board room

JUN / JUL 2018

Magazine of the Institute of Directors in New Zealand

ACCOUNTABILITY

CULTURE

PRINCIPLES

VALUES

INTEGRITY

ETHICS

The ethics balancing act

![What Matters]

A note from the editor

This issue of *BoardRoom* is dedicated to Ethics and Culture – one of our What Matters themes for the year.

Directors need to be ethical leaders and set the tone at the organisations they work with. Board members have key roles when it comes to shaping strategy, and also how that strategy is carried out and the behaviour that is expected from employees. Professor Karin Lasthuizen, a Dutch academic currently in New Zealand as the Brian Picot Chair in Ethical Management at Victoria University of Wellington, says ethics need to be part of an ongoing discussion that informs decisions made throughout an organisation.

We also take a look at what goes into shaping a workplace culture. It's not a straightforward area of business, and will differ from organisation to organisation, so how can a board influence or contribute to a company's culture?

Supply chains have been in the headlines in the past couple of months, highlighting the importance of knowing where your products come from and how vital it is that you are upfront with stakeholders about it. MBIE has contributed a piece on supply chains and modern human slavery and what New Zealand businesses need to be aware of. We also talk to Rob Fyfe about the work he has been doing in this space and his belief that human trafficking and modern day slavery are much more widespread than people realise.

The IoD has also recently updated its CPD guide, outlining the different ways you can gain CPD points and giving guidance on how to allocate points. We speak to some IoD members about the way they approach CPD, and hope it might inspire you in your professional development journey.

Kate Geenty
BoardRoom editor

![Institute of Directors logo]

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

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board**room**

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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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What Matters

KIRSTEN PATTERSON
CEO, INSTITUTE OF DIRECTORS

How ethical
is our conduct?

Tēnā koutou katoa,

A lawyer writing about ethics (even a now reformed inactive one) is often seen as the opening line of a joke or cartoon. No longer is the test of whether it is 'legal' or 'allowed' sufficient to determine whether our business models are ethical. We are, and we should be, being held to a higher standard from consumers, shareholders and stakeholders than just what the statutory minimum floors prohibit or protect.

Social media is also driving and demanding transparency and accountability in our ethical conduct in ways not seen before. Industries once seen as 'blue chip' no longer pass the ethical investment test, and many are seen as sunset. Directorships of tobacco giants are no longer celebrated on LinkedIn. Corporations such as Walmart are redefining their sales boundaries following calls for gun reform in the US.

Digital disruption is also increasing the speed in which boards are facing and navigating ethical issues around data and privacy. Technology is developing at such a rapid rate that legislators and regulators are having difficulty keeping up and preserving privacy as a human right.

But it is clear from the recent examples of Facebook and Cambridge Analytica being summoned to appear before an EU Parliamentary Committee and the US Senate that ethical debates are not something we can afford to ignore in the boardroom.

Closer to home, in Australia, the banking enquiry has the role of the board in ethics and culture front page. There is much to be learnt and there are likely to be salient lessons for other industries as the enquiry continues to play out over the coming months.

Here in New Zealand, potential legislation and social changes, such as legalising cannabis and euthanasia, could create new challenges for the directors of tomorrow.

Where before we might only see directors out of the boardroom for health and safety site visits, the growing emphasis on good ethical practice, human rights in business, and transparency in the supply chain has more and more boards conducting site visits and factory tours of offshore production sites. It's not just 'fast fashion' industries under the spotlight as contracting processes and power imbalances are under greater scrutiny.

Directors also need to prepare their organisations for the debates around automation and machine learning. The ethical dilemmas and pending decision points around autonomous vehicles are a good example of the power of the decisions machines will make in future. At a superficial level we all understand that should the car have to choose between hitting and likely killing one person versus a dog, or one person versus a group of school children, it will choose the smaller collateral damage in pursuit of the greater good.

But how comfortable are we with ethical decisions being hard-wired into the algorithms to which we are handing over our car keys? Are we discussing the issue of what happens when our car decides that we and our families are the acceptable collateral damage in the car's accident assessment?

Currently we get to exercise our ethics as drivers against a backdrop of 'self-defence'.

How will autonomous vehicles change that conversation, and test our ethics when we have to sign waivers and user agreements that hand over authority for life and death decision making? How do we as directors govern in an environment where our programmers and products will be making these types of higher level decisions? How do we respond to individual customer pressure wanting exemptions from inbuilt community protections? To whom do we owe a duty of care?

As McKinsey's Marvin Bower, whom Harvard referred as the father of modern management consultancy, said: "There is no such thing as business ethics. There is only one kind – you have to adhere to the highest standards."

Thank you for choosing to commit yourself to high standards and the IoD Code of Practice for Directors. New Zealand has never needed IoD members more.

Haere taka mua, taka muri; kaua e whai. Be a leader, not a follower.
Ngā mihi,

Kirsten (KP)

Up**Front**

The Queen's Birthday Honours List 2018

The Institute of Directors congratulates the following members who were all honoured in the Queen's Birthday Honours List.

DNZM
DAME COMPANION OF THE NZ ORDER OF MERIT

The Honourable Luamanuvao Winifred Alexandra Laban, QSO
Lower Hutt
For services to education and the Pacific community.

CNZM
COMPANION OF THE NZ ORDER OF MERIT

Mr Barry Charles Thomas
Queenstown
For services to tourism and business.

ONZM
OFFICER OF THE NZ ORDER OF MERIT

Mr Richard James Jeffery
Takapau
For services to governance and the community.

Ms Caren Jane Rangi
Napier
For services to the Pacific community and governance.

MNZM
MEMBER OF THE NZ ORDER OF MERIT

Mr Andrew Kerry Dellaca, JP
Christchurch
For services to children and sports governance.

Ms Alison Mary Timms
Cromwell
For services to local government and the environment.

QSO
THE QUEEN'S SERVICE ORDER

Dr Paul Hugh Stewart Reynolds
Gisborne
For services to the State.

QSM
THE QUEEN'S SERVICE MEDAL

Ms Martine Abel-Williamson,
Auckland
For services to people with disabilities.

Mr Russell Kingsley Anderson
Alexandra
For services to Fire and Emergency New Zealand.

» For further information visit
dpmc.govt.nz

What Matters

Culture and Ethics

Integrity and conduct in the public sector – governance in the fishbowl

Tuesday 3 July
Free live webcast
6.00pm – 7.00pm

Wellington Event
The Wellington Club
5.30pm – 7.30pm

Register at iod.org.nz/what-matters

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

YOUTHLINE OTAGO INCORPORATED
Role: Independent Board Member
Location: Dunedin

PRESBYTERIAN SUPPORT SOUTHLAND
Role: Trust Board Member
Location: Invercargill

SPORT NORTHLAND
Role: A pool of Northland sports directors
Location: Auckland and Whangarei

VILLAGE COMMUNITY TRUST T/A WORKSTAR
Role: Chairperson, Treasurer, General Members
Location: Nelson

TENNIS OTAGO INCORPORATED
Role: Board Position
Location: Otago

CHATHAM ISLANDS ENTERPRISE TRUST
Role: Independent Chair (1) Board Directors (4)
Location: Wellington, Auckland, Christchurch
Closes: 13 July 2018

TRUSTEES EXECUTORS
Role: Chair (1), Director (1)
Location: Wellington
Closes: 6 July 2018

ALANDALE
Role: Trustee/Director (2)
Location: Hamilton
Closes: 2 July 2018

POWERHOUSE VENTURES LIMITED
Role: Chairs, Executive Chairs, Directors
Location: National
Closes: 30 June 2018

ACCESSABILITY CHARITABLE TRUST AND IMAGINEBETTER LTD
Role: Trustee/Director
Location: National
Closes: 29 June 2018

OSPRI NEW ZEALAND LIMITED ROLE: CHAIR (STAKEHOLDERS' COUNCIL)
Location: Wellington
Closes: 25 June 2018

Q: Ethical standards expected of directors are covered in which corporate governance codes?

A. IoD Code of Practice for Directors

B. NZX Corporate Governance Code

C. FMA Corporate Governance Handbook

D. New Zealand Corporate Governance Forum Guidelines

E. All of the above

Answer: E
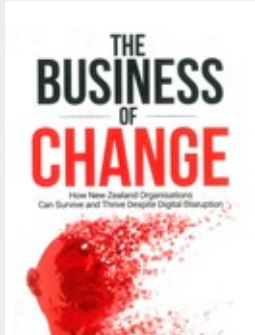
GIVEAWAY

Business of Change by Mike Pollok, Managing Director of Ricoh New Zealand, looks at how New Zealand organisations can survive and thrive, despite digital disruption. *BoardRoom* has a copy of the book to give away. To enter the draw send an email to **boardroom@iod.org.nz** with 'Business of Change' in the subject line. Winners will be decided by a random draw on 6 July.

APPOINTMENTS

Sheridan Broadbent
Chartered Member, has been appointed to the board of Transpower

Anne Callinan
Member, has been appointed chair of Simpson Grierson

Barbara Chapman
Member, has been appointed as a director of NZME and has also been appointed to the board of Genesis Energy

Dr Allan Freeth
Chartered Member, has been appointed chair of the board of disruptive online accounting firm Beany

Hayley Gourley
Member, has been appointed to the board of Landcorp Farming Ltd (Pamu)

Mike O'Brien
Member, has been appointed independent chair of the Health and Safety Association of New Zealand

Hilary Poole
Chartered Member, has been appointed as an independent non-executive director and chair designate of Just Water International
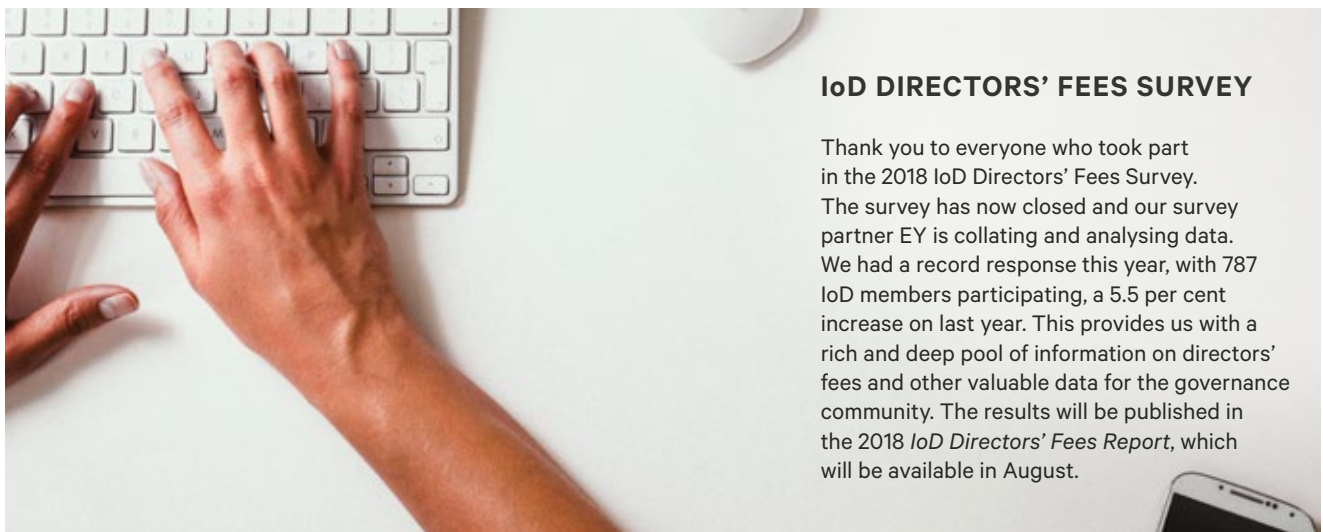
Sam Robinson
Chartered Fellow, joins the New Zealand Young Farmers board

Belinda Storey
Member, has been appointed to the board of Landcorp Farming Ltd (Pamu)

David Smol, QSO
Member, has been appointed chair of Viclink, Victoria University of Wellington's commercialisation company

IoD DIRECTORS' FEES SURVEY

Thank you to everyone who took part in the 2018 IoD Directors' Fees Survey. The survey has now closed and our survey partner EY is collating and analysing data. We had a record response this year, with 787 IoD members participating, a 5.5 per cent increase on last year. This provides us with a rich and deep pool of information on directors' fees and other valuable data for the governance community. The results will be published in the 2018 *IoD Directors' Fees Report*, which will be available in August.

PillarTalk

Four questions with Chartered Member Abby Foote on her experience of *Four Pillars of Corporate Best Practice, Chapter 2.0, 'An effective governance culture'.*

One	Two	Three	Four

How can directors get an understanding of how employees feel about an organisation's culture?

Some of the options directors have in assessing culture are:

- spending time on site visits talking to staff about the organisation and how they feel about it

- looking for opportunities to attend working sessions with staff from different layers and areas of the business where you can observe culture in practice

- talking to customers or other stakeholders about what they observe

- asking questions of internal audit and human resources staff

- undertaking pulse or engagement surveys

- being alert for indicators from tone or content of papers or presentations to the board or at social engagements that might be inconsistent with culture

How do you think directors can contribute to creating a positive workplace culture?

As they say, leadership starts at the top. Boards have an important role to play in supporting the development of a positive workplace culture.

Directors should demonstrate by their actions that they understand the importance of culture in driving the organisation and be prepared to invest in order to support a positive culture. Directors can look for ways to encourage or celebrate signs of a positive culture in meetings, in engaging with staff and in setting performance goals for the organisation.

At the same time, it is important that directors are clear about behaviours that aren't acceptable and that they are prepared to take action where unacceptable behaviour is encountered.

What are some of the key steps a board can take to create a healthy ethical culture?

Some of the key steps that a board can take are:

- being clear about values and expectations

- ensuring the board is living by the same values and standards they expect of the organisation

- not accepting behaviours that are inconsistent with the ethical standards set

- being alert to incentives that might encourage the wrong sort of behaviour

- making sure that values are part of all recruitment decisions from board level down

- ensuring regular reinforcement of expectations – eg code of conduct refresher sessions

How can a board make sure they are receiving comprehensive reports from management about ethical matters and conduct risk?

The board can:

- ensure management understand that the board sees reporting on the area as important

- probe reporting to test its veracity

- look for opportunities to have people from within the business come and talk to the board about their experience

- demonstrate support for those raising issues and ensure that the way the organisation responds to any issue encourages and supports the raising of issues

- follow through on any issues raised

- encourage open communication between internal audit and the board, including confidential sessions between the audit committee and the internal audit lead

- encourage periodic testing of whistle blowing processes to ensure they work as intended

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Setting the tone on culture

"Culture eats strategy for breakfast," as consultant Peter Drucker famously said back in 2006. So how do you get it to the top of your board's menu?

AUTHOR
KATE GEENTY

Leading by example and both demonstrating and communicating desired behaviours is one of the most effective ways boards can influence culture.

"Culture is your 'why' and your strategy is your 'how'," says Auckland-based cultural intelligence consultant Shireen Chua, who runs Third Culture Solutions. "If you don't know your 'whys', or can't articulate them in a way that everyone in the business is on board, then your 'hows' will face challenges of implementation in order to reap the benefits for the business."

Chua says that culture is a constantly changing dynamic construct. "Culture is like the hidden code and unwritten rules in our boardrooms and organisations that determine how the group functions. It's hard to describe it but it plays a big part of any and every organisation. It shapes the members of the organisation just as much as the organisation shapes the members. You'll see and feel the culture of an organisation from the stories, symbols and heroes that the members of the organisation have. Beyond the vision, mission and values of the organisation, these stories are the unwritten codes of how members of the organisation operate."

Leaders play a large part in setting the right cultural tone. "I think leaders are culture shapers and makers of the organisation, whether at board level or your senior management team. They set culture or the 'plumb line' for an organisation; the organisation's values which shows how things are, or they should be done," says Chua.

> ❝Culture is like the hidden code and unwritten rules in our boardrooms and organisations that determine how the group functions.❞

A 2016 report by the United Kingdom's Financial Reporting Council, *Corporate Culture and the Role of Boards,* identified some key questions a board can ask itself to determine if it's doing enough to set the right cultural tone. They include:

How are we demonstrating that the board's behaviour reflects the behaviour we expect throughout the company? Are we leading by example?

Are we clear about the values and behaviours we expect when recruiting new executives?

Do we hold the Chief Executive to account when we see misalignment?

Are we discussing culture in sufficient depth at board meetings?

How are we taking account of culture in our board effectiveness reviews?

How can we ensure that we consider the impact on culture in all the decisions that we make?

Is there a need for a specific conduct, ethics or culture committee?

What is the company telling the outside world about what it stands for and how it conducts business?

Has the company made a public commitment to its values?

What behaviours are being driven when setting strategy and financial targets?

What percentage of board time is spent on financial performance management against targets? And on behavioural performance management? Is the balance right?

Is the company's tax policy consistent with stated values?

How are we challenging 'group think' and testing key decisions for cultural alignment?

DIFFERING VALUES OR DIFFERENT PERSPECTIVES?

What happens if there's a cultural misalignment in the boardroom? Chua says it depends. "Cultural misalignment has many different sources. It will be important to identify where the misalignment lies. Is it with the company's vision, mission and values or between members in differing opinions, perspectives and a different way of seeing things? There could be other reasons such as different personalities at work or politics that are influencing the dynamics of the board."

She says the board needs to establish that they are not just throwing out diverse perspectives and different approaches. "You've got to really unpack a myriad of complexities to understand why there is cultural misalignment. Delving deeper to why may unearth differing values, perspectives and opinions. You need diversity of thought in order to cultivate innovation and creativity that many businesses and organisations require to be successful in today's VUCA (volatile, uncertain, complex and ambiguous) world. It is the antidote to groupthink."

Chua cites the story of six blind men and the elephant as an analogy of diversity of thought. The men, who had never come across an elephant before, have to work out what it is by each touching a different part of it, then describing it to each other. To build a full picture of the elephant (or a situation), they need each other's perspective. "In a boardroom you need those six blind men's perspectives, and they can't all be describing the trunk, because you won't be able to thrive today if you all share one perspective," says Chua. "How do those six blind men describe the 'whole' elephant? They need to hear each other's perspectives before key decisions and strategies are made. To do that in the boardroom or in any team, everyone needs to develop their emotional intelligence and cultural intelligence." >>

ENGAGEMENT, DIVERSITY AND CULTURE

A workplace's culture will be evident in its staff and employees and the business. "If you've got a culture where people love coming to work, they've engaged their whole selves while at work and are participating, it will add to the business achieving its goals," says Chua. "People who work full time spend a significant part of their week at work. Creating a positive culture can enhance productivity as well as creativity."

Chua says there is a growing need to increase the diversity in boardrooms and organisations, to reflect and represent the growing diversity in New Zealand's population in age, nationality, ethnicity. Many organisations are measuring this by looking at the metrics such as the rainbow tick, gender and ethnic diversity in their organisations and leadership. Chua says all of these quantitative measures are important as they provide accountability to their stakeholders, but for the benefits of diversity in boards and organisations to be tangible in business indicators, this cultural diversity needs to develop diversity of thought by being harnessed together. "Cultural intelligence, or the capability to function in various cultural contexts, needs to be cultivated by individual members of the board to every member of the organisation. To be able to interact effectively in diversity will bring creativity and innovation into the organisation," Chua says.

Staff engagement surveys, exit interviews, absenteeism, staff retention and turnover rates are all useful tools in gauging your company's culture. But don't underestimate the importance of simply talking to frontline staff and supervisors. This can provide information that won't necessarily filter through in reports from the executive. All of these puzzle pieces fit together to build a picture of what the culture is like.

In a KPMG report, *Driving Corporate Culture From The Top*, James Lam, a director at E*TRADE Financial in the US, said that strategy and risk management are critical drivers of organisational culture. "During the execution of the strategy, there may be natural conflicts between strategic goals and risk management constraints. How does management resolve those conflicts? The board should be concerned not only about what business results are produced, but how they were produced."

In the same report, Thomas Wescott, an independent director on the board of Eximbank Tanzania, said boards need to have continuous discussions with their chief executive and senior management team about values and culture. "Creating a dashboard that can be used to monitor key indicators of company culture can be a useful tool for both the board and senior management," he said. That dashboard data could include employee survey results, hotline calls, management appraisals and culture related issues that could arise in areas such as health and safety, compliance and customer relations. "A specially trained internal audit team can help develop the dashboard and begin to 'audit' the culture, interviewing employees, managers, other stakeholders, and reviewing process and business practices, and other factors to measure day-to-day practices against the company's values, behaviour, codes of conduct, etc.," he said.   >>

> "Creating a positive culture can enhance productivity as well as creativity."

Shireen Chua, cultural intelligence consultant.

WHEN CULTURE TURNS SOUR

Once cultural rot sets in, it can spread, not just through a company, but through an industry. This is evident in the Australian financial services sector, which is currently the subject of a Royal Commission. Royal Commissions are Australia's highest level of inquiry. The terms of reference for the inquiry specifically reference whether the misbehaviour in the industry is "attributable to the particular culture and governance practices of a financial services entity, or broader cultural or governance practices in the industry or relevant sub-sector."

Just months into the inquiry, we're seeing significant damage to reputations and careers. Revelations include widespread cases of misconduct such as falsifying client documents and misleading regulators. So far, the casualties include AMP's chair and several board members, who resigned after AMP admitted lying to the Australian Securities and Investments Commission to cover up the fact it had charged customers for services that weren't provided.

AMP is not the only target of the inquiry. Data prepared by the Australian Government for the inquiry showed that more than 80,000 consumers were given bad advice over the past decade, costing them a total of A$5 billion.

Closer to home, the culture at New Zealand's Human Rights Commission (HRC) has also been under the spotlight. A Ministerial Review of the HRC's organisational culture was held after concerns were raised about the way the commission handled a sexual harassment claim.

HRC stakeholders interviewed for the review didn't hold back in their assessments of HRC's culture. "There's a culture of victimisation and secrecy, no one feels that they can speak the truth or be heard," said one responder. "Where there are issues people are scared to take them to their managers. Things could be solved in this place with a genuine apology, but they get escalated."

Another interviewee said while they didn't think sexual harassment was endemic at HRC, poor leadership and poor processes were. "New Zealand deserves more from its human rights watchdog. It needs leadership and culture which is responsive to victims, robust and clearly understood and owned by all. HRC needs to regain its moral leadership. It is just a brutal place to work at." 🅱

Blind spots in the supply chain

Icebreaker's former chief executive and chairman Rob Fyfe talks to *BoardRoom* about his ongoing involvement in addressing the problem of modern-day slavery.

AUTHOR
AMY WILLIAMS

Let's play a quick game. Look around and pick up an everyday object – a bag, pen or cup – then name the place it was made, and under what working conditions. Is it even possible to find out?

Rob Fyfe believes the issue of human trafficking and modern-day slavery is more invasive than most people realise.

"I personally believe that in every business, including the ones I work for, there will be slavery, there will be human trafficking somewhere within our supply chains," says Fyfe, who will represent New Zealand alongside the government at the next Bali Process Ministerial meeting in August, where this country's response in the fight against human trafficking will be presented.

"This isn't a priority for most New Zealand directors, it's quite a way down the list and I think most directors probably haven't got their heads around just what a risk this could be for their business at a brand level, which is ultimately at a real commercial level."

A believer in transparency on this issue, Fyfe will continue to represent Icebreaker and its new owner VF Corp on the issue of ethical supply chains.

US-based VF Corp's brands include The North Face, Timberland, Vans and Lee, and Newsroom reported it has been caught up in several cases of bad worker treatment in Asian factories producing its clothes over the last three years.

"When your brand or business is compromised because somewhere deep in your supply chain there's an issue, as VF got associated with this situation in Cambodia, that can have a real economic impact on your business and brand."

Fyfe says VF Corp, which has more than one million people working in its supply chain globally, believes that businesses need to take a lead on the issue of ethical supply and modern-day slavery.

"When you get to that level of scale you start to realise that you can really set an example and influence the way things are done in markets."

He says the challenge is to drive a standard level of practice all the way throughout the supply chain.

As New Zealand companies' supply chains continue to make headlines, Fyfe says people's response to concerns about ethical supply can either help address the problem or push it underground.

"If businesses, regulators and the media are all focused on enhancing transparency so we can identify where the failings are, it gives us an opportunity to address those failings and improve the situation for people."

He says the tone can be set in the boardroom.

"Those directors that have started to think about this, I suspect they are still grappling with [the question of] 'do I put my head up or am I better to keep my head down to make sure I don't make myself a target?'"

Fyfe says many business leaders he spoke with at a recent chief executive forum (which was also attended by the Institute of Directors' Chief Executive Kirsten Patterson) had not thought about where modern-day slavery could be happening in their supply chain.

"My strong belief is New Zealand holds its head really high as a country that has a strong human rights track record... and yet in this area, maybe because we don't perceive it's happening in our backyard, we're a laggard," says Fyfe.

"I actually feel somewhat ashamed that we're not taking a more dominant leading role on the world stage in this space." >>

> **"I personally believe that in every business, including the ones I work for, there will be slavery, there will be human trafficking somewhere within our supply chains. "**
>
> Rob Fyfe

When he was chief executive at Icebreaker, Fyfe would not bring a new factory into the supply chain until he had visited and then had an auditor review the workplace conditions.

He recalls a visit to Bangladesh three years ago that piqued his interest in the fight against modern-day slavery. Fyfe saw the inner workings of factories he would never do business with, and others that met international standards.

Rather than deciding to blacklist Bangladesh as a place to manufacture, Fyfe saw an opportunity to support a factory with world-class working conditions, including free on-site healthcare and childcare.

"You can come at it from a New Zealand Inc. standpoint and say this is a human rights violation at a level and scale that I as an individual, as a director, as a New Zealander, need to take a stand on," says Fyfe.

"This is a more important issue for the director community within New Zealand to take a stand and have a voice on." >>

01: Rob Fyfe
02 (Next page): Rob Fyfe visiting Bangladesh

02
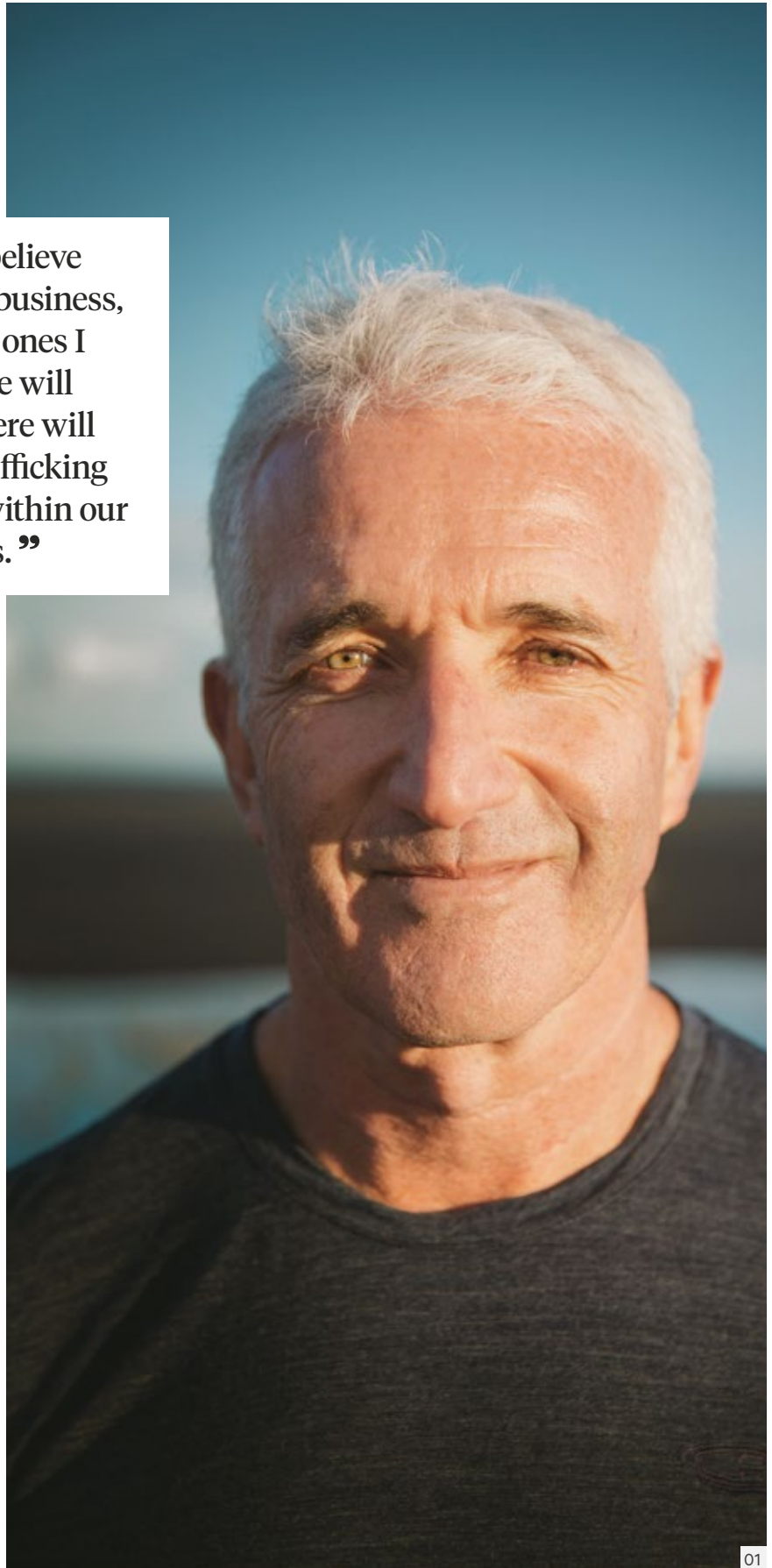
Rob Fyfe shares his top questions to ask around the board table

1. What actions have we taken to ensure there is no slavery, forced labour or child labour within our supply chain?

2. Do we regularly audit the working conditions at our suppliers' factories?

3. Do we require our suppliers to audit their suppliers and attest to the ethical conditions within their supply chains?

4. Have we established an ethical procurement process and standards within our business?

5. Have we audited our own recruitment standards to ensure there is no risk of unethical practices within our business?

The Bali Process

The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime is a forum for policy dialogue, information sharing and practical cooperation to help the region address the problem of modern slavery.

48+

It is co-chaired by Indonesia and Australia, with more than 48 members.

2000

Since its inception in 2002, the Bali Process has raised regional awareness of the consequences of people smuggling, trafficking in persons and related transnational crime.

In August, New Zealand business and government representatives will present a joint work plan to the Bali Process forum, which will include practical steps governments and businesses can take to end modern day slavery and human trafficking.

SAFE+
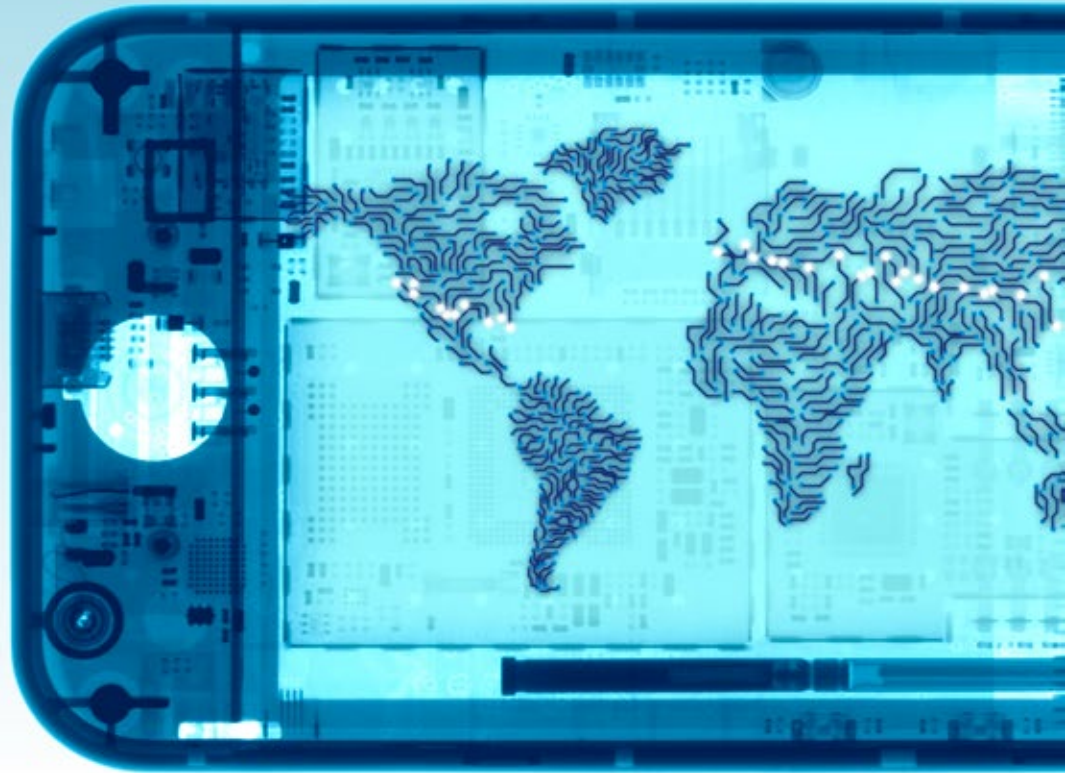MAKING HEALTH AND SAFETY WORK

Leadership

Worker Engagement

Risk Management

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Modern slavery legislation
putting the spotlight on business practices

MBIE looks at the issues of ethical supply chains, human trafficking and modern slavery. New Zealand businesses are having to adapt to new international legislation around modern slavery, but are they being proactive enough, or do they risk being left behind?

In the connected world of international trade, where goods and services travel fluidly across borders, legislative and social shifts from the other side of the globe can have an impact on business. One such growing movement aims to eradicate 'modern slavery', which calls for businesses to do more to eliminate labour exploitation from their supply chains.

A number of countries including the United Kingdom, the Netherlands, France and the United States, as well as the European Union, have strengthened legislation to encourage business to take action to eliminate 'modern slavery' in their companies and supply chains.

Consumers too increasingly want to see that the products they are buying are being ethically sourced, that no one is being exploited to bring them their cheap t-shirt.

Now with the Australian Government introducing their own modern slavery legislation to Parliament by mid-2018, following the release of their inquiry into exploitation called *Hidden in Plain Sight*, many New Zealand businesses may soon face additional demands to demonstrate their adherence to international standards of transparency. The question for businesses now is whether they're prepared for such scrutiny. >>

> " Worldwide, it is estimated there are 40.3 million people in modern slavery, with two-thirds of them in the Asia-Pacific region. "

Dr Rebecca Miller

So what should boards be asking their chief executives?

1 What policies do we have in place that state our position on human and labour rights?

2 Is this communicated to our suppliers, business partners, etc?

3 Have we conducted a risk assessment to identify areas of concern in our value chain?

4 What steps have taken place to mitigate these risks?

5 Do we have a system where employees or other stakeholders can report potential cases of exploitation?

MODERN SLAVERY IN NEW ZEALAND

While the term slavery may seem antiquated to some, in this case it includes the crimes of human trafficking, slavery and slavery like practices such as servitude, forced labour, forced or servile marriage, the sale and exploitation of children, and debt bondage.

These are practices which have persistently survived long after being outlawed in most countries and the abolitionist movements in the 1800s. Unfortunately, New Zealand is no exception when it comes to instances of modern slavery, says Dr Rebecca Miller, Manager for People Smuggling, Human Trafficking and Regional Cooperation at Immigration New Zealand (INZ).

"In the past there has been a certain amount of naivety in New Zealand, with many choosing to believe that these kinds of practices don't happen here, or that we're too isolated for crimes such as human trafficking and modern slavery to be taking place. Unfortunately, no country in the world is immune to these crimes, including New Zealand, as our recent cases have shown," says Miller.

The first person to be convicted of human trafficking in New Zealand was Feroz Ali, a Fijian national with New Zealand residence, in 2016. Ali was sentenced to a total of nine years and six months for enticing 15 Fijians to work in New Zealand after answering advertisements placed in Fijian newspapers by Ali's Fiji-based wife and sister-in-law. The workers borrowed large sums of money, indebting themselves, but when they arrived here they were forced to work for long hours, live in cramped conditions and paid little, if anything. One woman at trial testified that she was given $25 after pruning fruit every day for three weeks.

Another recent case investigated by Immigration New Zealand involved the exploitation of Filipino workers at 3 Kings Food in Birkenhead. One Filipino worker was doing at least 10 hours per day, six days a week, without any breaks, in what was described as "a form of modern slavery" by an Auckland District Court Judge.

"Human trafficking and slavery is an extreme form of exploitation," says Miller.

"It involves the manipulation of the victim, resulting in the serious undermining of an individual's personal freedom and ability to make choices for themselves through the use of threats, forms of coercion and/or deception. Our third human trafficking case is currently before the courts."

One recent Labour Inspectorate case involving a BP station in Hastings, found employees who said they were subjected to working conditions that verged on slavery. Two migrants were living on the floor of accommodation provided by the employer while paying excessive amounts in rent, despite poor living conditions. They were working 16-hour shifts, with lesser hours falsely recorded in the businesses records. The ERA ordered the company, Pegasus Energy Limited, to pay upwards of $132,000 in arrears to the two staff, and $120,000 in penalties.

"Worldwide, it is estimated there are 40.3 million people in modern slavery, with two-thirds of them in the Asia-Pacific region. New Zealand businesses have power to influence change that can impact people's lives. Our multinational companies, in particular, have a critical role to play in eliminating these practices in their supply chains, both here at home and in the businesses they work with overseas," says Miller. >>

WHAT WILL A SPOTLIGHT ON YOUR SUPPLY CHAIN SHOW?

The UK Modern Slavery Act introduced in 2015 has been far reaching, requiring companies with a physical presence in the United Kingdom, and a global turnover of £36 million or more, to report on the steps they are taking to eliminate modern slavery in their supply chains. Although only a small number of New Zealand businesses have been directly affected by this legislation, many which supply to UK and European customers are facing some form of third-party audits.

"With our trans-Tasman neighbours following the lead of the United Kingdom by introducing their own legislation these pressures could be felt much more widely," says Employer Systems & Assurance manager Tania Donaldson. Her team, part of the Ministry of Business, Innovation, and Employment, supports industry bodies and large businesses in New Zealand to get their systems in place in the human and labour rights area.

"It is estimated having Transparency in Supply Chains Statement requirements in Australia, similar to what the UK Slavery Act calls for, will affect between 500 and 1,000 New Zealand businesses directly, while having a significant further impact on New Zealand businesses as companies directly affected look for assurance that their suppliers are compliant."

Australia is New Zealand's second biggest trading partner after China, and our top destination for foreign direct investment, so any such laws could create an impact on New Zealand businesses.

"A requirement of the UK legislation is that these statements, saying what steps a company has taken to remove exploitation, are signed off by the Board of Directors. This carries a significant reputational risk – particularly if a company has taken no steps – and consumers are increasingly showing their support with their wallets, both at home and abroad," says Donaldson.

"If you look to the recent release of the Ethical Fashion report here in New Zealand, and the demands upon fashion companies to monitor their supply chains, you can see the direction this is going. In the report companies are not only requested to provide evidence of the systems and processes they have in place, but also to publish the names and addresses of their suppliers. With technological advances like block-chain technology, transparency and accountability this will increasingly be business as usual."

In the global market place it could soon be the case that if you can't demonstrate you are conducting business responsibly, or if poor news regarding the treatment of workers arises regarding your business, there could be very serious financial consequences. Companies affected by this legislation will simply choose to take their business to companies which have good systems in place, rather than risk tarnishing their brand, she says.

"For businesses to remain competitive in the future, they will have to do more than just offer the cheapest price, but demonstrate they have strong environmental and social governance, including when it comes to the well-being of workers. Not only does this help you manage these risks, having strong assurances in place can actually be a value-add for businesses, with increasing consumer demand for ethically produced goods. A brand built upon sustainability can open up new opportunities and potentially tap into new markets."

INCREASED RESPONSIBILITY FOR BOARDS

In addition to overseas anti-slavery legislation, a number of other developments and initiatives are raising the bar for businesses in regards to human and labour rights. For example, the Human Rights Commission is promoting the uptake of the UN Guiding Principles on Business and Human Rights (UNGPs) by the government and NZ businesses. The UNGPs state that governments have a duty to protect individuals against human rights abuses by third parties, including businesses, and that companies must respect human rights in all businesses regardless of size, location or structure.

The UN Sustainable Development Goals (SDGs) are also gaining ground. The 17 goals are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. A number of leading companies such as Air New Zealand, Sanford, and Vector are addressing the goals in their sustainability programmes, and more have pledged to do the same. It should be said that more than 90 per cent of the Sustainable Development Goals (SDGs) targets are linked to international human rights and labour standards.

What sets the anti-slavery legislation apart from these sustainability initiatives is the responsibility of boards. The UK Modern Slavery Act not only requires companies to produce a publicly available statement on the steps they are taking to eliminate modern slavery in their supply chains, but it also requires the statement to be approved by the board of directors and signed by the chief executive. ⓑ

The importance of ethical leadership

Are New Zealanders too polite to speak up when we see ethically murky behaviour at work? Are we too relaxed about formalising ethics? Dutch academic Karin Lasthuizen, who currently holds the Brian Picot Chair in Ethical Management at Victoria University's School of Management in Wellington, thinks we might be.

AUTHOR
KATE GEENTY

Karin Lasthuizen

asthuizen says ethical leadership is about cultivating organisational ethical behaviour through role modelling, communication and enforcement. Based on research she has done so far, Lasthuizen thinks New Zealanders find the enforcement angle of this the most difficult. "It's about discipline, rewarding good behaviour and addressing bad behaviour," she says. She thinks New Zealanders might be too reticent when it comes to questioning colleagues or employees if they see something that doesn't sit well with them. "In the Netherlands for instance, we are quite critical, direct, open, and this might be considered sometimes rude. Here in New Zealand, the culture is very polite. So people seem to find it more difficult to address others and say 'why are you doing this and why do I feel uncomfortable with it?'"

Lasthuizen says ethical leadership means those issues need to be addressed, and an ethical culture created "where we can have those conversations in a polite way and where we can give that feedback or have critical discussions. I don't have the answer yet as to why people here don't see that kind of question as the start of an open conversation."

Part of the reticence might come from a belief in the New Zealand business community that most people are decent and ethical, that ethics are implicitly understood and therefore aren't something that need to be specifically discussed and addressed.

Although New Zealand's public sector ranked the least corrupt in the world in Transparency International's last Corruption Perceptions Index, complacency remains a big challenge according to Suzanne Snively, the chair of Transparency International New Zealand. "Perhaps because of our high ranking, the prevention of corruption is too often a low priority. Work to enhance transparency must continue for New Zealand to maintain leadership in the fight against corruption."

Snively believes that New Zealand boards need to prioritise the policies and processes they require to manage bribery, corruption and fraud. "It is surprisingly hard to convince business to be proactive in strengthening their tone at the top, their culture, their internal prevention processes. With some rare exceptions, businesses seem to wait until they have a crisis or there is a legislative requirement before they focus on bribery, corruption and fraud."

It's not as if New Zealand is immune to corruption and fraud. One of the more high profile cases came before the courts last year, when former Ministry of Transport staffer Joanne Harrison was jailed for stealing more than $725,000 from her employer. Her misdeeds ultimately led to the Auditor-General stepping down and a review of legislation protecting whistle-blowers. >>

01: Suzanne Snively
02: Jane Arnott

❝ Millennials expect and want to be working in an ethical company where there is fairness ❞

Jane Arnott

At the time of Harrison's offending she was a senior manager at the Ministry of Transport. Her crimes included faking invoices and using the money to pay off credit cards and her mortgage. Colleagues brought Harrison's fraud to the attention of her then boss, Martin Matthews, but their concerns didn't lead to a robust investigation. Matthews later went on to become Auditor-General, but stepped down from that role after Harrison's conviction. At the time of his resignation he said he thought he had dealt appropriately with the concerns raised by the whistle-blowers. "She gave me explanations that I accepted. It turns out I was wrong, I should have been more suspicious."

The staff who spoke up about Harrison's fraud later claimed she had made their lives difficult at the ministry after they raised concerns. Some of them lost their jobs in a restructure Harrison was involved in. The State Services Commission launched an investigation into the treatment of the public servants involved. The legislation covering whistle-blowers, the Protected Disclosures Act 2000, is now being reviewed with the intention of bringing it into line with international best practice.

EXCEPTION OR THE RULE

The Institute of Business Ethics (IBE), whose purpose is to promote high standards of business behaviour based on ethical values, released its first New Zealand publication late last year, called *Setting the Tone: A New Zealand perspective on ethical business leadership*. The report, which included interviews with 24 senior New Zealand business leaders from a range of companies and sectors, found while many companies involved supported business ethics in principle, the implementation of a business ethics programme to help guide staff to do the right thing was the exception rather than the rule. "Some organisations believe they operate ethically without ever having a conversation about what that means in practice, for example, in areas like procurement, recruitment, or engaging with customers," the report states.

Rather than just expecting people to behave ethically, boards need to spell out ethical expectations and guidelines, and have ethical values sitting alongside business values when it comes to strategy, governance and decision making. "Those values should be embedded into organisational culture through a code of ethics supported by communication, engagement, training and reinforcement, leadership and an environment that supports speaking up, and risk assessment, monitoring and accountability," IBE's report says.

RISING EXPECTATIONS

Regulators are making it clear that taking a more formalised approach to business ethics is now an expectation. Having a code of ethics is expected for companies listed on the New Zealand Stock Exchange and it is also principle 1 in the Financial Markets Authority's *Corporate Governance Handbook*. The Institute of Directors has a Code of Practice for Directors that all members sign up to, and the IoD also covers ethics and culture in its *Four Pillars of Governance Best Practice for New Zealand Directors*.

It's not just regulators and membership bodies that expect high ethical standards. Employees also want assurances that they are working with and for ethical people. "There's a new generation of people coming along who want it. Millennials expect and want to be working in an ethical company where there is fairness, where supply chains are considered, where work practices are less about greed and more about integrity," says Jane Arnott, IBE's representative in New Zealand.

External stakeholders also expect businesses to be able to demonstrate a commitment to ethical values, says Transparency International's Snively. "Shareholders are increasingly looking for responsible businesses to place their investments, staff prefer to work somewhere ethical, customers prefer to buy from them, suppliers and distributors prefer to deal with them. With global, networked communications, society is better informed about the structure of sustainable investments, so they know when profits are only short-term and when a business is failing to do things to be sustainable and viable." >>

Snively believes there are opportunities for New Zealand businesses if they can demonstrate high ethical standards. "Corruption is a huge international problem, so if we were to grasp the nettle, so to speak, and decide to provide leadership at the top through board chairs, we could outpace the world very quickly."

She believes if New Zealand directors demonstrated more of a commitment to ethical leadership and values it would lead to more listings on the New Zealand share market and increased activity and interest from ethical investors, from overseas as well as New Zealanders. "There are just so many positive things that would flow on from it were boards to make ethical leadership the centre of their strategic planning, instead of a 'nice to have' or something to delegate to their human resources team. Human resources teams play an important role too, don't get me wrong, but the thing is, ethical leadership should be core to everything an organisation does." >>

What is ethical leadership?

IT GOES BEYOND COMPLIANCE WITH THE LAW

Business success cannot be achieved through a culture of fear or control, or ticking boxes for regulatory requirements. It has to be grounded in core values and an ethical culture.

IT SUPPORTS INDIVIDUAL DECISION-MAKING

Empowering people to make their own decisions while taking into account organisational values. Creative problem solving, reasoning and discretionary judgement based on ethical values needs to replace blind obedience. This gives employees the confidence to deal with situations that are not specifically covered in the 'rulebook' and encourages them that 'doing the right thing' is the right thing to do.

IT PROMOTES AN OPEN CULTURE

Where employees can ask questions and raise issues without fear or retaliation. This ensures that poor, unwise or non-compliant behaviour is reported and dealt with. Speaking up is seen as positive and encouraged. It enables early intervention and prevention and helps to protect a company's reputation.
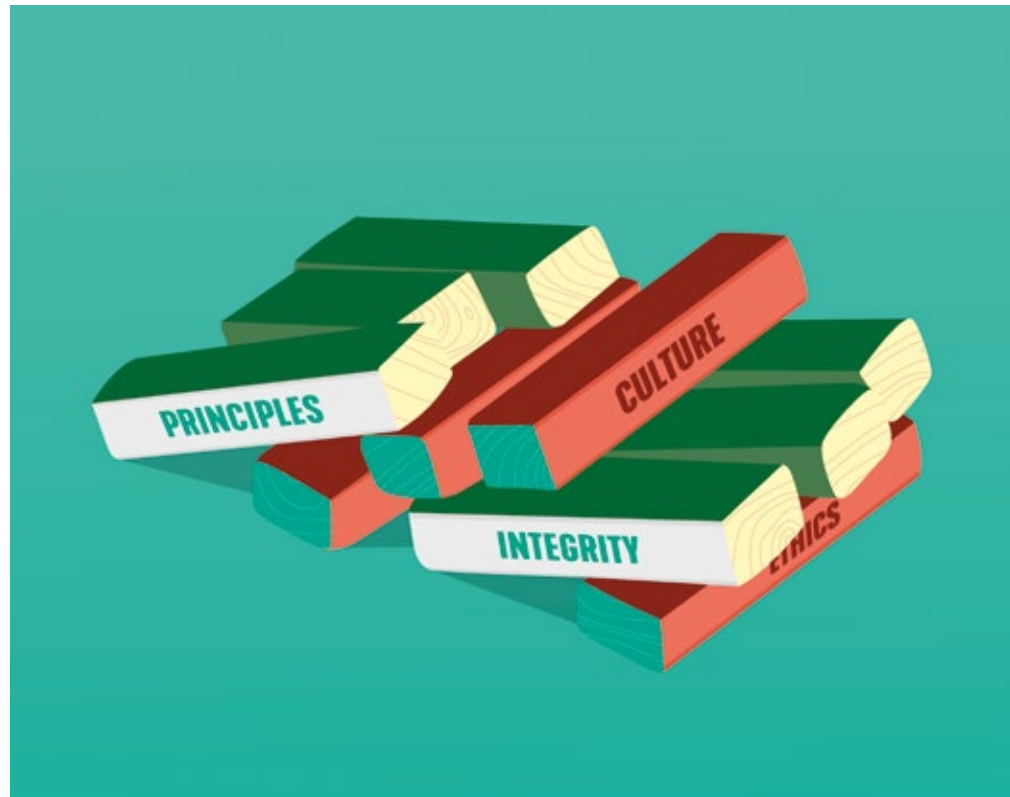
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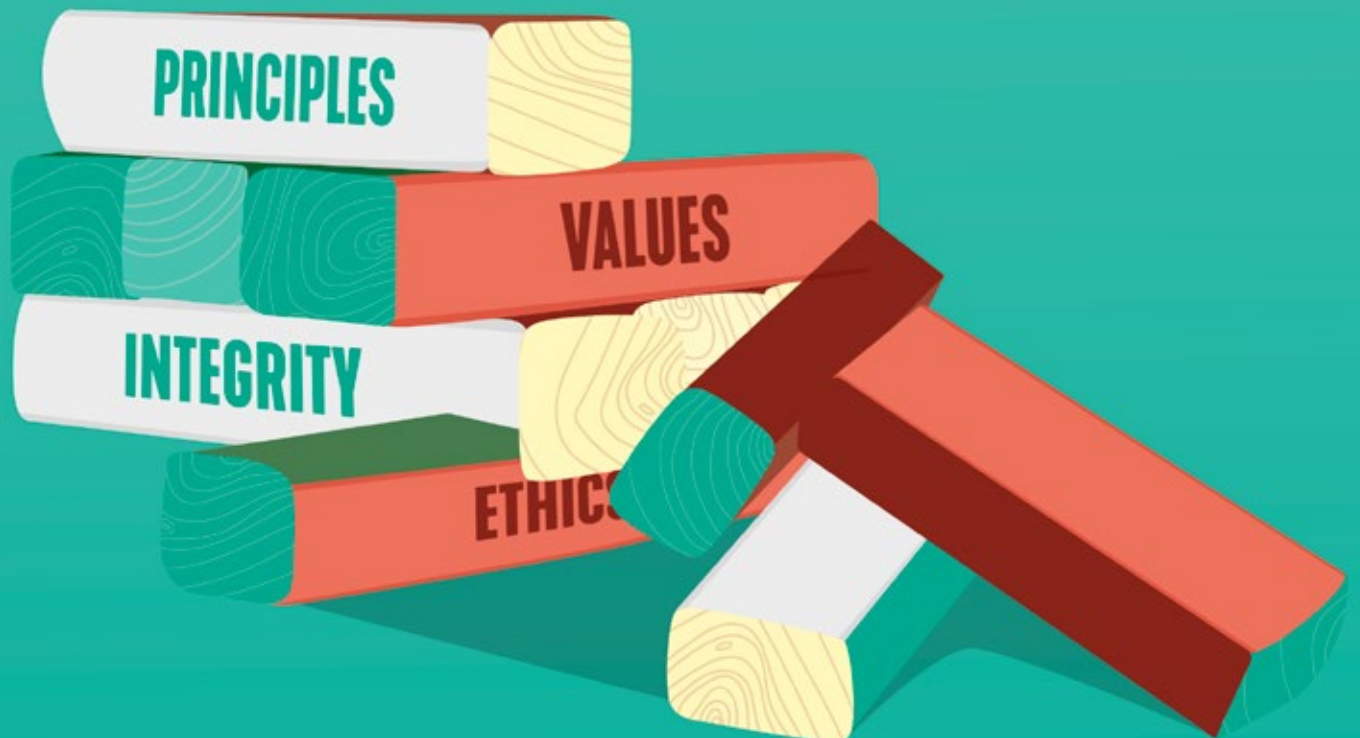
> "There are different ways to be a good person and there are different takes on ethics."

Karin Lasthuizen

PROVIDING ETHICAL LEADERSHIP

There is no one-size-fits-all approach when it comes to ethical leadership, no single checklist that can be applied to all organisations to tick off. What board members can do is create an ethical framework that encapsulates the values of their organisation and allows them to feed that ethos through the business.

There are key practical steps boards and their chairs can lead and oversee to make sure ethics are a core component of the way business is conducted throughout the organisations they work with, says Snively. "The fastest way to get up to speed would be for board chairs to take a real interest in this and put in regularly measured preventative measures. For example, the code of conduct is something that connects all divisions of the organisation. The values are something that everyone can sign up to. It takes tone at the top to say that this is important, and it takes tone at the top to actually be leading it, exhibiting it and illustrating that this is what they believe.

"The reality is, it's very easy to do," says Snively. "None of these things are hard. We're not asking for anything like rocket science, what is important is commitment."

One step a board can take is making sure it is getting all relevant information fed back from management. Snively says boards will enhance value if they empower their Audit and Risk Committee to start from the premise that business sustainability is its greatest risk, but that it can also be its biggest opportunity.

"Based on this, it then can build the framework for monitoring risk adapted to its business priorities. The information required for this more business-focused approach to risk, requires information from senior management that goes wider than what is provided through monthly accounting reports. The board has a role in motivating the chief executive to be engaged in generating knowledge about this and reporting about this."

Transparency International believes there are seven key actions to prevent bribery, corruption and fraud that all boards should enable. They are: setting the tone at the top; creating and communicating a code of conduct; up-to-date knowledge of relevant legislation and regulation; avenues for reporting breaches in ethical standards; due diligence of distributors, agents and joint ventures; corruption prevention, communication and training; and regular risk assessments.

PERSONAL VS BUSINESS ETHICS

Part of a board's role in providing ethical leadership is making sure that everyone is working under common guidelines, towards common goals. Lasthuizen says people tend to be passionate about their personal ethics, but everyone's personal ethics are different. "There are different ways to be a good person and there are different takes on ethics. Boards need to make sure there are ongoing discussions to make sure that those differing personal ethics can work together to become cohesive workplace ethics."

The first step is identifying the values that an organisation finds important. "The board has to be specific about the values they find important and how they can make sure there are discussions about them," Lasthuizen says. "Board members need to think about what other people need in order to get ethics more at the forefront of decision making. It's about how to discuss different kinds of values. That's maybe a different kind of approach."

The board also needs to make sure that its code of ethics, its core values, are part of an ongoing discussion throughout the organisation, about what those core >>

values actually mean – and not in a 'tick the box' kind of way. "It's about having an ethical dimension in all decisions. It's not just about how to avoid bad behaviour, but also how are people doing good things? For instance, being low on corruption doesn't mean you are high on ethics," says Lasthuizen.

She says that drafting an organisational code of ethics together with employees can be a strong instrument to create or strengthen an ethical climate. "But as they say 'a code is nothing, coding is everything', which means that it is all about discussing the relevant moral values and norms, and including specific moral dilemmas and approaches, even per unit or role, which makes it effective in raising ethical awareness and decision-making throughout the organisation. Also for boards, these discussions are relevant: 'what are our guiding principles and which ethical dilemmas occur within this board or as board members?'"

Including specific questions or examples in a code of conduct can be an effective way to make it come to life. In IBE's report, Z Energy CEO Mike Bennetts said the organisation had included an 'ethical test' in its code of conduct. "Three questions that people should answer when they face a difficult decision are: Does it feel right? Can I tell my grandmother? If it's in the paper, will I mind?" Bennetts said.

THE DANGERS OF 'DEAL FEVER'

Board members also need to be aware of how remuneration and bonus structures could influence the ethical behaviour of employees.

Arnott says directors need to understand that what is incentivised will be pursued. "People will seek to achieve, so directors need to be very, very in touch with what the unintended consequences can be of certain types of incentives. They need to look at where the effort is going into ensuring that the company's values are being honoured within the framework of what's being incentivised. It's trying to ensure there's a connection between 'here are our values' and 'this is what we are incentivising or building our bonuses around'. That's really important."

She says people are likely to put aside their personal moral standards at work if they think that is what is expected from their role. "It may be that a sales manager is incentivised on winning, so will operate at a level of almost moral blindness, because that person is hell-bent on winning."

Bruce Plested, the Executive Chairman and founding owner of Mainfreight, talked in the IBE report about the steps he took to minimise the risk of incentivised workers. He decided to scrap sales targets and replace them with a weekly profit report "that allows the board to maintain the watch over performance without creating pressure on people to compromise ethical standards." ⓑ

Building board culture

The Institute of Directors' *Four Pillars* says a functional culture is essential to a high-performing board. "Within the corporate structure, the board has the highest standards of accountability and liability while operating with the least amount of time and almost no day-to-day control. Sound board architecture and processes provide a platform for good governance but do not guarantee it. The key is to build and nurture a healthy operating culture with effective interaction between skilled and experienced people."

To read more from the *Four Pillars* go to **iod.org.nz/FourPillars.**

SOURCE: *THE FOUR PILLARS OF GOVERNANCE BEST PRACTICE FOR NEW ZEALAND DIRECTORS.*

People and IT risks at the fore

DENISE MOLLER,
MARKETING & COMMUNICATIONS
MANAGER, MARSH

I T and people risks are at the forefront of directors' risk concerns according to the fourth Directors' Risk Survey Report.

Run by Marsh in conjunction with the Institute of Directors (IoD), the results have once again reflected changes in the evolving local and global risk landscapes – with cyber, IT, talent attraction and retention and key person risks among the risks highlighted.

For the second year running, cyber was considered to be the biggest external risk affecting New Zealand entities with 86 per cent of directors rating cyber risks as medium or high. It was also seen as the biggest emerging risk currently facing organisations with 78 per cent of respondents.

This trend is unsurprising given the increasing amount of high profile cyber attacks around the globe, with cyber breaches recorded by businesses almost doubling since 2012. It is however the economic impact to organisations – estimated by the World Economic Forum to be between US$1.5 trillion to US$4

trillion – which really highlights the issue. It is expected that these losses will rise to as much as US$8 trillion over the next five years. In fact, Lloyds has calculated that the take-down of a single cloud provider could cause as much economic loss as US$50 billion to US$120 billion – somewhere between the losses recorded for Superstorm Sandy and Hurricane Katrina.

Thirty per cent of respondents said that did not have an effective risk management framework in place to manage cyber risk.

Key findings from the Global Cyber Risk Perception Survey, run by Marsh and Microsoft, show that only 35 per cent of New Zealand respondents were highly confident in understanding and assessing their cyber risks. Forty-three per cent of respondents did not assess the cyber risks of their vendors or suppliers and 25 per cent did not know if they were even exposed to any risks from their supply chain.

Boards must not only feel confident that there are plans in place to address and deal with cyber attacks, they must also understand the implications from the same happening to a supplier or vendor.

IT risks also featured in our top five key internal risks with disruption to business following a major IT failure, such as software issues, ranking second and loss of data, data corruption or failure of systems security or website security ranking third.

A key consideration here, in regards to the loss of data, is the incoming European General Data Protection Regulation that came into force in May 2018. The legislation impacts New Zealand companies doing business with EU countries. In addition, New Zealand is currently reviewing its Privacy Act to ensure that it keeps pace with changes to information and communications technology. Marsh anticipates therefore that there will be mandatory reporting of data breaches as part of this review. >>

IT IS PEOPLE, IT IS PEOPLE, IT IS PEOPLE

As a famous Māori proverb once said, the most important thing in the world is people – he tangata, he tangata, he tangata.

In 2018, people are at the forefront of the biggest internal risks facing directors and boards, with the loss of a key person ranked the highest and talent attraction and retention at number five.

Talent attraction and retention was rated the second largest emerging risk.

For many organisations their people are their key competitive differentiator, so making sure that current employees' needs are met and that there is an environment that is appealing to attract new people is imperative – especially given the growing war for talent.

Current research often refers to these talent imperatives as 'meeting the needs of the workforce of tomorrow'. The latest Global Talent Trends Study from Mercer tells us in this regard that "in exchange for committing to ongoing professional evolution, employees want flexibility in how, when and where to work. They want their careers to conform to their personal lives, not the other way around. They want a sense of well-being and purpose, which individuals experience through work in unique ways."

In essence this is a focus on workplace flexibility, meeting the diverse needs of people and a focus on employee wellbeing. For the 32 per cent of respondents who do not have procedures in place to manage their talent risks, this should be a key area of focus.

The death or permanent disability of a key person can also have a significant impact upon the continued success of a business – especially an SME. It can cause major financial loss, loss of confidence in employees due to lack of leadership and the opportunity for competitors to take advantage of the issues being experienced to snatch market share.

Having succession planning in place is an important part of managing this risk. In addition, you can provide financial protection by taking out key person insurance.

MANAGING RISK

Forty-two per cent of those responding to the survey stated that their board had an objective to become more actively involved in risk, while 29 per cent said that their involvement in risk was due to greater perceived risks in the current business environment.

The fact that our survey respondents increased from 415 in the last survey to 570 this year, certainly reinforces a greater interest in what is happening in the risk space.

In relation to how the board's role has evolved in terms of risk management, 23 per cent of directors said that their organisations did not have a clear board-approved risk strategy and there were several barriers as to why.

For over a third of respondents it was that other areas have greater priority, while 20 per cent stated that they had a general lack of awareness of key risk management concepts. Other barriers were around lack of resources, lack of senior management commitment, inability to model the magnitude of the risk and applying the current risk management framework to new risks.

Today's uncertain environment emphasises the importance of having a robust and proactive risk management framework in place to identify and mitigate risks and to seize any opportunities they may present.

One easy step to start addressing these barriers is to commence open discussions with your managers and advisors regarding loss scenario planning.

IN CONCLUSION

It was heartening to see that boards have a greater desire to become more actively involved in risk.

Whether it is IT or people-related risks, organisations that recognise the opportunities in innovating around corporate resilience, and can effectively identify emerging risks and integrate them into their strategic and operational planning, will be those that can more easily position themselves to improve their resilience and gain competitive advantage. ⓑ

Ranking of internal risk issues

1. Loss of a key person
2. Disruption to your business following a major IT disruption, eg software failure etc.
3. Loss of data, data corruption or failure of systems security or website security
4. Other
5. Talent attraction and retention

Ranking of external risk issues

1. Cyber
2. Brand and reputational risk
3. Disruption to your business following a major natural catastrophe, such as earthquake, flood or extreme weather
4. Financial risks
5. Increased competition

Ranking of emerging risk issues

1. Cyber risks
2. Talent attraction and retention
3. Increasing influence of social media
4. Earning volatility
5. Impact of disruptive technology

» A full copy of the *Directors' Risk Survey Report* can be downloaded from **marsh.co.nz/directors.**

Generations to come

Diverse experience, skills and backgrounds are valued around the board table. Amy Williams looks at what younger directors can bring to the mix.

We've all heard of the gender gap, but what about the age gap? As millennials become the dominant force in the workplace, companies with younger directors may have a distinct advantage.

Veteran director Ted van Arkel says senior directors bring important experience and wisdom to boards, but he is also aware of the need to help bring in new talent and fresh perspectives, alongside a push for broader diversity.

Van Arkel chairs Restaurant Brands and sits on the boards of both private and public companies, and says shareholders are looking for youth but also for people with some experience.

"There's more energy around the table and [young] people look at it from a different perspective, they are highly tuned with regards to the digital landscape," he says.

"It would be fair to say that we try to lower the average age rather than increase the average age around the table when there is a replacement director required."

Although there are no official figures mapping age diversity in New Zealand boardrooms, there are programmes that promote diversity of all kinds, including the Institute of Director's Future Directors programme.

Future Directors gives up-and-coming directors the opportunity to observe and participate on a company board for a year, while giving the company exposure to the benefits a young mind can bring.

These benefits include bringing a fresh perspective to the boardroom, tapping into the skills of a generation that does things differently, and seeing how age diversity can impact board dynamics – to name a few.

Van Arkel has been involved in mentoring new directors, including with Future Directors and also the IoD's Mentoring for Diversity programme, and says it's a two-way learning relationship.

"It was beneficial to me to stay in touch and see how they saw the world operating."

Exactly how are millennials redefining the workplace?

A KPMG study published last year in the UK, *Meet the millennials,* says Generation Y grew up in a time of rapid change, and have different priorities and expectations from previous generations.

The study says millennials want to know the reason before doing a task, they are job hoppers who stay in a role for a maximum of three years, are tech savvy and want to enjoy their work experience.

They are also less afraid to challenge the system and express what they are thinking.

In the push for diversity, age is recognised around the world as being an important consideration. A recent report by PwC in the United States, *A census of directors aged 50 and under*, shows 90 per cent of directors say age diversity is important – beating out gender, race and other forms of diversity.

"The younger generation has a huge amount to contribute and also has huge experience. I think when people hire a younger director they think they're getting someone with no experience and that's not the case at all," says James Bushell, 31, who chairs the Wellington Chocolate Factory and sits on a number of boards where he is the youngest director.

"When you start up your own companies you learn a lot of things the hard way and you're exposed to the entirety of a business."

The Wellington entrepreneur specialises in helping businesses be more sustainable and ethical and says age diversity is important in the same way as other aspects of diversity – it provides different perspectives.

"You're looking at a group of people who grew up in the digital age and so I think they do have different expectations as consumers and customers but also as a workforce," Bushell says.

"There's a greater likelihood that they will understand industry trends of being sustainable and ethical, and what's driving consumer and workplace decisions." >>

01: Vanessa Stoddart
02: James Bushell

> " The beauty of the age dynamic is it brings a perspective of today's customer and the future customer and the future employee "

Vanessa Stoddart

Vanessa Stoddart, 52, is also among the younger directors at some of the board tables she sits at, which include public, private, co-operative, and voluntary appointments – a broad range including chair of Global Women.

She says age needs genuine consideration within the wider diversity conversation, and prefers not to brand directors as being older or younger.

"We never talk about the older person at the board table, so why should we talk about the younger person at the board table? I don't think of them as younger, I think of them as another dimension at the table."

Stoddart says a director under the age of 40 is likely to bring a different perspective, being digitally savvy and clued up on the ways of their generation.

"The beauty of the age dynamic is it brings a perspective of today's customer and the future customer and the future employee," says Stoddart.

"We talk about the generation we see and know today, but our kids are going to be in a different world altogether and we need to think about the opportunities and implications that arise from that."

Michelle Frey won the IoD's Wellington branch's Aspiring Director Award last year and is deputy chair of the NZ Recreation Association and sits on the Central District Cricket board.

The 36 year old says age diversity goes both ways and seeking the opinions of those older and younger than herself is valuable.

"Having a range of generational perspectives is really important. To have insights from younger people who are more up to speed than others and not embedded in a way of thinking... but also with respect for experience and wisdom that comes with time," Frey says.

"It's really important to think that way for the longevity and successful succession of a business."

At the board table, Frey brings her own perspective and also thinks about those younger than herself: "To be able to look at a strategic discussion from 'how would a young professional react or respond to that direction?' That was often a talking point."

"For me it's about understanding your audience. Are you really sure what you're offering and the service you're providing is... have you got the hearts and minds of the people that subscribe to your organisation in your thinking?"

If younger directors can offer experience suited to a company's challenges and future direction, how can boards encourage appointments?

Stoddart says it needs to come from the top: "Success in all of this for me is that we have chairs championing for change. They've got to change the view that experience and wisdom only come with age. Younger directors can also bring experience and wisdom, it's just different experience and wisdom but sometimes more relevant depending on the business. Success is that you have both at the table." b

GLC Update

Legislative reform on the horizon

FELICITY CAIRD
GENERAL MANAGER,
GOVERNANCE LEADERSHIP
CENTRE (GLC)

Privacy reform well overdue

Privacy law reform is on the way with the Privacy Bill before the Justice Select Committee. It has been 25 years since the Privacy Act 1993 came into force. Since then, the rise of the internet and the digital economy have transformed organisations and the use of personal information. The Bill aims to modernise the privacy landscape in New Zealand, while retaining the 12 information privacy principles under the current Act with some alterations and additions. A key change discussed in the IoD's submission is the proposal to introduce mandatory privacy breach notification to the Privacy Commissioner and affected individuals.

Are you ready for GDPR?

Does your organisation have customers, clients or employees who are European Union (EU) citizens? The EU's General Data Protection Regulation 2018 (GDPR) came into force on 25 May 2018, and this far-reaching regime covers New Zealand organisations doing business with the EU and processing the data of EU citizens. Our DirectorsBrief *Are you ready for GDPR?* provides an overview of key elements of the GDPR, including data protection principles and steps to prepare.

Future proofing New Zealand's tax system

Nearly 7,000 submissions were made to the Tax Working Group on its review of New Zealand's tax system. It is important that our tax system is fit for purpose and sustainable going forward. New Zealand has a highly regarded tax system with many strengths. However, we need to consider what can be improved to ensure it is future proofed. Our submission comments on the review at a high level and:

- supports the current broad base, low tax approach for the tax system
- welcomes the Government's initiative to explore the rate of company tax
- supports GST applying broadly with no new exceptions
- emphasises that no new taxes should be introduced without comprehensive analysis, justification and consultation

An interim report from the Group is due in September 2018.

Governance developments

The Justice Committee reported back to the House in June on the Trusts Bill. Our DirectorsBrief *What's changing for Trusts?* published in May looks at some of the key features in the Bill that trustees should be monitoring.

In April, the IoD submitted on the State Sector and Crown Entities Reform Bill which will impact the role of Crown entity boards. Our DirectorsBrief *Diminishing the role of Crown entity boards?* discusses the key proposed changes in the Bill. In May, the IoD appeared before the Governance and Administration Committee to advocate for change to the Bill. The Committee is due to report to the House by 20 August 2018. >>

Ambitious NZX looks overseas

NZX CEO Mark Peterson has been in the role for over a year and recently spoke at a Wellington branch event about NZX's refreshed strategy to simplify and grow its business. NZX's strategy centred around four key themes:

refocus on core business such as improving customer relationships and increasing liquidity in secondary markets. NZX has also divested non-core products such as its former newspaper *Farmers Weekly*

growth opportunities with dairy derivatives, debt and environmental and energy offerings.

maximise options including SuperLife, Smartshares and Wealth Technologies

get fit for the future by focusing on managing costs and capital investments.

NZX is also looking to create scale via alliances with global exchanges. Earlier this year, it entered into MOUs with exchanges in Hong Kong and Singapore. Under the MOUs, the parties will promote market development initiatives in a range of areas including foreign investment, derivatives, depository receipts, listed debt, dual listings and exchange related funds. They also agreed to share information on green finance and sustainability initiatives.

As part of its strategy, NZX is reforming its Listing Rules. The main change is that the NXT and the NZAX will be consolidated into NZX Main Board. Other proposed changes include introducing:

new eligibility rules for listing (ie requirements for 300 financial product holders, 20 per cent free-float and a minimum market capitalisation of $15 million)

more expansive continuous disclosure obligations capturing constructive knowledge of directors and officers. This would be a significant change and would include situations when issuers ought reasonably to have come into possession of material information

shareholder approval for transactions that significantly change the nature or scale of the issuer's business (in addition to the current major transactions rules)

a requirement to publish preliminary half-year financial statements (and removing the requirement to publish a separate half-year report)

a requirement for issuers to have only one New Zealand resident director (down from two)

a requirement for a minimum of two independent directors (and new requirements around who is *independent* in the NZX Corporate Governance Code).

The IoD's submission is available on our website. The new Listing Rules are expected to be finalised later this year and will come into effect in 2019.

Culture and conduct lessons from APRA's inquiry into CBA

Australian banks have been subject to considerable scrutiny in this year's Royal Commission. Before this began, the Australian Prudential Regulation Authority (APRA) initiated an inquiry into a number of high-profile conduct and compliance incidents at the Commonwealth Bank of Australia. In April, APRA published its report with findings and recommendations to improve the bank's frameworks and practices in relation to governance, culture and accountability. APRA found that the bank's continued financial success "dulled the senses" of the institution, including the board and board committees. APRA's media release on the report notes that a number of prominent cultural themes were found, "such as a widespread sense of complacency, a reactive stance in dealing with risks, being insular and not learning from experiences and mistakes, and an overly collegial and collaborative working environment which lessened the opportunity for constructive criticism, timely decision-making and a focus on outcomes." There are learnings for boards and board committees especially around the oversight of emerging non-financial risks. The report is available at **apra.gov.au**. >>

AI and ethical challenges

Nobody can predict with any certainty how Artificial Intelligence (AI) will transform our future. However, we can be sure the reach of AI will continue to grow and at an increasing pace. AI has significant potential to positively change business and society but it also comes with challenges, including ethical considerations. In developing AI systems, boards and organisations will need to consider, for example:

who is going to be impacted by AI?

how will AI bias be eliminated?

how will control be maintained?

who will be accountable for decisions made by AI?

how will unintended consequences be prevented?

The Institute of Business Ethics has released a framework of fundamental values and principles for the use of AI in business (available at ibe.org.uk).

AI opportunities and risks for New Zealand

The IoD welcomes the AI Forum's recently published reports into AI and its opportunities and potential impact on New Zealand's future (available at aiforum.org.nz). We raised awareness of these issues in our AI call to action paper in 2016 and it's great to see progress in this area.

» All GLC resources and submissions are available on our website **iod.org.nz.** We will keep members updated on the progress of these legislative and regulatory reforms.

Business Ethics Briefing **ibe**

Briefing

Business Ethics & **Artificial Intelligence**

IBE interactive framework of fundamental values and principles for the use of Artificial Intelligence (AI) in business.

Encouraging organisations to engage in a multi-stakeholder dialogue that always considers commitment to ethical values in the application and impact of AI developments

A — Accuracy »
R — Respect of privacy »
T — Transparency »
I — Interpretability »
F — Fairness »
I — Integrity »
C — Control »
I — Impact »
A — Accountability »
L — Learning »

The full IBE briefing can be found at **ibe.org.uk**

Think outside the square
for CPD

Professional development doesn't have to be onerous. Tapping into what your fellow directors are doing for continuing professional development (CPD) is a good way to get you thinking about the many ways you could meet your CPD requirements.

01: Tom Nickels
02: Kylie Clegg

Institute of Directors (IoD) Member Kylie Clegg, who sits on the board of Auckland Transport and is deputy chair of the Waitemata District Health Board, says some of her most beneficial governance learning has come through the mentoring she has received from an experienced chair. "It's been invaluable to more fully understand the rationale for why a decision was made, or how to navigate conflicting advice, or the myriad of other governance issues we have discussed," Clegg says.

Taking a board-wide approach to continuing professional development (CPD) can also be helpful in making sure all directors are up to speed with evolving corporate governance issues, Clegg says. "I have been part of a board exercise where directors and senior management undertook a simulated virtual cyber security attack. It gave directors far greater insight into the complexities of dealing with a cyber security attack

and the skills required to respond to an attack."

IoD Chartered Member Tom Nickels, who is Managing Director at Waste Management New Zealand and sits on a number of other boards, also believes there is merit in taking a board-wide approach to professional development. "The best example that I've experienced in this area was with Transwaste Canterbury, where the board has participated in a study tour beyond the Australia and New Zealand region. Looking to see new technologies and approaches, this board visited the USA several years ago and then last year it visited China. A deeper level of combined understanding is achieved when the board invests in a substantial study tour."

Nickels also recently went on a CEO/ director study tour of the Tesla facilities in Fremont, California, and Reno, Nevada. "At Waste Management we've been pursuing a strategy of electrifying our fleet and to

see and appreciate the approach taken by Tesla in developing EV cars, trucks and batteries as well as witnessing their pervasive corporate culture, scale of investment and application of technology was enlightening."

His approach to CPD is to look for activities that will expand his thinking and help him better appreciate opportunities and threats to the companies he is involved with. Last year he attended the World Business Forum in Sydney, which had world-leading presenters from the likes of Apple, Wikipedia and Facebook. "I haven't taken so many notes since uni," he says.

Closer to home, he says IoD's annual conference three years ago opened his eyes to the rapidly rising threat of cyber crime. "This experience became the catalyst for a review of our status and the development of our cyber defence roadmap, which we have implemented with vigour." >>

As well as study tours and conferences, panel discussions and workshops are also useful ways of tapping into fellow directors' knowledge and experience. "It's helpful to hear war stories where things have gone wrong or how different boards are analysing emerging issues," Clegg says.

Clegg believes that continuing to learn is non-negotiable if you want to add value as a director. "Strategy sessions with world-leading experts help us as a board challenge our thinking and be open to opportunities about how to shape the future strategic direction. I've found these experts very willing to share ideas such as how mobility-as-service and precision driven medicine and different models of care can help tackle big transport and health issues."

WHAT COUNTS TOWARDS CPD?

IoD Members, Chartered Members and Chartered Fellows need to build up 60 CPD points in what is called their foundation period, which is three years from the date they join the organisation. After that, they must maintain 60 CPD points on a rolling three-year basis. Members are responsible for managing and upkeeping their CPD points.

There's a wide range of activities that can count towards CPD points, and they are not limited to IoD events and courses. All governance activity that you undertake to keep yourself up to date and improve your performance in the boardroom counts towards your professional development.

The IoD has recently released a guide called *All you need to know about CPD*. It outlines the kinds of activities that count towards your CPD, and also has guidelines on how many points to allocate for different activities. ⓑ

ALL YOU NEED TO KNOW ABOUT
cpd
Continuing Professional Development

Institute of Directors

» For more information about CPD, and to see the new guide, go to **iod.org.nz/cpd.**

Examples of point allocation from the updated CPD guide

BOARD DEVELOPMENT

BoardRoom development for your board bringing in external experts/facilitators	2–5 points per presentation	
Formal board appraisals and reviews	5 per review	
Follow up facilitated session on board appraisal reviews	5 per follow up	
Structured board induction	5 per induction	**10***
Research on new legislation or a specific regulatory change affecting the governance of you organisation	5	**10***

LEARNING EXPERIENCE

Learning experience from extended board activity – completion of a CPD self-reflection	Max 10 CPD points per annum	
Mentee learning	5 per formal meeting	**15***

* maximum CPD points per annum

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Institute of Directors

Reading company ethics
from the boardroom

Ethics underpin long-term corporate value. Falling down on ethical practices can very quickly erode your licence to operate. Getting a clear picture at the boardroom table of ethics across complex organisations can be a big challenge. KPMG Partner Matt Prichard looks at some of the boardroom signals that might be visible of problems down the layers of the organisation.

DISCUSSIONS ON ETHICS IN THE BOARDROOM

Discussions that actually occur in the boardroom are the most obvious source of information for directors on the ethics of an organisation. They're also at the highest risk of being window-dressed by those preparing or presenting the materials.

Nevertheless, our experience is that some boardroom discussions are revealing of ethical issues further down in an organisation.

For example, board-level policy settings can cause an organisation to change direction, for better or worse, on ethical matters.

A key board-level discussion is the boundaries of the organisation's responsibility for ethical matters. Are you dealing only with matters inside the organisation, or do you have a wider responsibility for ethical dilemmas?

Industries like tobacco, alcohol and gambling have long faced the awkward fact that communities hold them responsible for the potential harm from misuse of their products. Responsible lending requirements on banks, waterways and emissions requirements on agribusinesses, and sugar or other health considerations for food companies

are all examples of society placing a higher ethical burden on a wider range of companies for what happens after the point of sale.

The tone you set here matters.

A number of those industries have had big gains in engagement of their people and their communities by making a very visible statement at board level.

'We're not doing that anymore' statements can be a huge sigh of relief for staff who have had nagging concerns, and raise an audible cheer from communities.

Often that kind of commitment has to come first from a strong board challenge.

CHOOSING AND CHECKING YOUR CEO

More than any other individual, your CEO influences the ethics of your organisation. Selecting a CEO is perhaps the board's most important role.

CEOs have to bring big brains, and the ability to execute on strategy. Those things are often evident in CVs and testing processes.

How much effort and energy do we put in to measuring and assessing whether the CEO's heart is as big as their brain?

CEOs without the right IQ/EQ balance have a high risk of giving poor ethical signals to the team around them, or >>

missing the signals of ethical issues in the layers below them.

Those same CEOs will be defensive to unexpected boardroom questions on conduct, product impact, or environmental or community impact, because they have a narrow focus on the easier to measure and execute aspects of their role.

Another signal is how much control they exercise over the content and presentation of matters to the board. Are things reviewed and rewritten by the CEO? Are people rehearsed by the CEO? It's not unheard of, and it's not healthy.

THE TEAM AROUND THE CEO

Even the best CEO, with a clear moral compass and strong ethics can make the mistake of surrounding herself with a team without the strength and diversity of views to question and challenge.

A board which engages with the broader executive team will have a sense of that balance and diversity.

A good CEO without that diversity faces the risk that the clever people around her deal with serious ethical challenges without bringing them to the CEO.

SAFE TO FAIL? NOT ON ETHICS

Much emphasis has been placed on the need for it to be 'safe to fail' inside organisations to encourage innovation.

It's essential that people are encouraged to take risks with product or process changes that have 'limited blast zones' – try something, fail fast, learn fast, etc.

That shouldn't be confused with tolerance for ethical failure.

Nothing makes its way around an organisation faster than the outcome where someone has done something that truly crosses the ethical line.

Ethical failures that impact on a person's co-workers, or the organisation's customers, can't be tolerated. It's essential to create an environment where people call out ethical issues.

A CEO who personally dismisses the person who behaves unethically with a customer makes an instant statement to the whole organisation.

A CEO who stays uninvolved or agrees to forgive below-the-line behaviour, either to protect a valuable high performer or simply to avoid unpleasantness, gains an even faster brand, and sets the tone for every layer of leadership within the organisation.

CHALLENGE FOR THE BOARDROOM

Ethical issues don't tend to be signposted as agenda items in our board papers. Strong boards ferret them out within the matters being brought to them, and actively go looking for them in the character and behaviour of the CEO and executive team. ⓑ

KPMG

Health and Safety Act
shows its teeth

Ryan Clark, NZI's National Manager, Liability, discusses the importance of insurance cover for statutory liability.

The complexity and risks of running a business in New Zealand's highly regulated environment are increasing and I urge businesses to prioritise and manage their health and safety responsibilities.

Our experience over the past two years (since the new Health and Safety Act came into force) confirms that businesses and individuals are now facing greater exposure. Under the new Act, businesses have increased responsibilities, and face stiffer consequences, and anyone in a position to exercise significant influence on the management of the business is now more likely to be personally liable.

It's not just limited to the workplace; commercial property managers and body corporates are included, and charities, volunteer organisations and clubs are also affected if they employ one or more people. It only takes one employee for the organisation to come under the new law.

Fines under the Act are now up to $600,000 for an individual and $3 million for an entity – about six times higher than previously.

Since the changes it's become evident that the new Act does indeed have teeth.

WorkSafe has been increasing its enforcement activity; in March this year there were over 800 enforcement actions, compared with around 400 in prior months. As notifiable incidents and fatalities remain stubbornly high, WorkSafe is pursuing enforcement more aggressively to try and force change. Prosecutions are becoming more difficult and complicated to defend, and the outcomes less certain.

One company has recently been sentenced following the death of a worker in 2016. The worker died while operating machinery and WorkSafe prosecuted the company for failing to develop and implement a safe system of work.

The company ended up with a fine of almost $380,000 and had to pay reparation of over $1.1 million. This signals a significant change in amounts awarded, but does not include the cost of managing the legal defence or the time and disruption for staff and management's involvement in the process.

Businesses are able to protect themselves against the cost of reparations and legal defence through statutory liability insurance. If a business holds an appropriate NZI Statutory Liability policy it can get access to highly experienced legal teams and the cost of mounting a defence, as well as being covered for reparation payments. Fines, of course, cannot be provided for by insurance.

It's now more important than ever for businesses to ensure to seek advice on the right insurance protection for their business, as part of a broad risk-management programme. They need to consider putting in place an appropriate statutory liability insurance solution with an insurer that has the experience and resources to provide meaningful help when needed.

However, insurance is only part of the solution, and it is even more crucial that the right steps are taken to prevent accidents from happening, and to demonstrate a business' compliance with its legal obligations.

Buying insurance is a means of transferring risk, but it does not prevent things going wrong. NZI is encouraging businesses to be proactive with their risk management strategy, including buying insurance, but also, and more importantly, investing in their businesses to create a safety culture.

Initiatives such as Safetree, that provides health and safety information for the plantation forest industry, are a great example of how industry, business and regulators have worked together to build a safety culture to make sure workers get to go home at the end of the day.

Boards have a governance responsibility to ensure a safe workplace, but they also have a duty to protect its financial position. They must also provide cover for employees, management and directors in carrying out their various functions.

Serious consideration should be given by boards on a regular basis in setting and monitoring their risk management policies and frameworks, to create a safe working environment and to manage or transfer risk. A well-designed insurance programme, put together with the help of your insurance advisors, is an important part of such a risk management programme.

At NZI, we are continually seeking to challenge ourselves as to how we can best provide insurance solutions that support businesses in an ever-changing, dynamic environment. We want to help New Zealand's businesses to make the world a safer place. 🔵

> **"Fines under the Act are now up to $600,000 for an individual and $3 million for an entity."**

Events**diary**

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

June

26 Auckland
Reporting to the board

27 Auckland
Governance Essentials

27 Hamilton
Rural Governance
Essentials

27 Wellington
Governance CV workshop

28 Auckland
Finance Essentials

28 Whangarei
Next Generation Director
evening workshop

28 Nelson
Networking lunch with
Traci Houpapa

28 Hamilton
Finance Essentials

28 Tauranga
Culture and ethics
workshop with IoD
Chartered Member and
Tauranga branch chair,
Dr Bev Edlin

29 Hamilton
Strategy Essentials

29 Auckland
Breakfast with Hon Grant
Robertson

July

2 Auckland
Chairing the board

3 Auckland
After 5 with Professor
Ingemar Dierickx

3 Wellington
Integrity and conduct
in the public sector –
governance in
the fishbowl

3 Blenheim
A presentation of the
Sheffield Leadership
Survey: Leaders under 50

3 Hamilton
Lunch with Neil Quigley

4 New Plymouth
Finance Essentials

5 New Plymouth
Reporting to the board

5 Tauranga
New members dinner

6 Auckland
Embarking on a
governance career,
director accelerator lunch

9 Christchurch
Informing Influencing
Techniques – part two,
workshop with Professor
Ingemar Dierickx

9-13 Wellington
Company Directors'
Course – non-residential

10 Palmerston North
An audience with
Rob Campbell

24 New Plymouth
Public Private
Partnerships, discussion
with Forsyth Barr director
Rob Buchanan and
New Plymouth mayor
Neil Holdom

25 Wellington
Transitioning on to
a New Zealand listed
company board,
After 5 with Dame
Therese Walsh

25 Auckland
Advanced health and
safety governance

26 Auckland
Digital Essentials

26 Wellington
New member
welcome event

26 Rotorua
Te Arawa Iwi Governance
Panel Discussion with
Gina Rangi, Karen Vercoe,
Lana Ngawhika and
Piki Thomas

31 Auckland
Governance Essentials

31 Dunedin (and via video
to Queenstown and
Invercargill)
An audience
with Kathy Grant

August

3 Christchurch
New members lunch –
An opportunity to learn
more about the IoD
and network with other
members

9 Christchurch
Panel discussion on
Governance and failure,
with University of
Canterbury Business
School's Associate
Professor Ekant Veer

9 Nelson
Marlborough branch
networking lunch with
guest speaker Air New
Zealand Chief People
Officer Jodie King

9 Wellington
Chartered Membership
pathway

14 New Plymouth
Directors setting the tone
at the top for transparency
and accountability, with
Suzanne Snively

23 Tauranga
Bay of Plenty branch
Annual Awards Dinner
with special guest
speaker, Sir Mark
Solomon KNZM

29 Tauranga (and via Zoom
to Whakatane)
Developing and governing
a successful family
business with Allan
Scott, Owner and Director
of Allan Scott Wines

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BRANCH EVENTS
» For information on member
events in your area,
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Webinars

Live webinars are facilitated by subject matter experts, and themes from
your questions and comments are addressed live during the sessions.

July 3 Risk Trends; 10.30–11.30am; 2 CPD points

What Matters

Integrity and conduct in the public sector – governance in the fishbowl

Free live webcast
Ethical behaviour and a healthy corporate culture are critical
to organisational success and trust in our institutions. Boards
today are under increasing scrutiny from shareholders and other
stakeholders to set the tone and ensure ethical behaviour. In the
public sector there can be greater expectations and scrutiny, and
boards can feel like they are operating in a fishbowl.
The panel will discuss integrity and conduct in the public sector,
covering a range of topics from workplace harassment and sensitive
expenditure to fraud and whistleblowing. You can attend the event
in person at the Wellington Club, or via a live webcast.

July 3 The Wellington Club, Wellington, 5.30pm–7.30pm,
webcast from 6.00pm–7.00pm.

» Go to **iod.org.nz/what-matters** for more details and to register.

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26 Wellington

September
2 Auckland
16 Queenstown
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October
14 Queenstown
28 Queenstown

November
4 Wellington
11 Waiheke Islan

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Health and safety governance
3 CPD points

Ethics – how directors do business
3 CPD points (free until 30 September)

Directors' and Officers' insurance
2 CPD points

Not-for-profit fundamentals
3 CPD points

Cybersecurity
3 CPD points

Out & **about**

02

Nelson Marlborough

It was a full house for the joint IoD and Business Leaders' Health and Safety Forum panel discussion hosted by the Nelson Marlborough branch in May. The panel included Nelmac chief executive Lee Babe, the forum's managing director Francois Barton and WorkSafe chief executive Nicole Rosie. The event provided members with useful resources for developing their leadership of health and safety management. Our thanks to Nelmac for sponsoring the event.

03

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Auckland

Spark's Managing Director Simon Moutter spoke at a breakfast event on 13 April about Spark's approach to digital disruption and innovation, using Agile methodologies.

06

Blenheim

Foodstuffs South Island chief executive and IoD Chartered Fellow Steve Anderson spoke to a Nelson Marlborough IoD branch networking lunch in May about how the South Island's largest grocery chain successfully managed its way through a series of crippling earthquakes and kept food supplies rolling throughout. His presentation included fascinating footage and key learnings that really resonated with the audience. Grant Rosewarne, chief executive of NZ King Salmon, which sponsors our branch, formally thanked Steve for his talk.

07

08

Otago Southland

Joan Withers presented at a lunch event in Queenstown on 30 April about 'Why governance is better than it has ever been'. Joan delivered a thought-provoking presentation to a very well-attended event.

09

10

01 (From left) Nelmac Chair Robert Gunn and Chief Executive Lee Babe, Business Leaders' Health and Safety Forum Managing Director Francois Barton and WorkSafe Chief Executive Nicole Rosie.

02 Peter Vial receiving his Chartered Member certificate from IoD President Liz Coutts.

03 Clayton Wakefield, event chair.

04 John Harvey receiving his Chartered Member certificate from IoD President Liz Coutts.

05 Simon Moutter presenting.

06 Brent Impey introducing Simon Moutter.

07 Hetty van Hale and Carl Carrington.

08 Duncan Fea presenting a Chartered Member certificate to Michelle Henderson.

09 Duncan Fea presenting a Chartered Fellow certificate to Peter Carnahan

10 Mark Verbiest, Hetty Van Hale and Joan Withers.

Out & **about**

IoD Annual Leadership Conference 2018

We held our annual conference at SKYCITY in Auckland on 10 – 11 April. We had almost 600 attendees listening to a lineup of international and local governance and technology experts.

01

04

02

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01 British economist and author of *The Production of Money,* Ann Pettifor, spoke about financial trade and globalisation and the economic and political risks that lie ahead.

02 A virtual reality experience for delegates.

03 Tomicah Tillemann, Director of Bretton Woods II programme at New America and founder of the Blockchain Trust Accelerator, talked about blockchain and the effects it will have on business models and strategies.

04 CEO and co-founder of Conscious Consumers, Ben Gleisner, spoke about how to look at your company's purpose and measure its impact.

05 IoD Chief Executive Kirsten Patterson (KP) addresses the crowd.

06 Venue being set up.

07 Panel discussion on Embracing innovation: the board's perspective, with (left to right) Tomicah Tillemann, Peter Bailey, Melissa Clark-Reynolds, John Quirk and Dr Helen Anderson.

08 CEO and co-founder of Soul Machines, Dr Mark Sagar, spoke about AI innovation and digital humans.

Save the date

Next year our annual leadership conference will be held on 2 – 3 April at SKYCITY, Auckland.

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