditors had made improvements.

Education hubs abandoned

The Tomorrow's Schools Independent Taskforce delivered its final report in July to the government setting out recommendations to reform the school system. In November, the government released its response *Supporting all schools to succeed: Reform of the Tomorrow's Schools system*.

The government intends to progress nearly all of the Independent Taskforce's recommendations in substance. Boards will retain most of their current governance responsibilities and the controversial proposal for education hubs has been abandoned. Providing greater support and training for boards is also a key focus. Key matters relevant to trustees include:

- board responsibility for property and major capital works has been removed from boards of state schools, although there is an option to retain responsibility for some schools
- property maintenance, financial and procurement services will be made available to boards
- enrolment schemes will be carried out by the Ministry of Education (and not by boards)
- a new role of Leadership Advisor will be established to support boards and principals
- mandatory governance training for boards and specific training for chairs is being considered
- possible mandatory mana whenua representation on boards is still being explored
- a new code of conduct for board members will be created and this will specify individual and collective duties.

A detailed timeline for changes can be found in Appendix 1 of the government's response. Reports are available at **conversation.education.govt.nz**

From our Governance Leadership Centre

APPOINTMENTS

Director Search

Keiran Horne
Chartered Member, has been appointed to the board of Quayside Holdings Ltd.

Regular

Sandi Beatie QSO
Member, has been appointed as chair of Education Payroll Ltd.

Laurissa Cooney
Chartered Member, has been appointed to the board of Air New Zealand.

Murray Horn CNZM
Chartered Fellow, has been appointed as chair of China Construction Bank (NZ) Ltd.

Elisabeth Welson
Member, has been appointed a commissioner of the Commerce Commission board.

Jane Wrightson
Chartered Member, has been appointed as New Zealand's new Retirement Commissioner.

Climate-related financial disclosures

The government has consulted on a proposed regime for climate-related financial disclosures in the discussion document *Climate-related financial disclosures — Understanding your business risks and opportunities related to climate change*.

The document considers adopting mandatory climate-related disclosures (on a comply or explain basis) for listed issuers, banks, general insurers, asset owners and asset managers. The Task Force on Climate-related Financial Disclosures reporting framework is proposed as a default framework. Reporting would be required in annual reports and it is not proposed that assurance be mandatory at this stage.

From our Governance Leadership Centre

ASIC corporate governance taskforce report on non-financial risk

The Australian Securities and Investments Commission (ASIC) taskforce, set up in 2018, has been engaged in conducting targeted reviews of large Australian listed entities to gain insights into their corporate governance practices. The first report of the taskforce, *Director and Officer Oversight of Non-financial Risk Report*, was released in October. Below are four key findings in ASIC's own words:

1. All too often, management was operating outside of board-approved risk appetites for non-financial risks, particularly compliance risk. Boards need to actively position themselves to hold management accountable to operate within their stated appetites.

2. Monitoring of risk against appetite often did not enable effective communication of the company's risk position. Boards need to take ownership of the form and content of information they are receiving to better inform themselves of the management of material risks.

3. Material information about non-financial risk was often buried in dense, voluminous board packs. It was difficult to identify key non-financial risk issues in information presented to the board. Boards should require reporting from management that has a clear hierarchy and prioritisation of non-financial risks.

4. Companies generally sought to use board risk committees (BRCs) to achieve desired outcomes, but their effectiveness could be improved. BRCs should meet more regularly, devote enough time and be actively engaged to oversee material risks in a timely and effective manner.

Questions for boards are set out in appendix 1 of the report. A second report by the taskforce on executive remuneration practices is due to be released this year.

See **asic.gov.au**

From our Governance Leadership Centre

Litigation funding in the latest Governance Update

In October, two litigation funded actions relating to CBL Insurance Ltd (CBL) were announced.

The first class action against CBL was announced by litigation funder IMF Bentham and law firm Glaister Ennor. The class action against CBL will allege that the company breached disclosure obligations under the Financial Markets Conduct Act 2013.

The second action funded by LFP Group is being fronted by Harbour Asset Management and Argo Investments, as representative shareholders in CBL. The action will allege that there were false or misleading statements made in CBL's IPO documents and also breaches of disclosure obligations. The action is against CBL and its former directors.

At this stage, it is unclear how the courts will deal administratively with the two actions. Read more in the our latest *Governance Update*, which also covers

- the latest policy and advocacy matters including a focus on escalating director responsibilities
- a look at the future of board composition
- resources and guidance on matters relevant to directors.

See the full update at **iod.org.nz**

Institute of Directors honours John Spencer as a Distinguished Fellow

Long-time company director John Spencer CNZM DistFInstD has been conferred the Distinguished Fellow award by the Institute of Directors (IoD) - the highest accolade the IoD bestows on its members. The award was presented at the IoD Wellington Branch's annual dinner.

The Wellington-based director, whose extensive governance experience spans over 17 years, has served on a variety of boards - for private and publicly-listed companies, iwi, state-owned enterprises, crown agencies and cooperatives. Included in John's long list of directorships are being chair of Kiwirail (2010-2016), Tertiary Education Commission (2012-2017), Hamilton Airport (2013-2019), Raukawa Iwi Development Ltd (2012-present) and Tainui Group Holdings (2003-2012. He has been director on the boards of Solid Energy NZ (2005-2010), NZ Dairy Group (2009-2014), Mitre 10 NZ (2011-2018) and Tower Insurance (2003-2015), to name some.

"I am deeply honoured, humbled and grateful to receive this award - there is nothing more satisfying than being recognised by your peers," Spencer said when receiving the award.

Scientists in the boardroom

As organisations and society face increased uncertainty and complexity, the breadth of issues that directors are having to consider is expanding to new territory. With simultaneous complex challenges on the horizon, boards need to ensure that they have the right information and diverse perspectives to operate at their best when making decisions.

In our November 2019 *Directors' Brief* "Scientists in the Boardroom: Enhancing Evidence-based Decision Making", prepared in collaboration with the Royal Society Te Apārangi, we look at the skillsets that scientists bring to the boardroom and how boards can improve decision-making through greater use of evidence.

All *Governance Updates* and submissions are available at **iod.org.nz**

Director Vacancies

Director Vacancies is a cost-effective way to reach our extensive pool of membership talent. We will list your vacancy until the application deadline or until you find a suitable candidate. A full list of vacancies can be viewed at **iod.org.nz**

Contact us on 0800 846 369

Unless otherwise stated, the following positions will remain open until filled.

ASTHMA AND RESPIRATORY FOUNDATION
Role: Board members (2)
Location: Wellington
Closes: 20 December

INLAND REVENUE
Role: Risk and Assurance Committee members (2)
Location: Wellington
Closes: 31 January

INZONE EDUCATION FOUNDATION
Role: Board chair
Location: Auckland
Closes: 24 December

RIVERLEA THEATRE
Role: Board chair
Location: Hamilton

Welcome

Welcome and congratulations to the newest members of the institute of Directors.

New Members October–November

AUCKLAND

Chris Alderson
Daniel Alexander
Phil Alexander-Crawford
Becs Annan
Marie-Eve Bacon
Dianne Ball
Matthew Band
Mark Bekhit
Patrick Brennan
Phil Brosnan
Debbie Burrows
Tom Byrne
Dave Chambers
Kaison Chang
Johnathan Chen
Bryan Chong
Paul Couper
Varun Dhani
Malcolm Dunn
Wade Eatts
Chris Esther
Steven Fast
Lani Fogelberg
Brigitta Galambos
Earl Gasparich
Deb Godinet
Brad Gordon
Emma-Kate Greer
Ken Griffin
Brian Hayr
Stuart Henderson
Cath Holland
Daniel Hopkirk
Geoffrey Horne
Shane Howell
Dickie Humphries
Tom Igusa
Barbara Imlach
Nettie Knetsch
Iain Laxon
Deborah Lind
Bruce Lochore
Jonathan Lockyer
Susan Lowe
Emmett Mackle
Geraint Martin
James McGhie
Jill McMillan
Lovina McMurchy
Ziahad Mohammed
Les Morgan
Andrew Newlands
Campbell Newman
Bill Newns
Kelly Newsome
Virginia Numans
Dash Patel
Charles Porter
Marc Potter
Fraser Robertson
Debbie Sew Hoy
Ajay Sharma
Joanna Simon
Jacky Simperingham
Aaron Skilton
Cory Spence
Brodie Stevens
Mark Stockton
Merryn Tawhai
Ben Thompson
Anna Thorburn
Luke Wee

BAY OF PLENTY

Mike Dawson
Evelyn Forrest
Simon Hepburn
Kumaren Perumal
Blanche Reweti
Regan Studer
Anne Tolley
Nigel Tutt
John Waaka
Karen Walmsley
James Warbrick
Wayne Werder

CANTERBURY

Ben Austin
Mark Bragg
Ngaire Briggs
Craig Brosnan
Mark Calcott
Alan Chapman
Jono Cox
Wendy Dallas-Katoa
Graham Dockrill
Vanessa Doig
Bruce Findlay
Meika Foster
Michelle Gillman
Madeleine Hawkesby-Browne
Greg Hay
Tori Hunt
Jaana Kahu
Steve Kelsen
David King
Katie Kinraid
Guy Marquet
Craig McInnes
Quentin O'Toole
Chris Ponga
Gina Pritchard
Michelle Robin
Ana Rolleston
Gina Solomon
Tumanako Stone-Howard
Liz Thompson
Michelle Turrall
Claire Waghorn
Rachael Walkinton

NELSON MARLBOROUGH

Brandon Beveridge
Lea Boodee
Das Das
Matthew Dodd
Hugh Morrison
Michael Playford
Tim Raateland
Mark Rawson
Avesh Vather

OTAGO SOUTHLAND

Mark Bryan
Susan Finlay
Kate McMahon
Michael Price
Nigel Rickerby
Vincent Sharp
Nicola Whiston

TARANAKI

Marie Collins
Anna Davis
Deirdre Nagle
Leigh Sampson

WAIKATO

Anna Gallien
Nick Humphries
Debbie Lee
Caroline McCurdie
Asad Mohsin
Tania Pointon
Rebekah Revell
Ruth Robinson
Leanne Salisbury
Michael Sentch
Bruce Sherman
Jenna Smith
Eric Souchon
Jarred Stent
Sandy Waters
Ellie Wilkinson
Kathryn Williams
Annette Williams

New Associates, October–November

WELLINGTON

Hazel Armstrong
Stuart Ayres
Alan Beesting
Wayne Butson
John Campbell
Gemma Carroll
Donatella Cavagnoli
Murray Chandler
David Cochrane
Neil Cree
Peter Dengate Thrush
Matthew Dolan
Trudi Duncan
Sara Eddington
Naomi Ferguson
Ralph Goodwin
Hamish Goodwin
Greg Harford
Wayne Hastie
Troy Hobson
Jeremy Holmes
John Holt
Jim Inglis
Paul Jepson
Lewis Karaitiana
Reuben Lawrence
Alexandra Lipski
Mark Mabbett
Rob McGregor
Ivan Moss
Petra Muellner
Joy Nagrampa
Simon Neale
Cobus Nel
David O'Brien
Wharemako Paewai
Matiu Park
Andy Prow
Laura Quin
Rachel Ritchie
Shaun Sexton
Karen Tate
Di Taylor
Jill Thorburn
Andrew Tompkin
Shelley Turner
Niki van Paassen
Pat Ward
David White
Karen Whitehead
Aimee Wiley
Tristan Will
Paul Williams

OVERSEAS

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Patrick McCawe

AUCKLAND

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Shaun Brooks
Jayne Brophy
Stephen Cairns
Tracey Chand
Rob de Lacey
Annika Dickey
Richard Frogley
Kat Haworth
Jeanette Kini
David Lilburne
Daniel Lund
Jason Mclennan
James Nair
Brayden Print
Navin Rudra
Udit Singh
Jackie Waddams

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Margie Spencer-Bower
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Pete Ydgren

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Sue Brown
Karien Bruwer da Silva
Shanell Kelly

WAIKATO

Terri Hohneck
Blair Muter
John Smithells

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Nicole Braun
Lisa Clarke-Watson
Toni Dodds
Hamish Frame
Andy Fulbrook
Steph Gartrell
Andrew McSweeney
Stephanie Murphy
Angela Natoli
Tina Ng
Koren O'Brien
Brendan O'Sullivan
Carmela Petagna
Nic Quill
Paul Reeve
Feamor Vyn Tiosen

OVERSEAS

Shavin Chand

NEW CHARTERED FELLOWS

Auckland
Dame Roseanne Meo

The top five issues for directors in 2020

As we enter 2020, the IoD's Governance Leadership Centre identifies five issues that should be top of mind for directors in 2020.

AUTHOR
FELICITY CAIRD, GOVERNANCE LEADERSHIP CENTRE GENERAL MANAGER

1. Climate action

The past 12 months have seen **climate change** mitigation and the **"purpose"** of businesses cement themselves as the key challenges that boards must grapple with as they strive to ensure the long-term sustainability of their organisations.

Data and privacy, **reputation and trust**, and **board leadership** in changing times round out our top five issue for this year – major issues that show the challenges and aspirations for directors in 2020.

There is no delaying. Climate accountability means taking action now.

The climate crisis, with rising sea levels, more frequent extreme weather events and apocalyptic fires, is the most important issue of our times. Urgency to take action is intensifying.

In November, a letter signed by more than 11,000 scientists warned that the Earth was clearly and unequivocally facing a climate emergency.

The global movement led by Greta Thunberg and students around the world saw an estimated 170,000 people march in New Zealand as part of the September school climate strike in September.

Boards have a critical role to play in responding to climate-related issues to ensure the long-term sustainability of their organisations. In the 2019 *Director Sentiment Survey* we saw a lift in the number of boards that said they were engaged and proactive on climate change, but it was still only 35%.

If you are in business, the impacts and risks – such as business disruption, physical and financial risks – are becoming clearer.

A legal opinion published in October by the Aotearoa Circle's Sustainable Finance Forum says directors have legal obligations in relation to climate risk. It considers directors' duties under the Companies Act 1993 and other obligations. Key findings include:

- climate change is a foreseeable risk of financial harm to many businesses, especially in relation to the impacts arising from transitioning to a low-carbon economy
- directors duties, including the duty to act with reasonable care, mean directors should (and in some cases must) take climate change into account in their decision making
- directors should assess the risk in the same way they would any other financial risk to the business and take action (if appropriate).

“I don’t want your hope. I don’t want you to be hopeful. I want you to panic and act as if the house was on fire.”

Greta Thunberg

The Forum also published Financing the Future, which looked at how the financial system in New Zealand may be redesigned to meet sustainability challenges. It explores the purpose, role, and responsibilities of business and finance in society and sets out potential pathways for achieving a sustainable system.

The *Climate Change Response (Zero Carbon) Amendment Act* passed into law in November, amending the *Climate Change Response Act 2002*. Its long-term 2050 emissions reduction target will:

- reduce emissions of biogenic methane within the range of 24% to 47% below 2017 levels by 2050, with an interim requirement to reduce emissions to 10% below 2017 levels by 2030 (biogenic methane is all methane greenhouse gases produced from the agriculture and waste sectors)
- reduce net emissions of all other greenhouse gases to zero by 2050.

The government is consulting on *Climate-Related Financial Disclosures — Understanding Your Business Risks and Opportunities Related to Climate Change* and is considering adopting mandatory climate-related disclosures (on a comply or explain basis) for listed issuers, banks, general insurers, asset owners and asset managers.

The Task Force on Climate-related Financial Disclosures (TCFD) reporting framework is proposed as a default framework. Although mandatory assurance is not proposed at this stage reporting would be required in annual reports. This will be a significant focus for 2020.

Pointers for 2020:

- Understand the potential impact that climate change can have on your organisation and identify key risks and opportunities.
- Consider early adoption and disclose material climate-related risks, opportunities and strategic decisions to all stakeholders.
- Assess skills and experience to ensure your board is (or develop it to be) climate competent.

2. Governing for purpose

Purpose beyond profit is the key to remaining competitive and sustainable in the long term.

That purpose is critical to governance is not a new concept. Determining purpose is, after all, the first pillar of the IoD's *Four Pillars of Governance Best Practice for New Zealand Directors*. Recently, however, it has been getting much greater attention as the effectiveness and value of capitalism and corporate governance are questioned.

In recent years, Larry Fink, chair and CEO of the world's largest investment company, BlackRock, has been exerting increasing influence on corporate governance through his annual letter to CEOs. He highlights particular areas from an investment perspective and the 2018 and 2019 letters place organisational purpose firmly up front.

In August, the US Business Roundtable gained global attention with its new *Statement on the Purpose of a Corporation*, which committed its 181 signatories to leading their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders. Previous versions endorsed principles of shareholder primacy (ie, that corporations exist principally to serve shareholders).

The shareholders-versus-stakeholders debate was reignited in New Zealand this year by the FMA CEO Rob Everett in a speech to the New Zealand Capital Markets Forum.

Changes in listed company ownership and a move towards greater institutional investor holdings have altered the relationship between investors, boards and management.

The issue is not whether a company should account for stakeholder interests but, rather, the extent to which it should.

In the decade since the Global Financial Crisis, corporate governance regimes around the world have been reformed and strengthened. The pendulum has swung away from shareholder primacy towards giving more recognition and weight to stakeholder interests (including in risk management and corporate reporting).

Purpose is the driving force to remaining competitive and sustainable in the long term and needs to be led by the board. We expect to see greater focus on purpose as companies continue to adapt to shareholder and stakeholder expectations.

This is also evident in a significant focus on environmental, social and governance factors. In the Director Sentiment Survey, 70% of directors say these were very important to their boards.

The British Academy's *Principles of Purposeful Business* notes the need to reform business around purpose, trust, values and culture including to "profitably solve the problems of people and planet".

Although purpose is getting greater attention in the corporate sector, it has always been the raison d'être for not-for-profit (NFP) organisations.

The Centre for Social Impact's report *What is the Future for NGO Governance* says that NGOs generate $20 billion in annual income in New Zealand and employ around 100,000 people (nearly 5% of the workforce). Good governance in charities and other community organisations is critical to a thriving and sustainable society and economy.

The NFP sector is in the midst of the most significant changes in over 100 years. A new Trusts Act 2019 has been passed, the Incorporated Societies Act 1908 is due to be replaced, and work to modernise charities legislation includes considering the need for governance standards or a code for charities. Social enterprise and impact investing are also on the rise.

It's all about purpose.

Pointers for 2020:

- Lead on purpose to ensure the organisation remains successful and sustainable in the long term.
- Engage with the community and other stakeholders to build and maintain your licence to operate.
- Promote your purpose to gain a competitive edge, including attracting talent and consumers.

3. Data and privacy

In a world of data and digital dependency it is no surprise that data governance features again in our annual Top Five Issues.

Technology continues to reshape companies, and the business and social environment. Giant tech companies are dominating new and traditional industries in ways that demonstrate the opportunities and disruptive risks of technology. These include new ways of doing business, the impact of data privacy scandals and cyberattacks.

Artificial intelligence, the Internet of Things, big data, data analytics, data privacy, ethics, and security all fall under a board's role in data governance. It means leading to stay on top of new and emerging technologies, risks, opportunities and innovation.

This includes understanding your organisation's value and how to protect and maximise it. Up to 80% of company value is made up of intangible assets such as brand, data, IP and organisational/social capital, but they are still massively under-represented on the balance sheet. Having good knowledge of your critical assets is vital for any board member.

More than a third of New Zealand businesses have been subject to a cyberattack in the past 12 months (Aura's *Cyber Security Market Research Report 2019*). Cyber-attacks and data breaches are a real and continuous threat, and it really is a matter of not if but when it will happen.

Despite potential consequences of a cyberattack or incident, only 50% of boards (in our 2019 *Director Sentiment Survey*) reported discussing cyber risk and that they were confident their company has the capacity to respond to a cyberattack or incident. Only 41% said that their boards were getting comprehensive reporting from management about data risks and incidents (down from 47% in 2018).

It is critical that boards receive comprehensive reporting from management about cyber risks and incidents, and actions taken to address them. The IoD and Aura Information Security guide on reporting cybersecurity to boards includes guiding principles and outlines some important questions to ask when developing cybersecurity metrics and dashboards.

Data privacy and protection is a core concern for customers and citizens across the globe and New Zealand will have a new privacy act in 2020. It's more than a quarter of century since the Privacy Act 1993 was introduced and in that time the rise of the internet and the digital economy have transformed organisations – and how we use personal information.

The new Privacy Act is focussed on modernising the privacy landscape and will introduce mandatory privacy breach reporting, bringing increased responsibilities and liabilities. Boards should be able to say what they have done to ensure the organisation and its people know how to treat data and privacy.

Again it is concerning that only 33% of directors in the *Survey* said that their board has the right capability to lead their organisation's digital future. This statistic has been stubbornly stagnant since 2016.

Directors do not need to be digital experts but digital literacy and savvy is essential, including being able to ask the right questions and hold management to account.

Pointers for 2020:

- Develop board digital capability to meet the board's current and future needs.
- Prioritise privacy, understand your data and ensure transparency about how data will be used.
- Ensure the board is getting comprehensive and timely reporting (good and bad news) from management (and other sources) about cyber security and risks.

4. Reputation and trust

Trust and accountability underpin reputation and brand.

In a world of fake news in which "talk" is cheap, opinions can be overwhelming and the speed of sharing them is just a click away, it is hardly surprising that public scrutiny for businesses and individuals is on the rise. Trust needs to be earned – it can take decades to build – and just a moment to destroy. The media is a hungry machine with more and more channels on offer and negative stories are newsworthy. Cast your mind back – even just one year – it's easy to name a host of very public failures and scandals that have, rightly or wrongly, violently rocked reputations. And some will never recover.

The 2019 Edelman Trust Barometer revealed that the most trusted institution is now "my employer". Globally, "my employer" (75%) is significantly more trusted than NGOs (57%), business (56%), government (48%) and media (47%). Building and retaining trust should be front of mind for boards. And this trust is what underpins your brand and reputation.

The value of reputation is dynamic, intangible and hard to quantify. In fact there are whole organisations who exist solely to value a brand. And *Forbes* publishes an annual summary of the top brands by value. All of this provides a very big pointer for boards that protecting brand and reputation should be top of mind and feature as a key risk on the board risk register.

Transparency is a key opportunity to help foster trust, showing what businesses are doing, how they're doing it, and their impact on the environment and society.

Public attention and the power of social media, active regulators and the rise of litigation funding and class actions all add to an operating environment of heightened accountability for directors.

There are many issues that can impact on reputation and ESG (environmental, social and governance) matters are particularly important in today's business environment.

A key issue for boards is executive pay and allowances which are major governance issues globally and were in the spotlight during 2019. Issues include the size of executive remuneration packages, use of company assets, inconsistent alignment between executive pay and company performance, and pay disparity between executives and employees. Boards should expect increased attention on these matters and be prepared to be held to account on them.

Organisational culture and conduct should, if not already, be high on the board agenda following a raft of enquiries and reviews in New Zealand and Australia, particularly in the financial and sports sectors.

Some risks to reputation and trust can be mitigated proactively but there will be times when unexpected incidents occur such as a viral social media incident. Being prepared is critical. In the 2019 *Director Sentiment Survey*, 65% of directors said their boards had discussed crisis management plans in the last 12 months. Crisis preparedness is something for the 2020 board plan, if it is not already on it.

This is even more critical given the rise of deep fake video technology (which is very difficult to identify) and synthetic media, where what you see and hear may appear real but is actually digitally fabricated.

Pointers for 2020:

- Identify, assess and oversee key non-financial risks, including organisational culture and conduct risk.
- Be prepared. Have communication and crisis management plans in place to deal with unexpected incidents that can impact reputation, brand and trust.
- Engage meaningfully with stakeholders to understand their interests and engender trust.

5. Board leadership

As stewards for their organisations boards have a critical leadership role.

The IoD and MinterEllisonRuddWatts publication *Always on Duty: the Future Board* explores board leadership and innovation in more depth, including how to manage increasing demands on directors' time. Read it at **iod.org.nz**

If you're a director you are a leader, one that has an important role to play in transforming the future of your organisations, which will in turn help build our communities and drive the nation's prosperity and wellbeing.

Serving on a board gives directors an opportunity to make a difference and have positive impact. It is rewarding, exciting, and definitely challenging. Governing today for tomorrow means being across a vast array of complex and diverse issues and being responsive to increasing stakeholder expectations. It's also about kaitiakitanga – guardianship and stewardship. The majority of directors (81%) in the 2019 Director Sentiment Survey said their boards had in the past 12 months discussed long-term value creation and their roles as stewards.

The expectation, and need, for directors to be across so many things means they are increasingly spending more time on board work. The 2019 Directors' Fees Report showed a 10% increase in time spent on board work since 2018. The 2019 *Director Sentiment Survey* also showed time had increased for directors over the past 12 months on risk oversight (for 71% of directors) and on compliance activities (for 80% of directors).

A key challenge for boards is balancing time spent on risk and compliance with sufficient focus on strategy, opportunities and innovation.

Time is not the only challenge, information overload definitely holds a prime position. The right information is crucial to drive strategy and to ensure that directors can discharge their responsibilities. Decisions have to be based on sufficient, accurate, relevant and timely information. It's up to boards to define the information they need – and raise any gaps with management as a priority.

Board leadership in a dynamic and complex operating environment requires continuous learning and development. You need to understand the business, the industry and the wider operating environment. You will need to move beyond the boardroom and connect with the business and its people. And you will also need to embrace change in the way the board operates, for example optimising the use of committees to support the board and asking how technology and innovative practices can help transform the way your board works.

Putting people at the forefront is key to effective leadership and relationships, including between directors, and with management, shareholders and stakeholders. Leaders don't just need IQ and EQ, they also need CQ and AQ – cultural intelligence and adaptability.

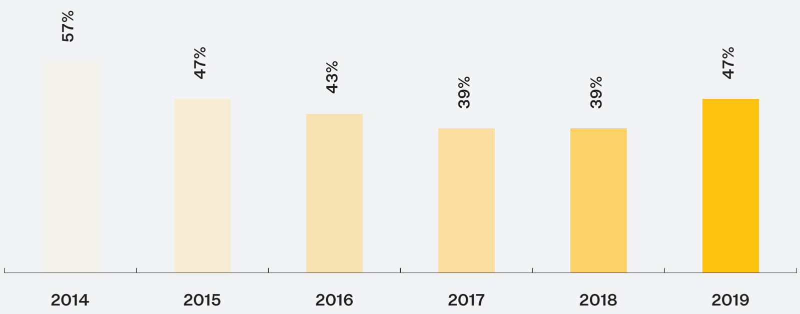
Directors set the tone and lead through high standards of ethical conduct, commitment, candour and integrity. They are curious and they challenge. They embrace new competencies and diversity of thought and capability. They are proactive about strengthening professionalism and embrace continuous improvement. This includes regularly evaluating board performance and capability, having robust succession planning and director development to ensure the board has the skills needed for today and the future.

Pointers for 2020:

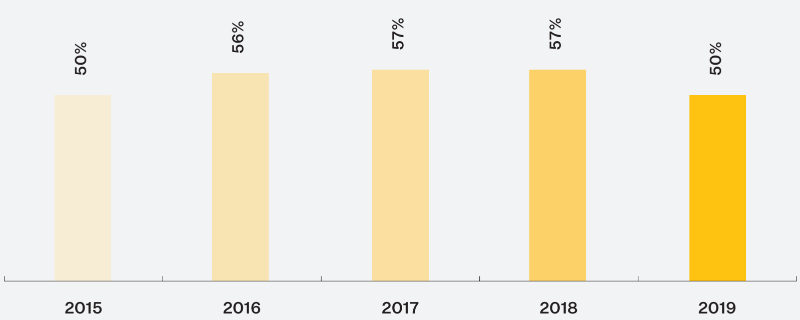
- Set the tone and exhibit the ethical values and behaviour you expect the organisation to demonstrate.
- Embrace continuous improvement and be a learning board – evaluate board performance and feed findings into succession planning and director development to ensure capability fits future needs.
- Ask how technology and innovative practices can help transform how the board operates to enhance board efficiency and effectiveness.

Director Sentiment Survey 2019

Directors are wary of increased personal liability and half of all boards to not feel they have the right capabilities to deal with business complexity and risk.



Increased personal liability has made me cautious



Right capabilities to deal with increasing business complexity and risk

Spotlight on… increased risk and liability

PERSONAL LIABILITY

This year we saw an increase in the proportion of directors (47% up from 39% in 2018) agreeing they are more cautious in business decision making due to increased personal liability.

The results are particularly high for directors of small companies with 60% (compared to the 47% total) agreeing that they are more cautious.

Over the past 12 months there have been proposals/reforms to introduce criminal liability for cartel conduct, personal liability under the Credit Contracts Legislation Amendment Bill, and a proposal to make directors personally liable for some company tax debt.

DIRECTORS' RESPONSIBILITIES

Directors are increasingly wary about the broadening scope of responsibilities they face and the associated personal and reputational risks. This year 40% of directors (up from 33% in 2018) agreed that the scope of director responsibilities is more likely to deter them from taking on a governance role now than 12 months ago.

Spotlight on... board capability

COMPLEXITY AND RISK

Just 50% of directors (down from 57% in 2018) agreed that their board has the right capabilities to deal with increasing business risk and complexity.

Board capability and composition are major considerations for board effectiveness and performance. Undertaking a formal board and director evaluation process may help identify potential gaps and opportunities.

HEALTH AND SAFETY CAPABILITY

A majority of 68% of directors (down from 75% in 2018) agreed that their board has the right capabilities to meet their health and safety obligations.

DIGITAL CAPABILITY

Only 33% of directors agreed that their board has the right capability to lead their digital future. This has remained consistently low over the past four years, hovering between 30% and 35%.

Other key findings

ECONOMIC PERFORMANCE

There was little optimism among respondents about New Zealand's economy, with just 11% anticipating improvement, down from 17% last year.

Over the past three years there has been a marked downturn in directors' views of the economic outlook.

BUSINESS CONFIDENCE

Directors are far more positive about the prospects for the businesses that they oversee with 47% expecting their organisations' performance to improve over the next year (although his is again down from a year earlier, when it was 52%).

Many of the front-of-mind considerations are home grown - workforce challenges, red tape, infrastructure and low demand are the main concerns.

CLIMATE ACTION

The Survey found only 35% of boards are, by their own directors' accounts, engaged and proactive on climate change. But 70% (up from 66% in 2018) agree that their board considers environmental and social issues very important to their business.

All boards should ensure they are aware of the potential impacts of climate change and take action to mitigate climate risks.

CULTURE AND ETHICS

While 77% of directors said their board monitors and regularly discusses the culture of the organisation, only 43% said they receive comprehensive reporting from management about ethical matters, conduct incidents and follow up actions (down from 46% in 2018).

All boards need to ensure robust monitoring of organisational culture and conduct, and that the right processes are in place for potential issues to be raised – including effective Speak Up arrangements and whistleblowing systems.

Economic performance

11%

Business confidence

47%

Climate action on the rise

35%

Culture on the agenda

77%

More information

Read the full 2019 *Director Sentiment Survey* at **iod.org.nz**

Ask an expert

What do the responses to the Director Sentiment Survey 2019 tell us about cybersecurity?

WITH ***PETER BAILEY, GENERAL MANAGER OF AURA***

1. My board has a clear picture of our organisation's overall cybersecurity strategy and how it relates to industry best practice.

Agree: 32%; Neutral: 41%; Disagree: 27%

I think this shows that while New Zealand is not quite there yet for security strategy, we are moving in the right direction.

Five years ago, most boards were generally unaware of cyber risk, often leaving it as an operational task for IT teams to deal with. With increased awareness of the impact cyber-attacks can have on business, organisations are starting to realise there is a real need for a cyber strategy.

Based on the findings of the Aura Information Security Cyber Market Research Report (November 2019), organisations are aware of the importance of understanding cyber risk. When asked whether senior management viewed cyber security as a key risk or concern, over 66% of those who class themselves as security-related decision makers in their organisation felt they did, although this is a drop from 70% last year. While we still have some way to go before this number is where it needs to be, I feel that as a business community, we are heading in the right direction.

2. My board regularly (at least annually) discusses cyber-risk, and is confident our company has the capacity to respond to a cyber-attack or incident.

Agree: 50%; Neutral: 29%; Disagree: 20%

This is an interesting response, and perhaps an overly optimistic one. Based on what we're seeing in the market, far too few NZ organisations take the time to run through regular cyberattack simulation exercises to ensure that their recovery plans and policies work.

It is of material importance to test your response capability, as too often organisations are confident that they can quickly recover from an attack, only to find that their approach does not work when placed under the strain of a real attack.

When Aura asked organisations about their ability to defend against cyber-attacks, only 25% felt that they were "very mature". While this is up from 15% last year, there is still a long way to go until a large slice of NZ companies feel they can adequately respond to, and recover from, an attack.

3. My board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them.

Agree: 41%; Neutral: 33%; Disagree: 27%

It is imperative that boards receive comprehensive and accurate reporting on a regular basis about any incidents or data breaches.

In the same way that we report on health and safety incidents, we should report on cyber security incidents. Boards need to push for this, as they cannot afford to be caught unawares.

Aura's research found that 62% of organisations report on cybersecurity to their boards, but worryingly this is down from 73% last year. There is real nervousness from the security industry that businesses are becoming complacent about cyber security, either becoming numb to it from over-reporting, or feeling helpless to do anything to stop attacks from happening. They seem therefore to be reducing the reporting they are taking to their boards.

At a time when more and more businesses (and individuals) are becoming significantly reliant on technology, we must ensure that the spotlight stays on the impact a cyberattack can have on

an organisation. Also, with the changes to the privacy legislation coming in 2020, we must ensure that businesses are in a position to report to the privacy commissioner on any breaches of customer data.

Cyber security trends and insights

The main trend in cyber security continues to be the manipulation of users online. Cyber criminals have realised that the most cost effective and results-driven approach is to bypass people rather than technology.

New Zealand has the rather dubious honour of being the most-scammed country in the world in 2019. Our trusting nature as a nation leaves us open to phishing and vishing (voice phishing) attacks, as well as other frauds and scams.

While companies should be investigating the benefits of security tools and services in the market, the best thing they can do for the safety of their business is to ensure some of the basic security hygiene practices have been met. This includes:

Staff awareness: Make sure that staff are aware of phishing and other scams, what they look like and how to avoid them. This may include changing some policies to ensure there are extra security steps in place, but if staff are vigilant (and this includes senior management) the number of attacks can be significantly reduced.

Passwords: Too often passwords can be easily guessed (or cracked) by an attacker, or default or basic passwords are left in place. Using password lockers and longer passphrases are great ways to ensure that attackers won't use your password.

Up-to-date software: Software companies are constantly releasing updates, and while it might be annoying to keep installing them, it is also very important. There are often known vulnerabilities in older versions of software, and hackers are looking for these older versions in order to gain access to the system. Keep all of your software up to date.

Back-up and restore: Ensure that all of your data is backed up, and that you can restore it from your back-ups. This means that if you do suffer a ransomware attack, you can restore all your files, rather than paying the ransom, or losing your data forever.

These might seem like simple steps, but these basics are still the greatest challenge to companies becoming truly secure.

> "To unlock a workforce's true potential, a mental health and wellbeing strategy should aim to both protect workers from harm and include activities to foster and support wellbeing."

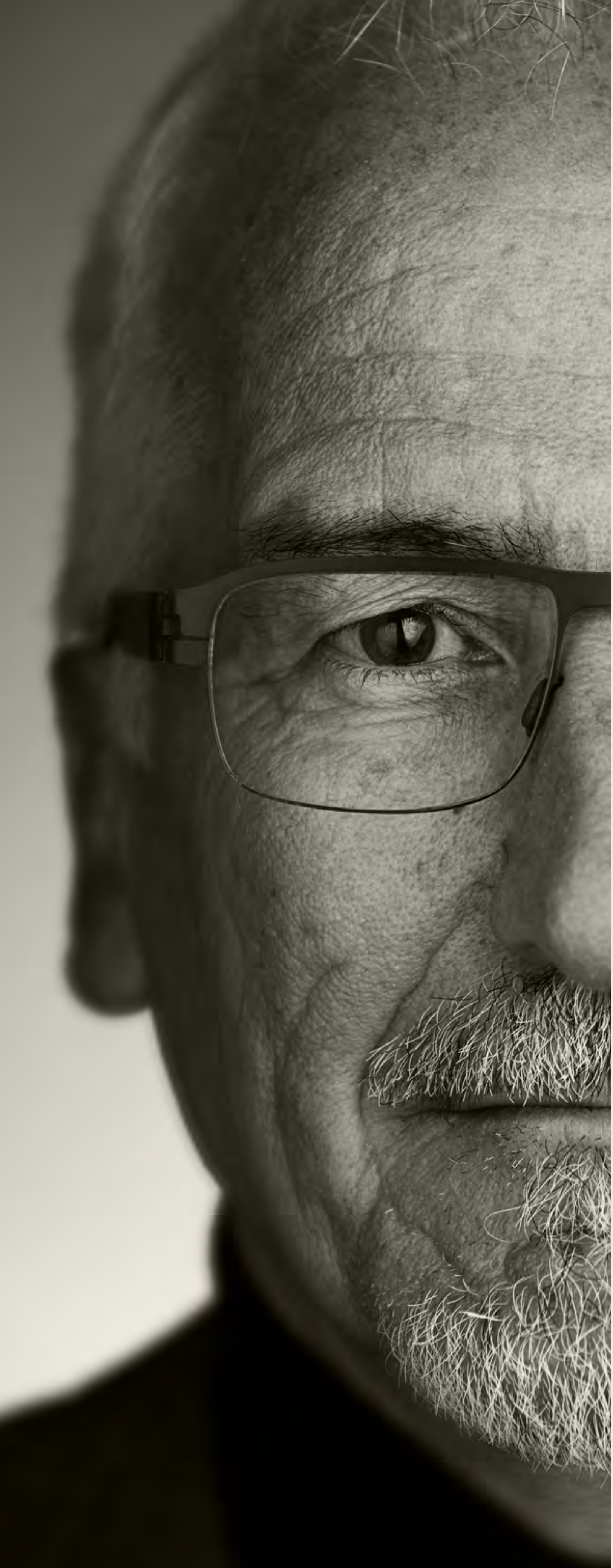
What boards can expect in 2020

The outlook for 2020 is a continuation of what we have seen in 2019. The trend in manipulation of staff will continue, and it will escalate. As we have seen, this sort of attack has become somewhat commoditised through criminal organisations operating on the dark web and attackers will continue to use these tools and techniques until it is no longer profitable for them.

We are seeing attackers start to play with AI and how that can be used in attacks. The ability for attackers to create viruses that can adapt to and learn from the environment they are trying to infiltrate is not far away. If this is perfected, then it is likely hackers would still use the manipulation of staff for these viruses to gain access to systems, but once in they could become incredibly difficult to get rid of.

Also, with the rise of deepfakes, the possibilities for manipulating people are endless. Deepfakes use video and audio technology to create videos that look and sound like anyone. So far, we have only seen videos of well know personalities (politicians, film stars) but soon this could be used on anybody to create a video. Imagine receiving a voice message or video message from your boss asking you to transfer funds? This has already been done in 2019 with the first AI voice hack – the attackers created a programme that sounded like the manager of an organisation and used this to convince one of his employees to transfer funds. He had no idea it was not his boss until it was too late.

Finally, while all of these technological innovations are only around the corner, the inability of companies to implement the basic security hygiene rules I gave above, will continue to see organisations attacked and data stolen through 2020. It might be the start of a new decade, but until we get these basics right, we will continue to make the same mistakes we have might throughout the 2010s.



Regulator focus 2020

The Reserve Bank of New Zealand, Commerce Commission and Financial Markets Authority share their key focus areas for 2020.

AUTHOR
GEOFF BASCAND
DEPUTY GOVERNOR/GENERAL MANAGER FINANCIAL STABILITY

RESERVE BANK OF NEW ZEALAND

2020 is going to be another busy year for the Reserve Bank of New Zealand with a number of changes on the horizon. Some of these changes are to our core functions while others, such as our work on climate change, are in response to the evolving world in which we operate.

We have four main functions, all of which are under review or have recently been reviewed.

First, we are the sole provider of New Zealand's currency. We ensure that the cash operating model is reliable, efficient and flexible, and continues to meet the needs of the public.

Second, we keep inflation in check and support maximum sustainable employment through sound monetary policy. Our new Monetary Policy Committee was established earlier this year and is working well.

Third, we promote a sound, efficient and dynamic financial system. We set and enforce rules for banks, insurance companies and other financial institutions and work to prevent illegal activities, like money laundering and terrorist financing.

Finally, we oversee and operate New Zealand's wholesale payment and settlement systems to support day-to-day financial transactions in the economy. We will complete the replacement of these systems next year.

A key priority in 2020 will be the Government's Phase 2 review of our legislation, and decisions on our governance structure, our regulatory powers and responsibilities, and our funding arrangements.

2020 will also see the start of work to deliver decisions that have already been taken, including legislation to establish a new Board of Directors for the Bank and work on introducing a deposit insurance scheme and developing a combined regulatory regime for banks and other deposit taking institutions. While there remain a few unknowns, Phase 2 will significantly change how the Bank operates.

In regards to change, our work on climate will continue to be a major focus in 2020. It is a year since we launched the Reserve Bank's climate change strategy, but there is plenty more work to do.

The Reserve Bank is a member of the Sustainable Finance Forum, which recently commissioned a legal advisory opinion from Chapman Tripp on the question of whether – or to what extent –company directors in New Zealand should take account of climate change considerations in their decision making. The results are relevant to every company director, not just in the financial sector.

Also in 2020, we will be taking forward the decisions arising from the bank capital review. Implementation is due to start from April 2020, but with a transition period before banks need to meet the new requirements. Ten years on from legislating supervision of the insurance sector, it will be timely to review the regime and insurance sector solvency requirements.

On the future of cash project – Te Moni Anamata – we have undertaken consultation and public surveys which fed into policy advice to the Government. During 2020, we will implement any agreed changes, prepare a detailed specification for the Bank's own future vaulting requirements and our cash arrangements with retail banks, and continue to work with the wider cash system on preparing for the future.

We have given ourselves the challenge of being a great team and the best central bank. We therefore intend to make progress on four key themes to support this objective. These are developing our people and capability, improving our business enablers, transforming our stakeholder relationships, and supporting innovation and our future-focused strategies.

As always, we welcome feedback on how well we are doing. **rbnz.govt.nz**

AUTHOR
ANNA RAWLINGS
COMMERCE COMMISSION CHAIR

COMMERCE COMMISSION

2019 has been a busy year for the Commission and for me as the new chair of the organisation.

As a publicly funded body, our annual priorities are a useful tool to help us focus our activities and resources on the areas where we can make the greatest impact.

For the 2019/20 financial year we identified specific focus areas across our workstreams.

In our work to make consumers better off, this includes motor vehicle financing and add-ons, online retail, and trader claims about the environmental impact of their products. For all of these focus areas we take a multi-pronged approach including educating consumers and traders, and investigating and taking enforcement action where we identify breaches of the law.

In our competition teams, we are focussed on educating traders on the new cartel laws and completing our first market study into the retail fuel market. Our final report is due to be publicly released in early December.

In our work in regulated industries, we are focussed on completing our five-year resets of revenue limits and quality standards for many local electricity lines companies and the national grid operator Transpower. These will affect the cost and quality of electricity services consumers and businesses receive from April next year.

Finally in telecommunications, we're focused on implementing the new Telecommunications Act which includes a new regulatory regime for the country's monopoly fibre broadband networks, and monitoring and reporting on retail service quality to help consumers choose the best services and providers.

Outside of these specific focus areas, we also have enduring priorities which are selected based on their potentially significant impact on consumers, businesses and markets. This includes consumer credit cases, product safety, building construction cases, cartels and anti-competitive conduct, and mergers.

We also continue to prioritise functions we are required to perform in regulating monopoly providers of critical national infrastructure like energy and telecommunications networks and airports to ensure they deliver strong and sustainable services to consumers.

Another priority area for us is looking for ways to continually improve how we connect and engage with businesses, consumers and our counterparts locally and internationally. This is critical to ensuring businesses and consumers are confident market participants.

Finally, there is a raft of legislative change underway which will affect almost all of the laws we are responsible for enforcing. We continue to contribute to policy development to help to ensure the new laws are workable and effective. We are also focussed on having the right people, processes and systems in place to implement new laws, as well as informing consumers and businesses of their changing rights and obligations.

It has been a productive year for us at the Commission but our work continues to expand and evolve.

I, like you, are looking forward to relaxing with my friends and family over the Christmas period before picking up with our priorities in the new year.

You can read our Priorities at a Glance document at **comcom.govt.nz**

AUTHOR
ROB EVERETT
FMA CHIEF EXECUTIVE

FINANCIAL MARKETS AUTHORITY

The past 12 months have been a watershed year for the FMA and looking ahead there is no sense that the regulatory attention on good conduct and strong governance is diminishing.

In 2019 conduct regulation for financial services has been normalised across the populations we already regulate under the Financial Markets Conduct Act. Through our joint review of the conduct and culture of banks and insurers we applied a wider lens to review governance, systems and controls and the treatment of customers across a broader area of the financial sector.

So while change is part of the new normal in financial services, we are very much aware of fatigue around regulatory change. We know we must balance the burden of regulation if we are to have a sustainable financial services industry. But more than ever we see that trust and confidence in a well-regulated sector is paramount, if we are to keep consumers and investors participating in the financial system and its services. The erosion of trust in Australia following the fallout from the Royal Commission has served an important lesson to providers in New Zealand.

The FMA refreshed its strategic priorities in 2019 and this will inform its regulatory focus for the 2020 calendar year.
We have introduced a sector-based approach to provide a clear indication to stakeholders of the priority risks we want to address and the activities we will undertake to achieve our goals.
Our new approach reflects the maturity of the *Financial Markets Conduct Act* regime and our broadening focus on the fair treatment of investors and customers.
The sector approach is organised into the following areas:

- capital markets
- investment management
- sales, advice and distribution
- banking and insurance.

The FMA's refreshed approach has resulted in updating our strategic priorities, these are:

- governance culture, systems and controls
- investor and customer decision-making
- promoting trust and confidence in capital markets
- credible deterrence of misconduct
- successful implementation of potential remit changes.

A major focus for the year ahead will be the licensing of financial advisers as part of implementing the new financial advice regime. We will also be working with the government on its intention to establish a conduct regime for banks and insurers.

Our radar is closely tuned to the impacts of innovation, climate change and the value for money of financial products. These areas will receive attention, particularly in the KiwiSaver and managed investment scheme space, where investors and stakeholders are still asking how they can discover whether their funds offer value for money. We will be looking closely at how funds are labelled and whether the promises of active management or ethical, ESG investment principles stack up with what is actually being delivered.

We recognise that climate change and green finance represent huge opportunities for innovation and solutions for the investment industry, but also challenges. As part of NZ's Council of Financial Regulators, we will be contributing to its shared goal to facilitate a smooth transition to a low-carbon and climate-resilient economy. We will also be looking to providers to prevent confusion that investors may face in this space and to respond to our concerns about potential "green-washing".

Licensed populations that can expect scrutiny in the year ahead are Managed Investment Schemes, Derivatives Issuers and Discretionary Investment Managers. We will be conducting some thematic reviews of these areas to assess the wider risks that need to be understood and managed at a sector level. This will help providers measure themselves against those broader risks.

As our focus on auditors, disclosure and conduct and culture has shown this year, the ingredients for success lie in strong governance, board leadership and a customer-focused culture from the top. Boards need to lead their firms' attention to promoting the fair treatment of customers and ensuring that management is collecting reliable and useful information in these areas. Information that will lead to better reporting and measurement of customer outcomes and the way that financial products are being served to customers.

By demonstrating attention to detail around the fair treatment of customers, boards can lead the change in the industry that is necessary to encourage public trust and confidence in a system that is built to serve customers' needs, rather than the narrow benefit of a company's bottom line.

Managing climate risk

Boards should factor in the potential impact on the insurance industry when they consider the impact of climate change.

AUTHOR
STEVE WALSH, MARSH NZ

Underlying the growing pressures for boards to be climate-competent is the question: how resilient is the organisation to the impacts of climate change?

Globally, organisations and boards are grappling with answering the question of how climate change will affect them.

The question is being raised with greater frequency and urgency due to pressure from investors, regulators, customers, supply-chain partners and competitors.

While climate change is on boards' agendas, there are many challenges to understanding the risks, business and financial impacts. Many organisations are simply reverting to addressing the risk in a business-as-usual way, ie by managing property and business interruption assets and losses by way of traditional insurance.

The New Zealand Government's strategy on climate change and resilience is promoted by the Ministry for the Environment. They have made plenty of material available to highlight, and assist in understand, the issues and the likely impact on our personal and business lives. From a financial perspective, the focus is on long-term stability.

The Task Force on Climate-Related Financial Disclosures is another excellent source of material on managing climate change.

CLIMATE RISK PROFILE

In the *Regional Risks for Doing Business 2019* report (published by the World Economic Forum), countries were classified in terms of exposure to environmental, societal, geo-political, economic and technological risks. Unsurprisingly, New Zealand's top five risks are:

- natural catastrophes
- cyberattacks
- failure of critical infrastructure
- failure of urban planning
- extreme weather events.

Environmental risks feature twice in the top five risks to which entities are exposed. This signals the urgency surrounding environmental risks to government, business and New Zealanders in general. The causes and impacts of climate change need to be tackled.

Through the sequence of earthquakes and major storm and flooding events in New Zealand over the past decade, there was a heavy reliance on insurance to assist in the recovery from these natural catastrophic events.

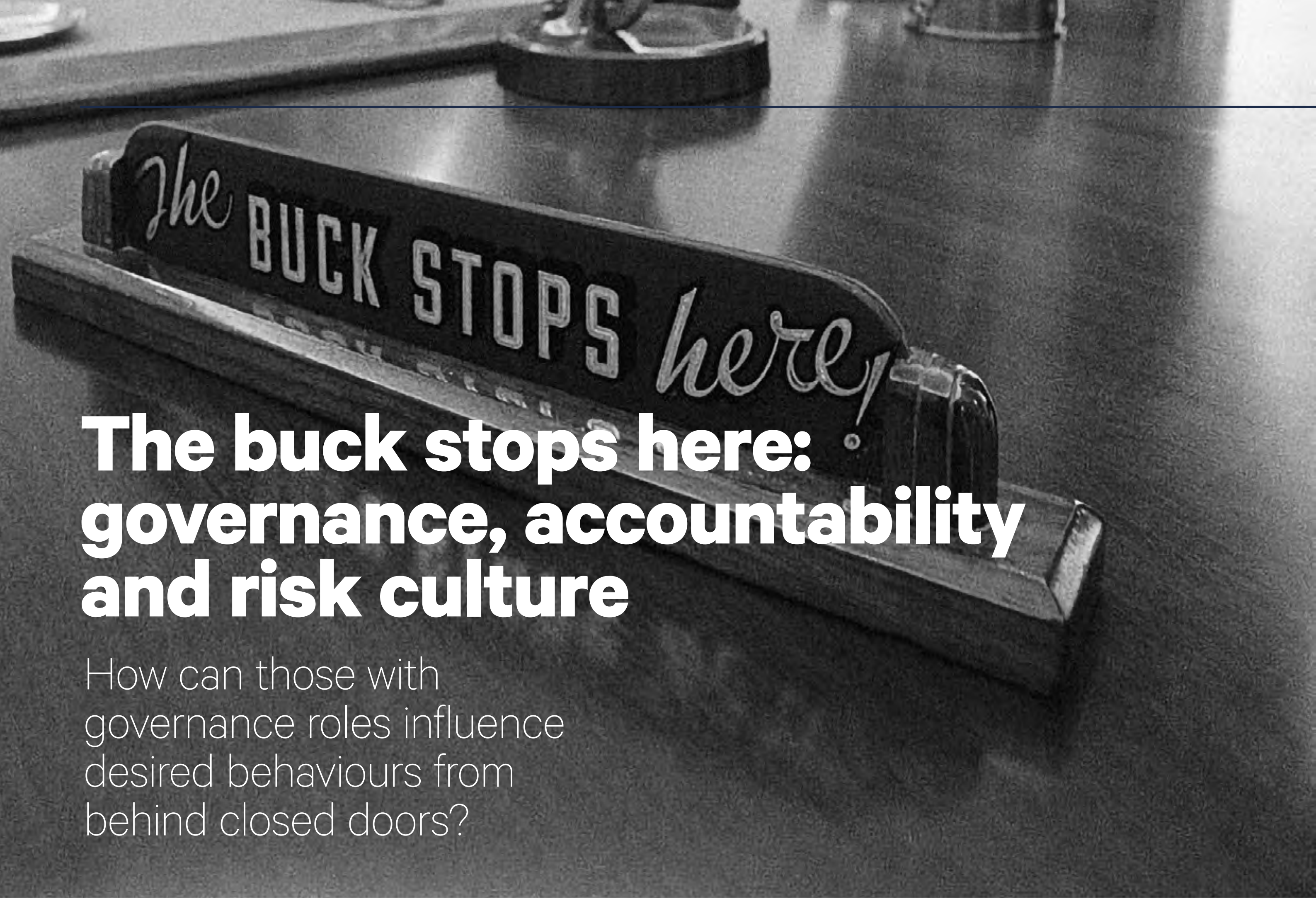
While natural catastrophe insurance is still available, insurers globally are monitoring events very closely. It is easy to conclude that as natural catastrophe events continue to become more relevant in terms of frequency severity, insurers will, at some point, restrict or remove cover, for what they are starting to view as high frequency and severity inevitable events.

During 2017 and 2018, there were more than 17 major events here in New Zealand alone, with the total insurances costs running as high as NZ$500m. This amount does not include uninsured losses or costs borne by local and central government.

This trend is causing businesses and home owners to reflect on their insurability. There are some key issues that need to be considered:

- Will insurers' continue of offer cover for loss/damage caused by (the more predictable) effects of climate change?
- If so, will the cover be affordable?
- What about the financial impact of business interruption?
- Will directors and officers become more exposed, if their companies fail or elect not to secure full insurance coverage?
- What is the role of local and central government, from a loss mitigation and post loss recovery perspective?
- Will there be any central funding (e.g. similar to that available from EQC)?
- What role of banks and financial institutions play?

For more information contact Steve Walsh, chief client officer at Marsh New Zealand, **stephen.walsh@marsh.com**



The buck stops here: governance, accountability and risk culture

How can those with governance roles influence desired behaviours from behind closed doors?

AUTHOR
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KPMG

US President Harry S Truman kept a wooden sign on his desk saying: “The buck stops here”. The sign stood as a reminder that whoever sat behind that desk needed to make decisions and accept responsibility for the outcomes.

However, in governance documents, statements that remind us of who is accountable are often buried deep.

WHERE DOES THE ACCOUNTABILITY SIT?

Roles and responsibilities of those who sit at a board or committee table can become warped over time. A post-mortem of the global financial crisis clearly pointed the finger at those sitting around such tables.

Board members who bathed in the glory of privilege prior to the collapse of the financial markets may have benefited from the “buck stops here” mentality, sitting boldly on a block of wood, watching over their decisions. It could have been one of the cheapest, yet most effective, hard controls ever implemented.

This ethos is applicable across the wealth management sector. While privately-owned firms are not obliged to apply the NZX Corporate Governance Code requirements that their public counterparts are expected to comply with, the influence of good governance, and proactive accountability, should not be discounted.

Arguably, both public and private entities, especially those involved with offering products into which their customers invest for their futures, should aspire to not only comply with those higher expectations but to view the rules applied to the publicly-listed companies as a benchmark to build upon.

History has shown that good risk governance is the difference between prosperity and failure. However, those in governance positions have only the sum of their personal experience, knowledge and capability to guide them - particularly when decision making lies outside their area of expertise. This raises the question – are those in risk governance positions knowingly accepting of this level of personal accountability? Or are they looking at their fellow members to be accountable on their behalf? After all, isn't that why others have also been elected to the table?

WHAT MOTIVATES THE TONE FROM THE TOP?

We know that risk culture drives the performance of an organisation. By influencing and encouraging desired behaviours, we trust our people to make the "right" decisions for the organisation. The synergy of these decisions - whether micro or macro, frontline or board level - is shared with everyone as performance indicators.

The key to unlocking performance is understanding the desired behaviours you want to focus on.

One of the most influential behaviours that connects the board to their leaders is role modelling; the values of an organisation require constant reinforcing if they are to live beyond a few placards on the wall. While governance meetings may happen under a veil of secrecy, members should not discount the many eyes analysing them. These governance meetings either support the notion that organisational values are being genuinely lived and breathed, or not.

Within our organisations, we look to those around us for indications of norming; the way we do things around here. If we can't directly see our formal role model or leader, we will seek out people in our closer vicinity and adopt them as our role models. It is essential that an organisation's leadership is visible, and demonstrating the right values.

The same applies to those who are ultimately accountable, and this begs the question - how can those with governance roles influence desired behaviours from behind closed doors?

ALL GOOD NEWS - NOTHING TO SEE HERE

Good governance relies on groups of people making decisions. While we provide diverse minds to enable the best environment for decision making, the outputs will be heavily influenced by the inputs.

A trend is emerging with the rise in the quantity, accuracy and manipulability of data. Where governance groups used to rely on insight and gut feel from the report authors, this has given way to metrics, graphs and technical data. Not only is the content more complex - but the sheer volume of content seems to be expanding.

This provides a real human challenge as board members need to be able to absorb the content to inform their decision making. Unless this upload can be achieved (and sometimes only on a small screen at 35,000 feet) it may be difficult for the audience to critically interrogate and challenge the reports.

Further to this is the over refining of information. As more focus is being placed on delivery objectives such as on time and on budget, the sacrifices made to provide this green light reporting can be overlooked. Reports can be over-edited, but is this for the benefit of the author or the audience? Or worse still, key risk indicators are buried under swathes of technical information and jargon in a bid to offload someone's responsibility.

Often within risk governance documents, responsibilities assigned to members may include such phrases as "determine if effective" or "responsible for the effectiveness". These indicate a level of assessment is required.

For example, if a responsibility indicates a member must "determine the effectiveness of the risk management framework" this goes much further than seeing evidence that such documents exist. It goes further than discussing the quarterly heat-map or relitigating the assessment of a "very high" risk so it becomes a more palatable "medium" risk.

To determine the effectiveness, it would be necessary to conduct a post-mortem analysis on a risk that was realised and became an "issue". Was the risk identified and on the right register? Were the controls effective as reported? Were there controls in place to limit the impact? How did we respond? What are the new risks? Have we refined our process?

WHERE TO FROM HERE?

People with governance roles will continue to be held accountable for their decisions - individually and as a collective. In order to fully discharge this responsibility, they need to look to the suite of governance documents for guidance. These instruments should clearly outline where the accountability starts, and stops.

How those with governance roles go about fulfilling this duty will always be under scrutiny. Shaping the board reporting so content is directly aligned to governance responsibilities will go a long way towards optimal decision making.

By being more deliberate and visible in their actions, governance members can be accountable by positively influencing the behaviours of their organisation. And ultimately, play a part in the many decisions made every day that contribute to performance.

The buck stops here. Nowhere else.

This article was first published in the 2019 KPMG Wealth and Funds Management Publication: An evolving landscape. You can read the full publication at ***kpmg.com/nz/***

Two views on... shareholders and stakeholders

The US Business Roundtable reversed its position of half a century when it declared that shareholder primacy is no longer the sole purpose of a corporation, fuelling the global debate on the role of businesses in society and the commitments that businesses may owe to a broad group of "stakeholders" beyond their shareholders. Here, two IoD members offer their personal takes on the US Business Roundtable's statement, and the way the issue is playing out in New Zealand boardrooms.

Author
Abby Foote
CFInstD

The US Business Roundtable statement is not the only indication of a movement in the direction of stakeholder primacy. We need to acknowledge that it is not an isolated example. For example, Rob Everett, head of the FMA also talked about this earlier in the year. However, the US Business Roundtable statement signed by 181 CEOs is relevant to NZ because it suggests an increasing coalescing towards that view.

There are certainly different views on it. I have raised the emerging trend with some directors who are firmly of the view that shareholders have primacy and refer me to articles that were written 15 years ago by the New Zealand Business Roundtable, and such like. So, I wonder if it depends on what era of economics have had the most influence on a director's career and how open they are to the possibility of a changing dynamic in that space?

In my view, broader stakeholder interests will inevitably become part of the way in which boards govern. In some respects boards can do this without needing any formal recognition of stakeholder primacy because many of the risks faced by organisations today increasingly point to the need for a longer-term perspective in managing those risks. So as a director you can get yourself to a position that recognises stakeholders as being important, even in the context of an overarching shareholder-primacy purpose. Whether or not there is any formal recognition of stakeholder primacy in NZ, boards will inevitably – and we should – be looking at a broader set of stakeholders' interests than simply shareholder return on equity.

Boards need to consider sustainability in the broadest sense of the word. They need to be thinking about a longer-term perspective on the overall sustainability of the company considering its environmental footprint, the training and development it provides for employees, the future of its industry, trends in the regulatory environment and its long term financial sustainability. Directors are there to act in the best interests of the company and that is not served by a simple profit metric that can become focussed on short term outcomes. It requires a long-term organisational perspective.

Many significant global issues are starting to demand attention in the boardroom. Those challenges are significant and require boards to really do some soul searching – about what role they can play and how the company might respond to, or at least mitigate, the impact of those challenges on both the organisation and its stakeholders. In that context, it becomes harder for directors

Author
Jonathan Mason MInstD

to focus just on profitability and yield for shareholders. I would argue that is the case regardless of whether you are firmly of a shareholder-primacy viewpoint or acknowledge a wider stakeholder-primacy perspective.

In the listed companies space, in particular, that can still be a hard line to tread. Although larger investors are increasingly indicating an interest and often an expectation that the board will look at a broader set of ESG issues, a number of entities are still traded based on their position within NZX indices. So investor actions don't always line up with the rhetoric.

Many of the challenges playing out globally and showing up here in NZ like climate change, income inequality and the future of work also highlight the need for an "NZ Inc" perspective on the importance of stakeholder primacy. We are not going to be able to solve or even adequately respond to many of those issues unless we collaborate and are spending time looking at what the solutions might be. From a "NZ Inc" perspective we can't allow NZ's larger listed entities to throw up their hands and say: "we are not responsible for those sorts of things. Our only job is to make a profit for shareholders." That approach is not going to benefit NZ over the long term. An approach that recognises the broader interests of stakeholders will inevitably encourage longer term thinking about a number of those big global issues and the ways in which large players in New Zealand can assist in tackling them.

If NZ were to give some kind of formal recognition to a broader stakeholder responsibility, it would certainly support directors in ensuring that the organisations they oversee are taking a longer term view and giving appropriate recognition to the interests of a broader group of stakeholders within the overall governance framework.

As owner of capital, the shareholders are a very important group. You ignore them at your peril. They are the foundation of a successful company. The issues that are important to shareholders and the issues that are important to stakeholders are very similar if you think far enough ahead – in decades rather than quarters. If you are doing something that is going to decrease shareholder value over multiple years, I would question whether that is the right strategy.

Sometimes it's posed as stakeholders vs shareholders. Over the long term the interests of those two groups increasingly align. It is over the short term that we have an issue. Overt the long term, by managing stakeholders we ensure shareholder value.

Think of a dairy company and an issue with farmers, dairy intensity and water quality. The dairy company might have to address farmers' impact on water quality. The farmers might say that is going to cost us money. But when you think about it over a longer period, having a long-term commitment to improving water quality (it doesn't need to be precipitous, but a real plan where progress is made) promotes shareholder value as well.

Over a one-year period there may be an incentive to leverage up a company to pay a special dividend to shareholders, but bondholders get burned because the credit rating goes down, the value of the bonds goes down. As a director, I would be asking: What does this do over the medium-to-long term to our access to capital? If we sheet home a loss of 10% to the bondholders and pay that to the shareholders, is the memory of bondholders so short that they will not care five years from now? I'd be thinking of the bondholders as well as the shareholders in such a proposed transaction because, as a director, you are supposed act in the interests of the company.

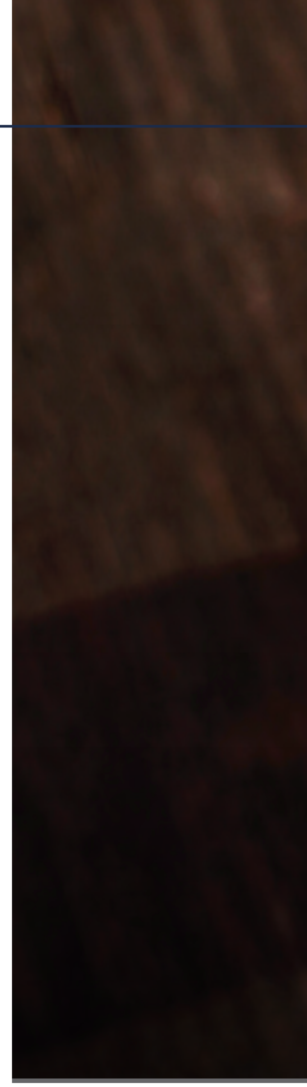
Directors are thinking more broadly about conduct and culture. And sustainability has become a bigger issue. Over the past two to three years there has been an elevation of the importance of environmental sustainability and the threat of climate change. This has affected business and a sense of urgency around having a sustainability programme, thinking long term about how the company survives and thrives if the worst scenarios of climate change come to fruition.

Sustainability concerns affect society's view of the companies they want to work for and companies that they want to purchase from. But as a business, specifically on purchasing, you don't want to overemphasise that. Consumers say they will pay more for an item that is sustainably produced, but there is a limit. The item still has to be of high quality and consumers will look at the price premium.

There are a variety of views around the board table and that is good because you still have to run a commercial business. You still have to think about the shareholders. If everything is determined by licence to operate and the stakeholders, versus the shareholders, eventually companies will become unprofitable and cease to exist. You need a diverse set of opinions. Some directors will emphasise commercial considerations as being bigger than licence to operate considerations. Others will be different. So there are good debates over how you manage the trade-offs best.

Stakeholder management should be very close to long-term shareholder value creation. If it isn't, be very careful about putting the shareholder in the back seat. You may regret that.

Governance gives



AUTHOR
IAN STRONACH, NATIONAL MANAGER – BRANCHES AT THE IOD

Volunteers drive good governance in many New Zealand charities, not-for-profit businesses and associations – including the Institute of Directors.

Like most membership organisations, the IoD relies on the input of volunteers. In our case, this is primarily our council and branch committee members - currently a total of 83 people.

We also rely heavily on volunteers to present and provide content for branch events - these are variously sourced externally and from within membership.

In August, we asked all of our branch committee members (this included Council representatives) about their experience as an IoD volunteer.

This survey, which had a 65% response rate reported:

> There were high levels of altruism involved in their decision to become a volunteer – the two biggest reasons given for joining a branch committee were to give back to the governance community and to improve standards of governance and/or the operation of the committee.

> The most common length of time on a committee was four years or more, indicating some satisfaction that this “arrangement” was meeting their needs and expectations.

> Committee members felt that IoD was providing good support to their committee efforts, and communicating reasonably effectively.

But one of the missing pieces was how we, as a membership body, recognise the contribution these volunteers make.

On behalf of Chief Executive Kirsten Patterson and the whole IoD team, I would like to personally thank all those who put their time and energy into making sure the IoD functions smoothly.

While we aim to raise awareness of the power of good governance among all New Zealanders, the IoD exists firstly for its members – to support them as they lead their own organisations and communities.

Over the next eight issues of Boardroom we will run a series of “Five questions with...” spending time with one of our branch committee members in each of our regions to understand what motivates them, and what they hope to achieve. This aims to celebrate those who work so closely with us and to share their wisdom, thoughts and insights.

Without the energy and efforts of our branch committee members it just wold not be possible to achieve all the great support for members out there in our regions. And for that, we are ever grateful.

Five questions with…

Ken Williamson CFInstD
Waikato branch committee

1. Why did you join the IoD?

As a young man, I became involved in a number of not-for-profit boards and soon realised that I was floundering coming to terms with my role as a governor as opposed to wanting to "manage" the organisations.

My other concern was that most of these boards were reactionary to events happening to them, and there was little strategic focus or planning.

I'd heard of the IoD but believed it to be the domain for directors of publically listed companies. I then had the good fortune to meet Bruce Sheridan, who was at the time a senior partner in KPMG, and a widely respected governor within the Waikato. Bruce "sold" me the benefits of the IoD and so I joined and immediately started attending IoD courses. This was the start of my real governance journey.

2. How did you find yourself on a branch committee?

Because I was asked to join. However, rather than recognising in me any talent as a committee member, I suspect it may have been that the then combined Waikato/Bay of Plenty branch needed a place to meet and our new offices had an ideal boardroom.

3. Why do you feel it is important to give back to the IoD?

My governance career has been enhanced and enriched by the IoD courses – and meetings – and the IoD people I've served and worked with, and met.

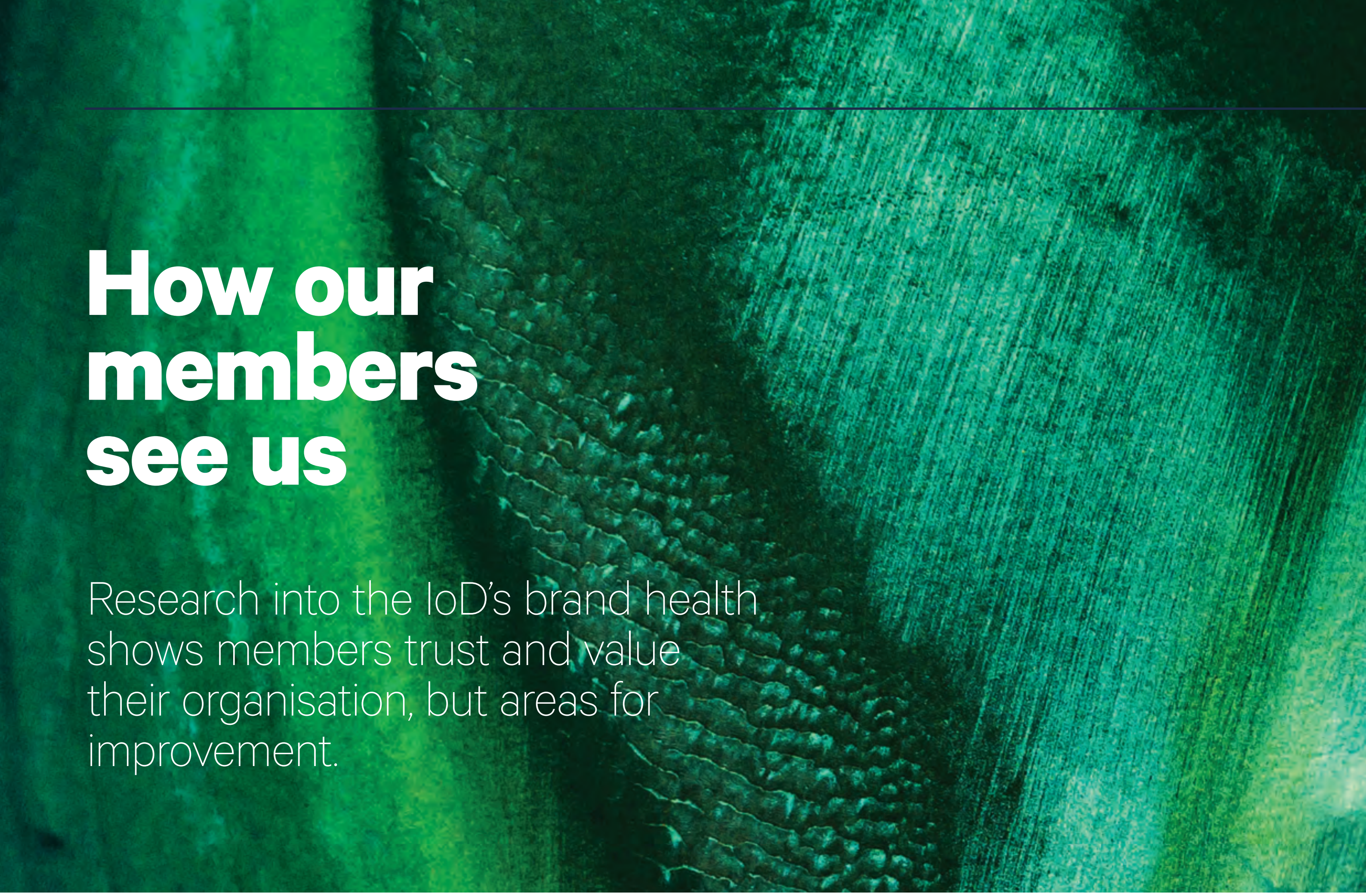
4. If you had one tip for a person interested in a governance career, what would it be?

Start off by working in the not-for-profit sector. School boards, community charities and sports clubs all need outstanding governors who understand the need to think and plan strategically, and who avoid meddling in management responsibilities.

It also helps to: start you creating a "community network"; learn to identify the qualities of the good governors (as well as the "oxygen thieves") you serve with; and, most importantly, you serve both the organisation and the community you live in.

5. What's the one gadget you find indispensable?

My mobile phone. Though I avoid using it at any meeting I'm involved in, despite craving to check my emails.



How our members see us

Research into the IoD's brand health shows members trust and value their organisation, but areas for improvement.

An organisation's brand is one of its key intangible assets.

As noted in our "Top Five issues for 2020", directors need to understand potential risks to their organisation's brand and ensure plans are in place to deal with unexpected crises.

The impact of a loss of public trust in a brand can very quickly make itself felt on the balance sheet – Facebook's market value fell US$119b in just one day in 2018 amid the fallout from the bridge Analytica data scandal.

For the IoD, it is the value that our members feel they are getting that defines the strength of our brand. In July and August 2019, we surveyed our members, customers and stakeholders to understand how they see us, and to put some facts around the dynamic, intangible concept of our brand health.

"We were trying to understand the experience that the members have with the IoD – from paying fees to attending events – and how the IoD brand is perceived int eh business and governance community," says Jason Shoebridge, chief executive of market research agency Kantar, which undertook the study.

"And it is a pretty strong performance," Shoebridge says. The IoD's reputation index score of 79 places us within the top 20% of organisations worldwide. Within that index score, the trust components of 87% puts us among the top 10% of organisations globally.

"This result is a real standout for the IoD," Shoebridge says. Trust is critical to member organisations – it is quite hard to earn and can be lost quite quickly." The percentage of members who say they would recommend the IoD to others is gradually increasing. Most members also said they were intending to renew their membership as they valued the access to resources, networking opportunities and training that the IoD provides. Members identified the Institute's professionalism and commitment to raising standards as among its most important attributes. Providing member benefits and being easy to work with were also highly valued.

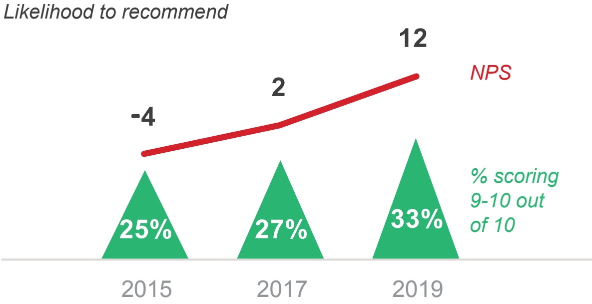
and professional development are more accessible across the country, Shoebridge says, as that feedback is probably do to the wide geographical spread of IoD members and the fact it is a pretty broad membership. You could actually say it is a plus that members are asking for more access."

"Overall, it is a really positive result," he says. "This feedback tells us that, for the IoD, maintaining brand value means continuing have, and to advocate for, high standards, to demonstrate high levels of integrity, to maintain high levels of transparency and to continue to build on the good reputation of the organisation."

Overall measures are improving over time

ADVOCACY

Likelihood to recommend



REPUTATION

Reputation	77%
Favourable opinion	73%
Trust	87%
Meets objectives	69%
Decision making	62%
INDEX SCORE	**79**

(Within top 20% of organisations worldwide)

Members value the Institute's professionalism and commitment to raising standards

Most important attributes influencing member views of the IoD

- Professionalism
- Trustworthiness
- Driving excellence
- Professional development
- Approachability
- Providing valuable member benefits

High levels of satisfaction are evident across most interactions

% satisfied with each interaction type on average

INFORMATION *(magazine, websites, comms, resources)*	85%
PROCESS *(renewals, CPD logging, assessment)*	86%
LEARNING *(courses, webinars)*	82%
EVENTS *(conference, branch events)*	83%

But the feedback also identified some areas for improvement

Awareness of the IoD's range of services and their benefits could be higher

Building visibility of our services and thought leadership will be a priority for 2020

Members sometimes receive too many emails

Work is underway to streamline member communications

Some groups of members feel less engaged overall

Opportunity to build engagement across the diverse membership base, and help those in the regions to connect more

Some frustration with the website's navigability

The IoD is looking to create an improved digital experience – including the launch of a new website

Governance career growth

Tips for building your governance career in 2020 with Kelly McGregor, service manager of the IoD's board appointments service.

For members intent on securing new governance positions in 2020, a strong governance statement on their CV is essential.

"It's a summary of what you have to offer. It reveals your skills, experience and value proposition," says Kelly McGregor, service manager of the IoD's board appointments services.

Candidates should also include a bit of personal information, as boards are looking to ensure they have members with a mix of backgrounds and perspectives, as well as relevant skils. With the growing demand for diversity on boards, the IoD's board appointments team are increasingly being asked to help organisations find candidates who don't necessarily fit traditional governance profiles.

"Let the board know a bit about your beliefs and background," McGregor advises.

"There has been a real change in boards in their commitment to looking outside existing networks and standard skillsets. A lot of boards are looking for quite specific things such as expansion or business development, some are looking at diversity - and not just gender - but diversity of thought to think outside the square.

"Boards are looking for quite diverse attributes and recognise if they have an experienced board already, they might be a little more relaxed around the level of governance experience required, and may take on a more emerging director if they have skills that will complement the existing board members."

Sector knowledge and experience should also be included.

"My clients quite often need candidates who have been at a similar stage of an organisation, or experience in expanding into a particular international market.

"At times however, boards might tell us that they know enough about the product or sector, but need someone with other experience, such as strategic marketing."

She says the board appointment service assists candidates into positions and enable organisations to look outside their networks, "because you don't know who you don't know". Marketing, experience in setting up audit and risk committees, or expansion into international markets are just a few examples of the skills that are in demand.

"Boards know where they are headed with their strategic plan and they need to find people to get them there – that's where we can help, with an extensive pool of director talent ensuring that best practice is followed along the way."

HOW THE IOD CAN HELP

The IoD offers a range of services to assist both boards seeking capable directors, and candidates. Our board appointment services are centred on three main areas: Director Search (including a database to which members can upload their CV), director vacancies listings and recruitment support services that assist boards to select the right candidate. She says that the service casts the net wide, including through the use of social media and the Institute's branch networks.

"We can also help with a skill gap analysis – if you have someone rotating off a board, we can look at the board and identify whether or not the necessary experience and skills are currently there and how to fill that gap."

McGregor's team also manage applications, provide interview panel support and perform probity and reference checks on behalf of the clients.

"We're involved in as many parts of the process as the clients want us to be, we cover the whole board appointment cycle."

While networking still plays a part, boards are committed to transparent processes and candidates are benchmarked against others via a more thorough search.

"Recently, I worked with a client who had one or two people in mind but once they'd used us to search, it became apparent that the people they were considering wouldn't fill their needs. While they brought some good skills, there were others that could fill the gaps better.

"The client really valued the search process and they appointed a candidate who could bring more diverse and essential skills to their board."

HOW IT WORKS

The Property Group Limited Managing Director Wayne Crowley says the board appointments service made the recruitment of a new board member effortless.

"Kelly [McGregor] initially provided a framework with which to identify the key attributes we were looking for, which was very useful," he says.

"She then gave us a longlist of potential people who fitted our criteria – we actually went back for another two longlists, just to dig a little deeper to make sure we had looked wide enough. It was great we were able to get such a wide scope of candidates."

The IoD took care of the initial contact with the candidates and gauged their interest and availability.

"Kelly also helped us coordinate the interview process, assisted with the selection process, and provided reference checks.

"We are a property professional services firm so were looking for someone with a background in that, either in governance or at executive level, so that was one of the key criteria. We were looking to increase diversity on the board, but the skill set also needed to match those of our existing directors."

Crowley says it was valuable to have access to candidates outside the firm's traditional networks.

"And with Kelly facilitating, it was an efficient and pain-free process, so we were able to concentrate our effort on the people on the shortlist.

"It was a really good service and were able to get through the process and have a really good outcome. And I think in comparison to other recruitment costs, it was very reasonable for the service that was delivered."

10 TIPS TO BUILD YOUR GOVERNANCE CAREER

1. Utilise the IoD's templates and guidance to create a professional governance CV using key words.
2. Include a strong governance statement at the beginning of your CV.
3. If you have no governance experience, include whether you have reported to or advised a board.
4. Do your due diligence, be thorough, and ensure there are no errors in your CV.
5. Use high-level "helicopter" language, such as words to highlight strategic planning experience.
6. Be clear in your mind what your value proposition is and what you can bring to a board.
7. Write a cover letter tailored to each board position you apply for.
8. Use your networks – talk to people who are already in governance roles about time commitment and accountability and let them know you are interested in a board position.
9. Thoroughly research the organisation to ensure it is a good fit.
10. Guard your reputation. If you come unprepared to an interview you never know who you might meet again.

Out & **about**

Bay of Plenty

Our CEO Kirsten Patterson talked about the need for boards to be to be able to lead in a complex and dynamic environment and oversee disruptive risks at an event in October.


02


04


01


03

Bay of Plenty

01 Kylie Boyd and Bryan Graham.
02 Ian McBride and Sam Fellows.
03 Katherine Evans and Alan Bickers.
04 Kerry Hull and Ashley Wurzburger.
05 Nick Pharo and Nic Chrisp.
06 Richard Thurlow, Meg Davis and Suzanne McNicol.


05


06

Taranaki

Dr Joanna Breare was guest speaker at the Taranaki annual dinner in October, sharing ideas on how to swim, not sink, in the face of shifting geopolitical, economic and environmental conditions.


07


08


09


10

Taranaki

07 Lee Tyson, Sam Tyson and Leigh Sampson.
08 Richard Handley and Guy Roper.
09 Bronwyn Lees, Liz Maddox-Strong and Megan Flahive.
10 Brent Hulbert, David Bishop, Jeremy Huddson, Patricia Reyes and Abhi Bajwa.

Wellington

Kensington Swan Partner Linda Clark (a former political journalist) discussed the implications of Brexit and the US Presidential elections in 2020 at the Wellington branch annual dinner.

Wellington

11 Jim Bolger and Zainab Ali.
12 New Distinguished Fellow John Spencer and IoD President Alan Isaac.
13 Julia Fink.
14 Sam Robinson and Linda Clark.


11


12


13


14

Auckland

Christmas cocktails came in November at the Auckland branch.

Auckland

15 Bridget Coates, Julia Hoare and Dame Rosanne Meo.
16 Maurice Ellett.
17 Melanie Beattie and Bindi Norwel.
18 Anita Killeen and Maxine Pitch.
19 Cecilia Tarrant and Andy Coupe.


16


15


17


18


19

Events**diary**

For more information visit **iod.org.nz**, contact the director development team or contact your local branch manager.

February

12 Auckland
Growing governance accountability

Governance is undergoing something of a transformation and whatever the ownership structure accountability is on the rise. Dame Therese Walsh will share her thoughts on how governance is evolving and some of the challenges facing directors in the next decade.

17 Ellerslie
How to build your board career

This session is being facilitated by Susan Paterson who will take you through the steps and processes involved in building your board career.

17 Whangarei
The board's relationship with the CEO

Patrick Strange will speak on his experience as a board member and a chair, on the importance of the relationship between the CEO and the board, how to make it work, and how to handle conflicts and difficulties.

March

10 Governance CV Clinic
Make your Governance CV really work for you

Aimed primarily at emerging directors, this event will offer guidance on structuring your governance CV and how to get your value proposition across from Kelly McGregor.

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BRANCH EVENTS

For information on member events in your area, see **iod.org.nz**

Online Learning

Any time, anywhere. Offering convenience and flexibility, our self-paced courses provide focused online learning. Progress through the course slides, interactive diagrams, videos and reflective exercises at your own pace.

Health and safety governance
3 CPD points

Ethics – how directors do business
3 CPD points

Directors' and Officers' insurance
2 CPD points

Not-for-profit fundamentals
3 CPD points

Cybersecurity
3 CPD points