

---

2021

# Explanatory Memorandum 2021

Information about proposed amendments  
to the Institute of Directors' Rules



The IoD is New Zealand's pre-eminent organisation for directors and is at the heart of the governance community. We believe in the power of governance to create a strong, fair and sustainable future for New Zealand. Our role is to drive excellence and high standards in governance. We support and equip our members, and the broader governance community, who lead a range of organisations from listed companies, large private organisations, state and public sector entities, to small and medium enterprises, not-for-profit organisations and charities.

**Our vision:**

a strong, fair and sustainable future for New Zealand, powered by best practice governance

**Our mission:**

to support and enable directors to add value to their organisations and wider communities, and prepare them to positively transform the future

**Our values:**

- Courage to do the right thing
- Manaakitanga
- Kaitiakitanga
- Respect the value of each individual
- Learners for life

---

## Message from the President and Vice President

Thank you for your consideration of this proposal to introduce New Rules for the Institute of Directors. The IoD Council has reviewed the current Rules including its governance arrangements and standards framework to ensure they are fit for purpose for today – and importantly to carry us into a strong and sustainable future.

We began discussing proposed changes to the Rules with our Branch Committees early in 2020 and extended these discussions out more broadly to the membership base later that year. More recently, we undertook a formal consultation period, which ran from 1 February to 14 March 2021. This was a great opportunity to hear from our members and get feedback and input on our draft proposal. We value the feedback we received and we have considered all points and made some amendments as a result. The themes of feedback have been shared and we are now at the point where we have the final proposed New Rules for the Institute of Directors.

This has been an exciting initiative to move forward and Council is pleased to provide members with the opportunity to vote on the introduction of New Rules. The future of the IoD, its reputation and its ability to remain relevant have driven our thinking. Our purpose is to create an organisation that can be there for you – and our directors of the future – providing the support, tools, resources and services that will help our members stay ahead of the curve. Directors have a vital role to play for the future of New Zealand and good governance is the way forward. We believe that what we have captured in our proposed New Rules will serve you our members – and the organisation – to a high standard for our future.

This publication provides you with some background on the changes and accompanies the proposed New Rules. Council supports and endorses these changes. The introduction of successful change to an organisation relies on sound leadership, good values and ensuring that

the culture is set to make change possible and effective. As your Council representatives, we have this top of mind and are committed to ensuring the organisation can step forward positively and successfully for its future. We thank you for your involvement and encourage you to review the proposed New Rules and submit your vote.



**Alan Isaac**  
President



**Julia Hoare**  
Vice President



---

## Contents

<b>1. Background</b>	5
<b>2. The proposed New Rules</b>	6
<b>3. Overview of key rule changes</b>	8
<b>4. Key dates</b>	11
<b>5. Voting</b>	12
<b>6. Key questions</b>	13

## 1. Background

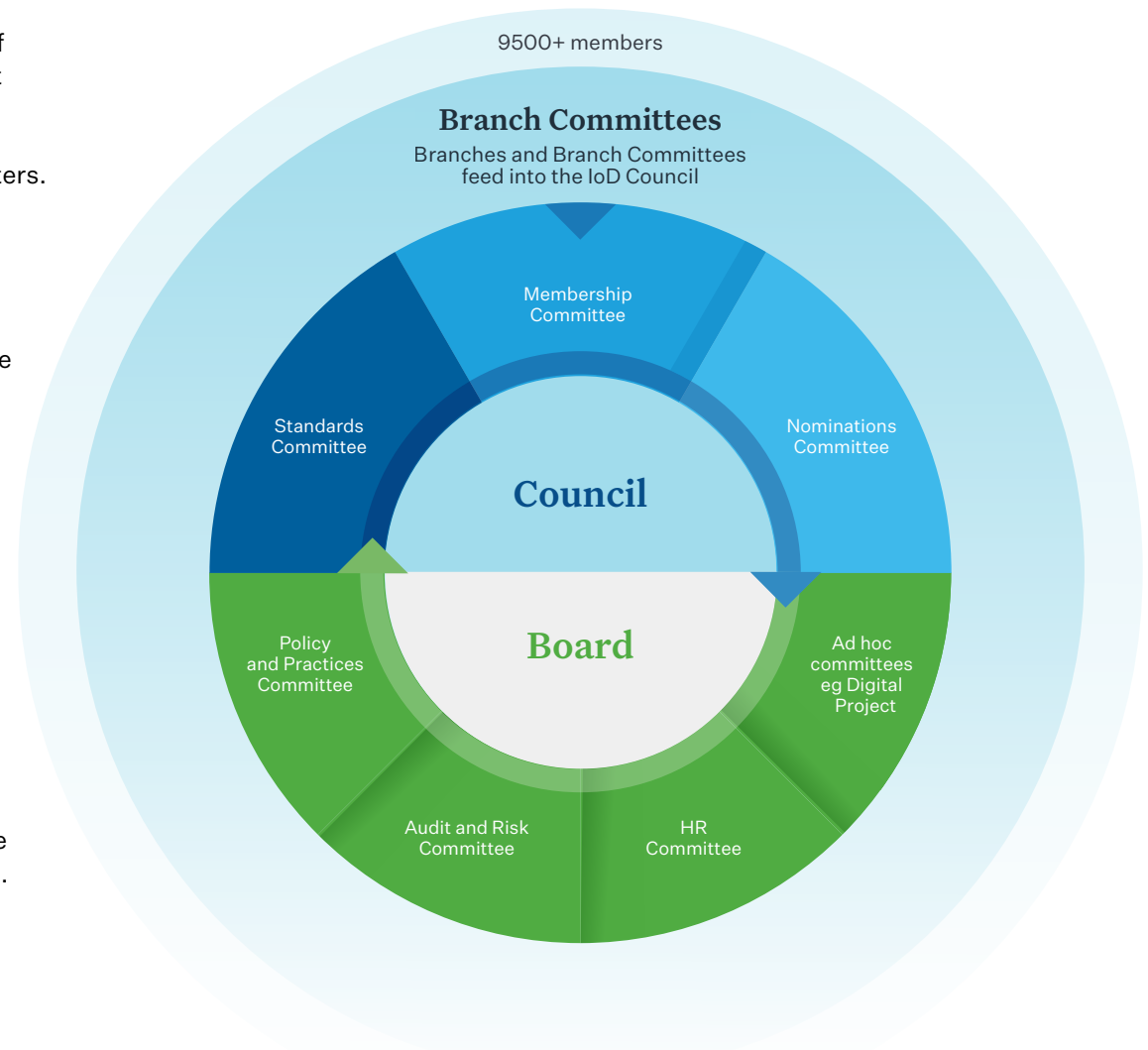
The IoD Council has reviewed the current IoD Rules (Constitution) including its governance arrangements and standards framework to ensure they model best practice and will be relevant and fit for the future. The key changes include:

- **Re-orienting the role of Council and introducing a new governing board.** The proposed changes aim to help with better succession planning, allowing for a greater diversity of skills and experience, spreading the workload for members, creating more opportunities and improving the focus and clarity for representative and governance roles.
- **Updating and enhancing the IoD's standards framework:** This includes amending membership criteria, and providing Council with more flexibility to address member misconduct. The proposed changes will help protect and maintain IoD's reputation and uphold professional standards.
- **Updates to the IoD Rules:** These will enhance clarity and readability, and address the requirements of a new Incorporated Societies Act.

**Council** is the guardian of the IoD and will represent members, appoint Board members, and oversee membership related matters.

**The Board** will be the governing body of the IoD and its role will be to appoint the Chief Executive and monitor the organisation's affairs.

**The Branch structure** will remain as it is. The IoD currently has eight branches representing IoD members throughout New Zealand. There are five branches in the North Island and three in the South Island. The Branches and Branch Committees are fundamental to ensure we hear and acknowledge the voice of our members.





---

## 2. The proposed New Rules

The New Rules have been drafted to reflect the changes proposed by Council after consultation with members. Subject to the approval of members at the 2021 AGM, the New Rules will, following a period of transition, replace the existing Rules.

To assist you in reviewing the New Rules the key changes have been highlighted for your consideration. However, members should note the existing Rules have been redrafted in their entirety with the aim of improving clarity and readability. We encourage all members to review the New Rules in full before casting your vote.

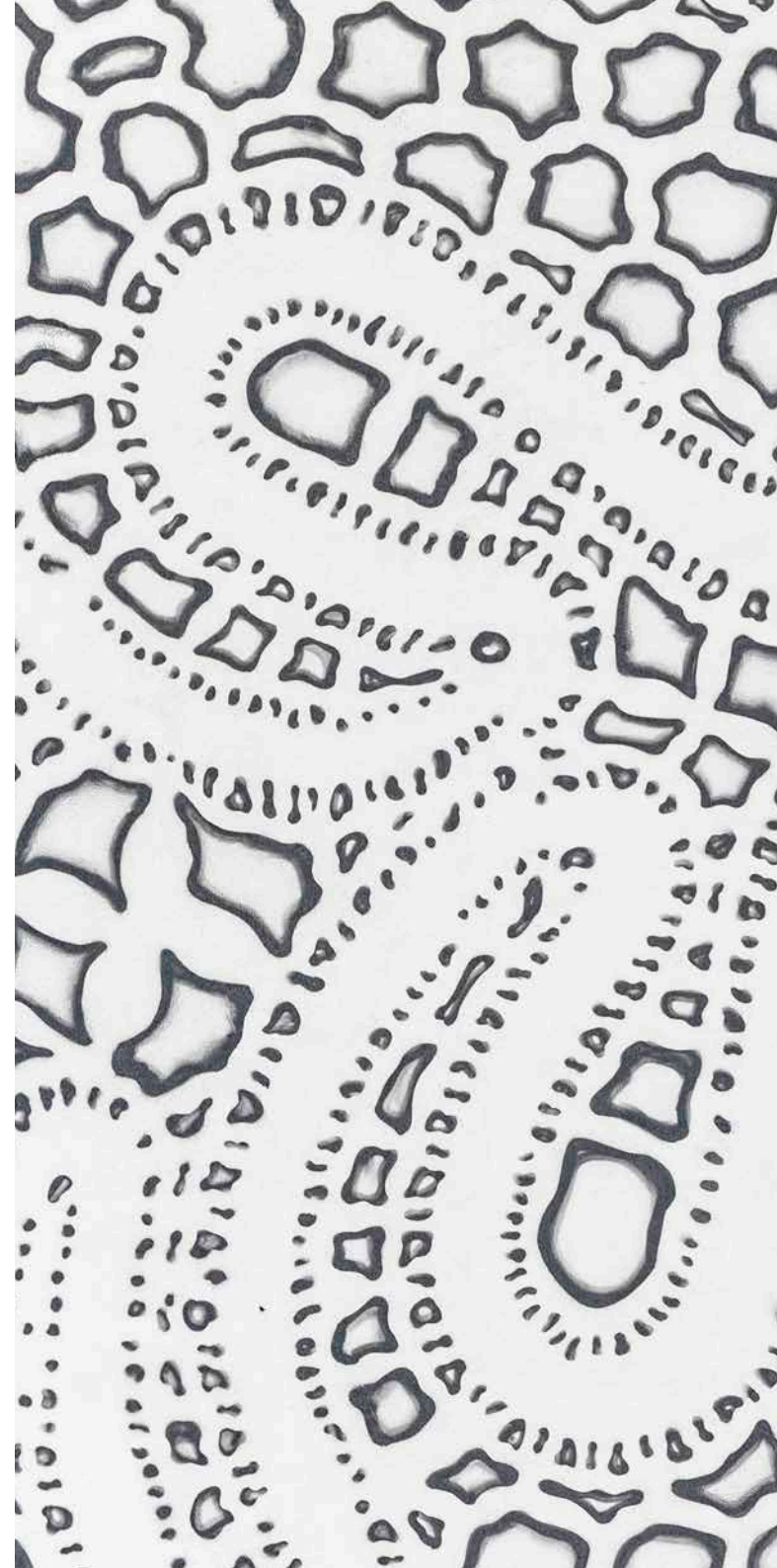
The changes to IoD's existing Rules fall into four key areas:

### 1 Changes relating to new governance arrangements

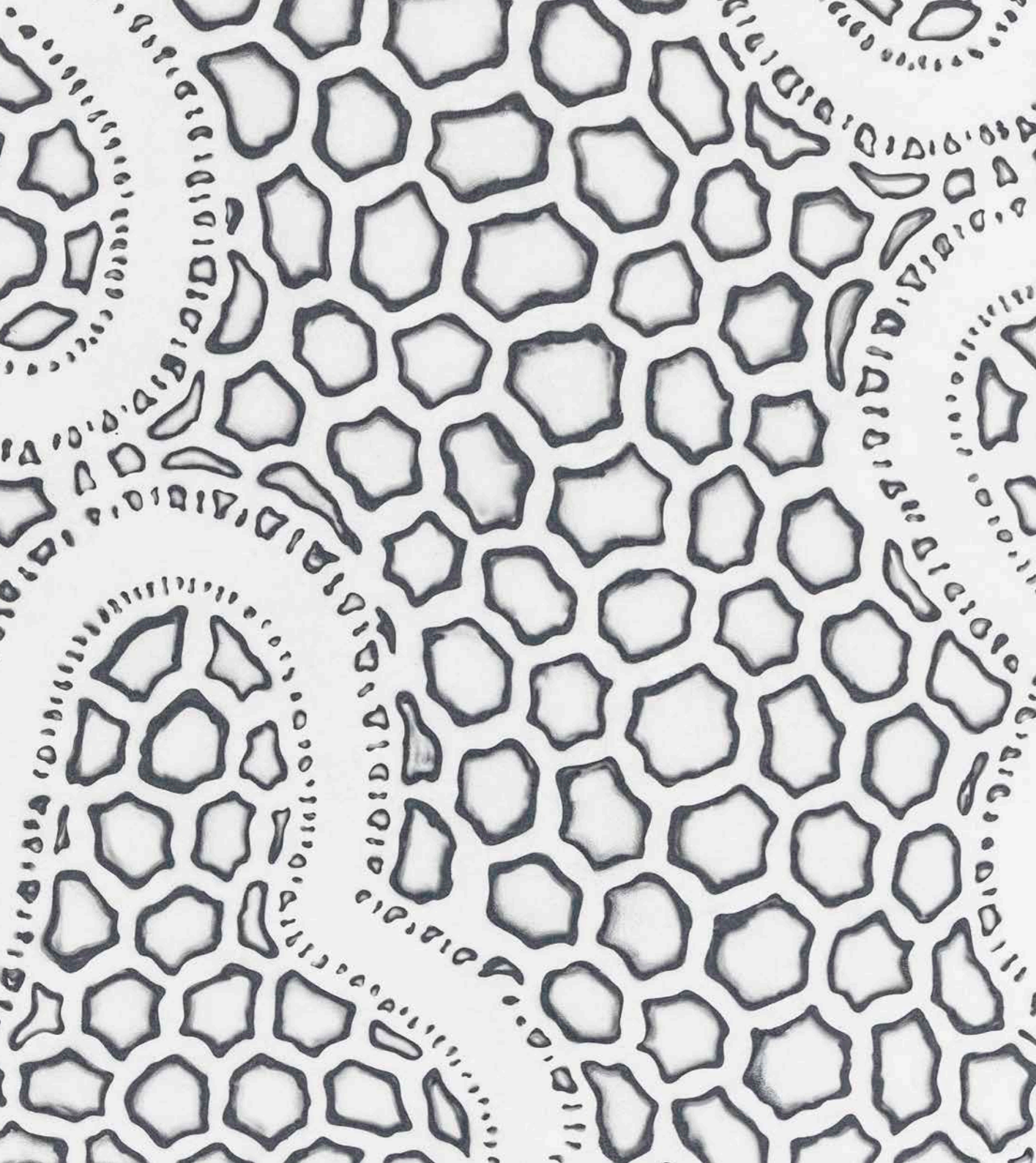
- **The role of Council:** the proposed governance structure shared earlier in this document shows the Council's role under the new structure; primarily, representing members, appointing Board members, and overseeing membership related matters including determining complaints against members. Council has the power to issue subscriptions, levies and fees (based on a recommendation of the Board) and to establish and disestablish branches. The term for the President and Vice President has been set as generally being two years.

During the transition period, the President and the Board Chair may be the same person.

- **The role of the Board:** under the New Rules the Board will be the governing body of the IoD and its role will be to appoint the Chief Executive, set strategy and monitor the organisation's affairs. Following consultation the New Rules allow for the appointment of a Future Director as a Board observer. In this new structure, Board members may serve three terms and a maximum period of nine years unless there are exceptional circumstances for a longer period approved by Council.
- **The role of Branch Committees:** under the New Rules the role of the Branch Committees remains the same. The IoD has eight branches representing members throughout New Zealand and they will continue to be an important and vital part of the IoD serving as a connector for members to the branch and to the organisation, hearing the voice of our members and communicating member needs and perspectives to the organisation. The New Rules allow for the concept of an overseas branch. The Branch Rules have been redrafted with the aim of simplifying them. Following transition they may be adopted by each Branch. However, until that occurs the existing Branch Rules are retained. Council intends to consult with branches during the transition to further understand their requirements.







**2 Enhancements to the IoD's standards framework.** There are a number of proposed changes to help protect and maintain the IoD's reputation and uphold professional standards. These include enhanced processes to deal with grievances and complaints.

**3 Changes relating to the requirements of the Incorporated Societies Bill** (introduced to Parliament on 17 March 2021) some of the changes introduced here include:

- Rules covering duties, conflicts of interest, access to information and grievances and complaints.
- Introduction of a public member register: The new Incorporated Societies Bill sets out requirements to maintain a register of members. Feedback from members during consultation suggested some support for a public register. The New Rules allow the IoD to publish an abridged register setting out the name, member category and post nominals of Chartered Members, Chartered Fellows and Distinguished Fellows - no other information will be included. Further work will be needed to implement this.

**4 A greater emphasis on plain English and readability,** including a clearer articulation of the IoD's purpose.

### 3. Overview of key rule changes

Subject	New Rule	Comment
<b>Purposes</b>	2	The IoD's purposes have been reframed. Fundamental purposes are to promote excellence in governance and represent the interests of members. The IoD will also seek to enhance the effectiveness of governance in New Zealand, including the interests of the community as a whole.
<b>Member categories</b>	4.4	Categories of membership are unchanged. However, the category "Honorary" (which previously sat within the body of the Rules) has been grouped with the other categories.
<b>Member rights and obligations</b>	4.6	Member rights and obligations have been consolidated into a new section.
<b>Voting rights</b>	4.7	The right to vote at General Meetings now extends to all members (other than Associates) having previously been limited to Members, Chartered Members and Fellows.
<b>Codes and guidance</b>	5.1	Following consultation with the Board, Council has the power to issue binding Codes (as defined) applicable to members. This power will replace the previous framework which included regulations, by-laws and codes. When the New Rules become effective a Code relating to CPD requirements will replace current rules and by-laws addressing those matters.
<b>Member register</b>	7	Addresses the requirements of the Incorporated Societies Bill. It also allows the IoD to publish an abridged register setting out the name, member category and post nominals of Chartered Members, Chartered Fellows and Distinguished Fellows (but no other information). Further work will be needed to implement this including ensuring compliance with privacy law.
<b>Subscriptions, levies and fees</b>	8	Council, upon recommendation of the Board, retains the power to issue subscriptions, levies and fees.
<b>Cessation of membership</b>	9	Sets out how membership ceases, utilising thresholds used in the Incorporated Societies Bill for the disqualification of officers. Equivalent disqualifications which occur overseas are also captured.
<b>Branches</b>	10	Provides flexibility with the concept of an "Overseas" branch and removes the minimum number of members required to form a branch. Branch Rules can be amended by Council, in consultation with the Branch Committee.
<b>Council</b>	11.1	Describes the role of Council under the new governance structure. Council's new role includes representing members, appointing Board members, overseeing membership related matters and determining complaints against members.



<b>Subject</b>	<b>New Rule</b>	<b>Comment</b>
	11.2	Sets out the duties of Councillors and incorporates the language used in the Incorporated Societies Bill.
	11.3	Allows Council to remove a Board member following a recommendation from a majority of Board members supporting that removal.
	11.9	Provides that the President and Vice President will serve for two years.
	11.11	Confirms that other than in exceptional circumstances (as determined by Council) and during the transition, the President should not be the same person as the Board Chair.
	11.13	Provides for the standing committees of Council, being: <ul style="list-style-type: none"> <li>• a Nominations Committee;</li> <li>• a Membership Committee; and</li> <li>• a Standards Committee.</li> </ul>
	11.22	Sets out the circumstances in which membership of Council will terminate.
<b>Board</b>	12.2	Describes the role of the Board under the new governance structure. The Board is the governing body of the IoD, monitors its day to day affairs and appoints the Chief Executive.
	12.3	Sets out the duties of Board members and incorporates the language used in the Incorporated Societies Bill.
	12.6	Confirms Board composition and Board member criteria/eligibility.
	12.7	Provides that Board members may serve three, three year terms (maximum period of nine years unless exceptional circumstances are identified by Council).
	12.9	Allows the Board to appoint a Future Director (as a Board observer) on such terms as thought fit.
	12.15	Sets out the circumstances in which membership of the Board will terminate.
<b>Conflicts of interest</b>	14	More expressly addresses the requirements of the Incorporated Societies Bill.
<b>General meetings</b>	15	Now provides the option of electronic voting and virtual meetings.

<b>Subject</b>	<b>New Rule</b>	<b>Comment</b>
<b>Member access to information</b>	16	Addresses the requirements of the Incorporated Societies Bill to allow access by members to loD information in certain circumstances.
<b>Grievances and complaints</b>	17	Addresses the requirements of the Incorporated Societies Bill and provides more comprehensive rules regarding the enforcement of standards of member conduct (for example, suspending or demoting categories of members).
<b>Indemnities and insurance</b>	23	Reframed to incorporate language used in the Incorporated Societies Bill.
<b>Transitional provisions</b>	27	The date on which the New Rules come into force is 1 July 2022 or such earlier date as is determined by Council (the 'Effective Date'). In voting to pass the New Rules, members will bring these transitional provisions into effect immediately upon registration (through the Notice of Motion). The transitional provisions provide for the establishment of the Nominations Committee and appointment of Board members in advance of the Effective Date. They also provide an exception to the general rule that the President and Board Chair may not be the same person.
<b>Definitions</b>	Appendix A	A new appendix - in the current Rules the definitions are in the main text.
<b>Membership categories</b>	Appendix B	The following member categories have had minor revisions: <ul style="list-style-type: none"> <li>• Member criteria (3.1 (g) and (h))</li> <li>• Retired criteria (to allow a threshold of \$10,000 pa in respect of unpaid roles – (7(b) and 8(c)).</li> </ul>
<b>Branch Rules</b>	Appendix C	The Branch Rules have been redrafted with the aim of simplifying them. Following transition they may be adopted by each Branch. However, until that occurs the existing Branch Rules are retained. Council intends to consult with branches during the transition to further understand their requirements.





## 4. Key dates

- 28 May 2021** Explanatory Memorandum and proposed New Rules available to members
- Voting by proxy opens
- 27 June 2021** Deadline for receiving proxy forms will be **12pm**
- 29 June 2021** Annual General Meeting – members can vote in person or by proxy
- July** Vote decision confirmed

## 5. Voting

Members will be voting on a proposed Notice of Motion to amend the IoD's Rules. A vote in favour (in accordance with Rule 78 of the IoD's Rules) will mean:

1. members adopt the constitution attached as the new rules of the IoD (the **New Rules**) to take effect, subject to item 3 below, from 1 July 2022 or such earlier date as is determined by Council subject to the provision of reasonable notice to members (the **Effective Date**);
2. subject to item 3 below, on the Effective Date the existing Rules of the IoD are revoked and the New Rules come into effect;
3. the transitional provisions contained in Rule 27 of the New Rules will take effect immediately upon registration of the New Rules with the Registrar of Incorporated Societies, and the existing Rules of the IoD are amended in accordance with those transitional provisions.

After reviewing this Explanatory Memorandum and the New Rules we encourage members to vote by proxy or in person.

### How to vote

Members can vote by:

- Attending the AGM in person in Wellington on 29 June
- Or by completing and returning a proxy form by midday Sunday 27 June
  - A member who is entitled to attend and vote at any general meeting may appoint another member who is similarly entitled to attend and vote on their behalf. Notice of appointment of a proxy shall be in writing, signed by the member making the appointment, and shall be lodged with the office not less than 48 hours before the time fixed for the meeting in respect of which the appointment is made.

### What will a yes vote mean?

A yes vote will confirm the New Rules and begin the process of change through a transition period. As a first step, Council will establish a Nominations Committee to begin the process of identifying suitable Board candidates.

### What will a no vote mean?

A no vote will require another process to revise the Rules to ensure the IoD meets the requirements of the Incorporated Societies Bill (March 2021). Other elements will be deferred such as changes to governance arrangements and enhancements to the standards framework.

### Vote threshold

The resolution will be effective provided it is passed by not less than three-quarters of members who, being entitled so to do, vote in person or by proxy at the AGM.

### Transition

The transition period would commence once the New Rules are adopted and registered. The New Rules come into effect on 1 July 2022 or such earlier date as determined by Council. The transition provisions can be found at Rule 27 of the New Rules.



---

## 6. Key questions

### **Who is eligible to vote?**

Under the existing Rules, Members, Chartered Members, Chartered Fellows and Distinguished Fellows are eligible to vote as long as their annual subscription is paid up until 29 May 2021.

### **Why are these changes being proposed?**

IoD's Council believes it is essential that the IoD itself models best practice governance and that it stays relevant, up to date and sustainable for the future. The IoD has grown from a small organisation of 500 to a good-sized professional body with more than 9500 members, a larger base of employees and a growing role at the heart of governance in New Zealand. The requirements of the Incorporated Societies Bill will require some changes – and it was timely to take the opportunity to set the organisation up to be fit for the future.

### **What was the process that got us to this point?**

In early 2020, Council discussed some proposals for change with the Branch Committees and later in 2020 we began to share information with our broader membership base at events and online. We launched a formal consultation period, which ran from 1 February to 14 March, which allowed members to ask questions, provide feedback and thoughts. We also had a webcast where President Alan Isaac and CEO Kirsten Patterson outlined proposed changes and took feedback and questions. Council then considered all the feedback and made adjustments where relevant. We have now completed the New Rules and are asking members to vote on the proposed changes to the Rules.

### **How long will the transition to the New Rules take?**

The New Rules will take effect from 1 July 2022, or earlier as determined by Council subject to reasonable notice to members.

Transitional rules will take effect shortly after this year's AGM, when the New Rules are registered.

### **Contacts and more information**

If you need further information or want to check back on previous Rules Review documents you can find these on the [IoD website](#)

You can also email [RulesReview@iod.org.nz](mailto:RulesReview@iod.org.nz) or speak to one of our team +64 4 499 0076

Free phone 0800 846 369



[iod.org.nz](http://iod.org.nz)

Copyright © – Institute of Directors in New Zealand (Inc)

May 2021

