APRIL/MAY 2016

boardroom

Magazine of the Institute of Directors in New Zealand

LESSONS FROM ACROSS THE TASMAN

Elizabeth Proust on her career and key issues for boards

AN AUTOMATED FUTURE

FONTERRA GOVERNANCE REVIEW


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Magazine of the Institute of Directors in New Zealand

A note from the editor

Welcome to the second issue of *board***room** for 2016 – my first as editor. I look forward to delving into topics that members need and want to know about, so that you are ahead of the curve and well informed about the issues that matter.

We know that diversity in the boardroom will continue to be a key topic this year, so we took the opportunity to ask the AICD's new chair, Elizabeth Proust, about this and other issues directors need be thinking about.

Technology and cyber-security present big risks and opportunities in the business world, so look out for content in this issue that examines both sides of the coin. There is much to learn about the developments in the realm of automation from Brad Kreit. Our Governance Leadership Centre team have their heads in technology space also and examine how data breaches might impact privacy law in New Zealand.

I welcome feedback from readers; if there are topics that you want to see covered in *board***room**, please feel free to drop me a line.

Emma Sturmfels
*board***room** Editor

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Institute of Directors (IoD)

*board***room** is published six times a year by the Institute of Directors in New Zealand (IoD) and is free to all members. Subscription for non-members is $155 per year.

*board***room** is designed to inform and stimulate discussion in the director community but opinions expressed in this magazine do not reflect IoD policy unless explicitly stated.

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*board***room** is designed by Strategy Design & Advertising, strategy.co.nz

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The Institute of Directors has staff based at the National Office in Wellington, an office in Auckland, and eight branch managers operating from their localities. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 45

*board***room** is pleased to acknowledge the support of sponsors ASB, Marsh, Chapman Tripp and KPMG.

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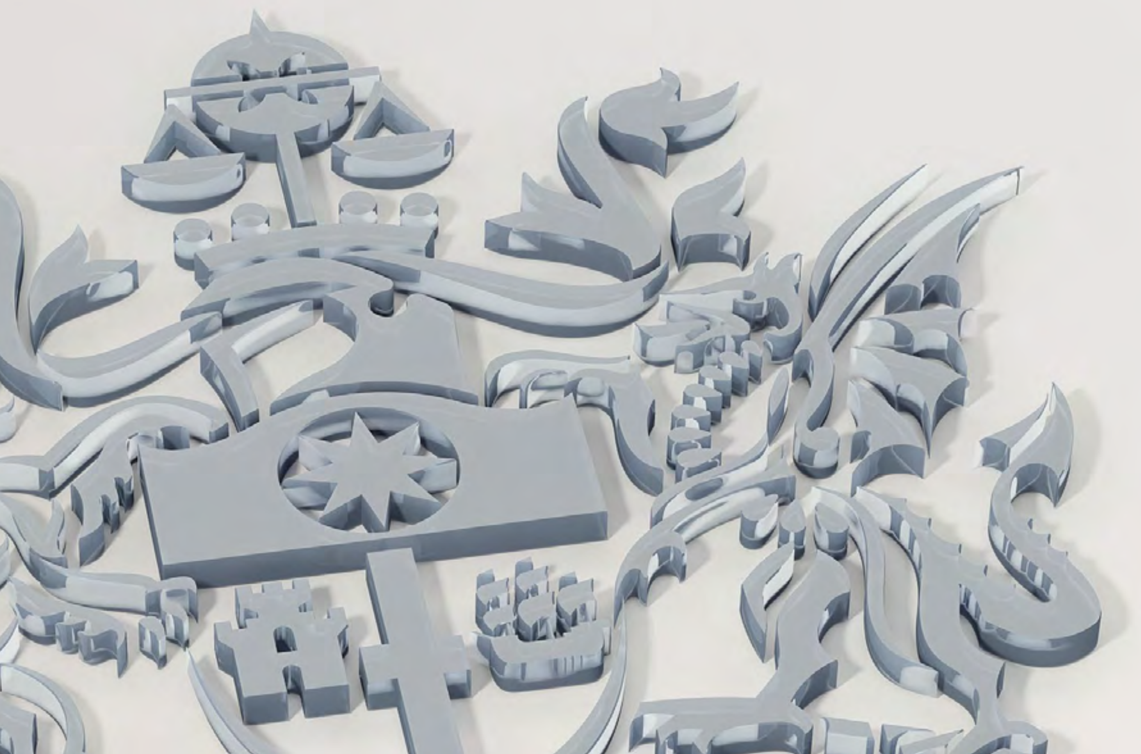


CEO REPORT

Long-Term Thinking

Larry Fink, chief executive at the world's biggest investor BlackRock, recently wrote to chief executives at S&P 500 companies urging resistance to the short-termism he sees as all-too-typical in corporate behavior. Among other things, he says:

"While I've heard strong support from corporate leaders for taking such a long-term view, many companies continue to engage in practices that may undermine their ability to invest for the future.... it is critical that investors in particular hear a forward-looking vision about your own company's prospects and the public policy you need to achieve consistent, sustainable growth."

While Mr Fink's letter was written primarily to CEOs, the role of the director in ensuring enduring long-term thinking shines through. Mr Fink's letter will resonate with IoD members and we've printed the full letter in this edition of *board***room** for you.

The importance of long term thinking is a powerful global theme of 2016. Too often, short termism privileges the urgent over the important. We live in an age of email and social media where a single (and fringe) voice can risk drowning out a common sense throng. The director is charged with steering to the horizon and keeping calm when all else is volatile. Societal change makes new and challenging obstacles for us to navigate on the way, but the fundamental qualities of good directorship hold true.

Our leadership conference - Direct 2016 - is a highlight of the IoD annual calendar. High calibre speakers share insights and learnings on topics such as health and safety, diversity and corporate reporting.

One of our keynote speakers, Brad Kreit, shares his knowledge in this issue of boardroom. His research on automated technology is topical for directors.

I am delighted that distinguished director Elizabeth Proust is the cover feature of *board***room**. Elizabeth chairs entities such as Nestle and the Bank of Melbourne and is also Chairman of the Australian Institute of Company Directors. She shares with us some of the challenges she has faced over her career, as well as her views and advice around diversity at the board table and the growing importance of environment and social governance reporting.

The IoD continues to be a voice and advocate for its members and directors in New Zealand. Our recent submission to the NZX on Corporate Governance Reporting requirements called for more holistic reporting, including diversity, health and safety performance, board composition and independence. Good corporate reporting is about demonstrating how an organisation is managing its opportunities and risks while creating long-term value. While we are beyond the days of black letter profit and loss reporting, IoD called for caution on making hard and fast standards without plenty of consideration because corporate reporting is not necessarily a one size fits all approach.

We have worked with WorkSafe to develop updated health and safety guidance to support our members with the new legislation changes. We also updated guidance for SMEs. You will find your copy of the updated guide for directors enclosed with this edition of *board***room**.

This issue of *board***room** also features Chartered Member John Wilson, chair of Fonterra, giving some background to the entity's current governance review. Fonterra is of national interest and the governance of a co-operative is nuanced. Fonterra asked to feature the Four Pillars model in their consultation document to help their stakeholders better understand governance.

The Governance Leadership Centre has been busy, highlights being the *directors*Brief on the TPPA and the revised Health and Safety guidance for directors. This month sees the release of the Farming Directorships: A Due Diligence Guide in partnership with DairyNZ. There is much more to come.

The IoD has long held that diversity of thought is needed at the boardroom table. Diversity is a matrix where people can identify with many diverse backgrounds and experiences. We see a trend recognising our long held view that diversity itself needs to be more diverse. I see little discussion of ethnic diversity in the current discourse and zero on LGBT issues. We can't say we are giving diversity of thought unless there is thoughtful and broad considerations of the issues.

Branches around the country had some record attendances so far this year supported by some great speakers. Engagement is important to us and you are always welcome at IoD events. I would like to say a particular welcome to all of our new members – the highest number of new members in our history joined us in February.

* you will find Larry Fink's letter on pages 46-47

Upfront

APPOINTMENTS

The IoD congratulates the following members on these board appointments:

IoD President Michael Stiassny has been made a Fellow of CAANZ.

IoD Vice President Liz Coutts has been appointed Chairman of Ports of Auckland.

Chartered Fellow Dame Patsy Reddy DNZM has been appointed as the next Governor-General

Judy Kirk ONZM has joined the board of Airways New Zealand.

Chartered Fellow John Maasland has been re-elected as Chancellor of Auckland University of Technology and member Lyn Lim has been reappointed to the Council.

Chartered Fellow Sue Suckling ONZM has been reappointed as Chair of the board of Callaghan Innovation and members Simon Botherway and Kate McGrath have been appointed to the board.

Mark Heer has been appointed to Dairy Women's Network's board of trustees.

Chartered Fellow John Loughlin has been appointed Chairman of New Zealand Meat Industry Association.

Chartered Member Murray Ward has been appointed as Chairman New Zealand Golf.

Chartered Member Janice Fredric has been appointed to the board of Maritime New Zealand. Blair O'Keeffe has been appointed as Deputy Chair of the board.

Chartered Member Robin Gunston has been appointed an independent director of Shuk Engineering Distributors Limited.

Chartered Member Ian Turner has been appointed as Deputy Chair of the new Waiariki Bay of Plenty Polytechnic Council.

Chartered Member Sue Sheldon CNZM and Chartered Member Vicky Taylor have been appointed to the board of Southern tourism operator Real Journeys.

Victoria University of Wellington has appointed the following members: Chartered Fellow Sir Neville Jordan KNZM has been re-elected as Chancellor and Chartered Member Neil Paviour-Smith has been elected Pro-Chancellor. Chartered Fellow Dame Patsy Reddy DNZM, Chartered Member Robyn Bargh, members Jonathan Gee, Jacinta Gulasekharam, Dr Farib Sos, and Dame Therese Walsh DNZM have all been appointed to the Council. Roger Taylor MNZM has been reappointed.

Julia Raue has been appointed by Z Energy as an independent director on the Z Board.

Mentoring for Diversity

Aimed at incresing diversity on large company boards since its launch in 2011, the Mentoring for Diversity programme has paired almost 100 mentees with chairs and senior directors to help them gain knowledge of a large company or listed boards, develop connections and increase their chances of appointments to large company boards. The programme was initially open to just women, but in 2015 was extended include wider diversity such as ethnicity, age and skillset. Applications for 2016 mentee intake close at the end of April.

For more information visit iod.org.nz

IoD supports the Government Women's Network

IoD Chief Executive Simon Arcus, IoD Wellington Branch Chair Dr Helen Anderson and IoD Membership, Marketing and Communications Manager Nikki Franklin represented the IoD at the launch of the Government Women's Network (GWN) in March. The GWN connects women in agencies across the public sector and is designed to increase the impact and reach of gender diversity action by addressing challenges women face in the workforce. The GWN are backing women because research shows that if change works for women, it will help others too.

For more information on the GWN visit www.gwn.govt.nz

Health and safety is the responsibility of us all

At the IoD we are committed to raising awareness of the importance of good health and safety practice and educating directors about their roles and responsibilities. On April 4 the new Health and Safety at Work Act 2015 came into force, and we've put together a resource package to support members in meeting their new obligations under the Act.

Health and safety responsibility for directors is not about the day-to-day granular operations. It's about ensuring appropriate systems and processes are in place, along with proper resourcing and verification at the board table.

In sympathy

The IoD acknowledges the passing of **Rick Bettle**. Rick was President of the IoD from 2005-2007 and is remembered by those who worked with him at the IoD for his sense of humour and larger than life personality. Our thoughts are with his family and friends at this time.

The IoD passes its condolences to the family and friends of Chartered Fellow **Nick Patterson**, who passed away, aged 67. Well-known in Nelson, Nick was Chair of Port Nelson, Managing Director of Wai-West Horticulture, and a Director for Cold Storage Nelson and New Zealand Hops.

The IoD extends sympathy to the loved ones of the late **Philip Kerr**, Retired Fellow of the IoD and Managing Director McLaren Group from 1976. Philip was highly regarded in the international racing community for his work at McLaren.

The 2016 IoD Directors Fees Survey – coming soon

Our annual survey, undertaken with survey partner EY, kicks off at the end of April.

As the professional body for boards and board members in New Zealand, the IoD recognises the importance of appropriate remuneration for directors. The IoD Directors' Fees survey achieves depth and coverage by collecting information on directors' fees and duties, both from a company and a member perspective. ***For further information email boardservices@iod.org.nz***

Applications for 2016 Otago Southland Emerging Director Award are open until Friday 27 May. For more information or to apply visit the IoD Otago Southland branch page on the IoD website.

IoD BY NUMBERS*

7373
members as at 29 February 2016

175
Year-to-date new members as at 29 February 2016

16%
of members are Chartered

* Correct at time of publication

Lessons from across the Tasman

Elizabeth Proust is a busy woman; but generous with her time. Having spoken at the IoD's Leading Directors' Forum in September last year, she now speaks to **boardroom** *magazine from Sydney. The recently appointed Chairman of the Australian Institute of Company Directors discusses having her eyes on the future and offers up some sage advice on the issues facing boards both here in New Zealand and her homeland across the Tasman.*

Proust is thoughtful in her response to the question of whether she ever saw herself sitting on boards when she left university in her mid-twenties.

"I never set out to, I didn't say when I started my career at BP I'll be a company director, chairman of the Institute, chairman of Nestle Australia or whatever, it's all been more short to medium term than that."

Proust recalls undertaking an Arts degree at Sydney University in 1970, "in the days when most of my classmates [Proust attended an all-girls school] were doing nursing or teaching".

In hindsight Proust suggests a law degree, such as the one subsequently completed, may have been a useful choice, but reflects positively on her university experience.

"I had a great time at university. It was a general education of the kind that American colleges provide before people specialise and so I didn't have any particular career aspirations. Then I married at the age of 21 and had my daughter at 22 - to my mother's horror."

Upon relocating and finishing her degree in Melbourne, where Proust and husband Brian Lawrence still live, Proust got the first job she applied for – with BP; a role that would take her to London and then into senior positions early in her career. While completing a degree at La Trobe University Proust worked for the man who would became the Premier of Victoria, pro bono work that led her into his office.

"I've had wonderful opportunities in both paid work force and pro bono and each one has led to another opportunity.

"A journalist once wrote that I said this [her career path] was largely unplanned, and even in retrospect that's true, but she thought it looked entirely planned - but I don't know if you can plan something like that."

Involved in organisations at board level from her late twenties, Proust initially took on a position as a member of the high school council while her daughter was at school. Time working on charity boards, arts boards and university councils over the years has provided ample experience about the function of boards.

"Each of those has taught me about how a board works; how good ones work and how bad ones don't work," Proust reflects.

"All of those add up to, now, pretty good experience. At the time going on the high school council wasn't a stepping stone to a board - I wouldn't have even considered that. It was just I had the time, I could give something back."

"A journalist once wrote that she thought [Elizabeth's career] looked entirely planned - but I don't know if you can plan something like that"

LIFE LESSONS

Proust is the second woman and second Elizabeth, the first being Elizabeth Alexander in 2000, to be elected to the top job at the AICD. A look back at her career suggests she has become accustomed to being one of the few women claiming top positions in the business world, but she doesn't think it need be this way.

IoD CEO Simon Arcus has high praise for Proust.

"Elizabeth is a great friend of the IoD and we value our relationship with her. There is a sense of dynamism in her from first meeting. She's very focused but complements that with an absorbing, lateral mind and I can immediately see the value she would bring to board tables."

Arcus jokes "I can't imagine Elizabeth needing to raise her voice. You'd just get it right for her the first time."

Proust recognises that women are generally still a minority at business events, though she notes an upcoming AICD event with a near 50/50 split. This is a good result, especially considering a story recollected from a 1992 cocktail party for the National Australia Bank, when Proust was CEO of the city of Melbourne. It wasn't until the Chair addressed the room as 'Elizabeth and Gentlemen' that Proust realised that, bar waitresses, she was the only woman in the room.

Looking back Proust suggests women need to take a different approach to their careers than men.

"If you look at my career decisions, if I had stayed only at BP I would probably be senior middle management or even senior manager by now but I would not have had the career trajectory that I've had if I hadn't moved around organisations.

"I still think that it's true that for women, that recognition externally and by others leads to easier career progression than attempting to stay and deal with the culture of one organisation.

"I think the attitude to women in organisations, and women often reinforce that, is they've got a couple more years, then that person will be ready for promotion whereas outside people often recognise talents in you that internal people don't."

Her experience hiring and being hired has led to the opinion that women are probably a bit tough on themselves and their abilities. Proust herself has been victim of this type of thinking, and recalls her selection as CEO of the City of Melbourne.

"I got the job from being head of a state government department - I didn't apply for it and I was asked by the head hunter why I hadn't applied. I said I don't have any local government experience, to which he responded well look closer at the ad; it doesn't say anything about local government experience - looking for leadership, ability to turn an organisation around. In fact he thought local government experience would be a negative because it would be fairly traditional thinking."

Sitting on the other side of the table, Proust describes receiving about 100 applications for a position – all from men.

"My DG, who was a man, said 'we're not interviewing a short list with all men on it - find me some women'.

"The person I thought would have applied hadn't and when I asked her why she hadn't she said there's two things on that list I haven't yet done out of ten criteria. I encouraged her to apply, she applied and got the job because she was eminently qualified but she thought she needed to do a couple more things."

This is a pattern repeated over the years, and begs the question of why some women think this way and what can be done to overcome it.

"When I've asked somebody, especially in the public service, why didn't you apply for that job it seems to me that you are well-suited, the answer would invariably be well I've looked at the ad and I had six of the seven criteria but I didn't have the last one. And, here I'm madly generalising, men hold no such inhibitions. They say I can do that I'll go for it."

Perhaps taking a lesson from those more willing to back their skills needs to be taken.

"We need to back ourselves, and essentially I've done that."

THE FUTURE OF THE AICD

Discussing her term at AICD, Proust is incredibly positive about the opportunities for expansion and growth, as well as turning her eye to issues outside of the Institute.

"I've taken over an Institute in remarkably good shape, in regards to member numbers, financially, in terms of its standing in Australia; they're all positive things.

"I'm more used to taking over bodies that are in some trouble," Proust laughs, "so it's nice to be able to take over something that's well-managed, well-governed and I can focus on some external issues."

Those external issues include the one Proust is regularly called upon to discuss – diversity.

Proust stresses that diversity is not simply a matter of gender, though she has made it very clear that the lack of gender diversity on boards is something that must be addressed. Soon after her election as Chairman was announced, Proust publically stated her disbelief that the conversation about women's representation on boards is still going, with such little change in the time since she began her career in the 1970s.

"We need to back ourselves, and essentially I've done that"

"Why does it matter?" Proust asks rhetorically.

"My answer isn't an equity one, my answer is a business one. I think the evidence is now overwhelming that more diverse boards give you better business outcomes and stronger companies and organisations and that means that you have to look at diversity in all of its senses."

THE RICHNESS OF A NATION

"When I think about diversity - and the focus when I was appointed in December, probably because I'm a woman, was on issues around gender diversity - what I want to do under my time at the Institute is widen that debate.

Proust argues that while gender diversity is improving, albeit slowly, the focus on gender alone is not enough and the slow uptake in this area will impact on the strength of businesses moving ahead.

"Not only is Australia missing out on its female talent; but it's also missing out on the richness of all of our people - people who come from almost all of the countries under the sun.

"Most people now attempt to widen the debate out because it is crazy to ignore effectively fifty percent of the population – female – but especially in Australia something like a third of Australians have parents born overseas.

"The question of why they are not getting through the ranks of senior management and on to boards is one that a number of people have started to ask. As our companies do business in Asia and beyond we are significantly missing out by not having people who understand that region on our boards."

It seems that for most the value of diversity is not at question. In New Zealand the most recent IoD Director Sentiment Survey showed that 60% of boards agree diversity is a key consideration in making board appointments, though this figure is slightly down from 64% in 2014. The question of why change is so slow despite the recognised value of diversity is harder to address Proust suggests.

"I think there are a number of answers to that. I think that many of the search firms go back to the same people, though there are some notable exceptions and some really good people.

"I think there's a level of comfort in people that you know, and people like you if you like, around the board table.

"When I think about the organisations whose boards that I sit on in particular when I think about what are the needs for the future, I'm very focused on thinking how do we get the best outcomes by having a range of diverse views around the board table? I think diverse boards avoid the problem of group think."

The risk of conflict when a diverse group of people are brought together is discussed, with a challenge laid down to board chairs to take the reins.

"When you've got somebody who thinks very differently, and that might not be gender or ethnic background at all it might just be a very different thinker from most people around the board table, there's a challenge, in particular for the chairman, to ensure that those views are heard, absorbed, and taken into account.

"The most skilled chairmen, and there are many, know how to ensure that everybody's views are drawn out. I think all boards need to work at getting both good discussions and disagreements but then when the decision is made moving forward together. And that I think all boards are challenged by that."

Proust believes this issue is one that boards on both sides of the Tasman struggle with. She suggests that the New Zealand population provides a smaller pool to draw from, but argues that there are some advantages to doing business in New Zealand which increasingly attracts people from across the Tasman.

"You don't have the three layers of government, and you have a simpler tax system, I think you have a government that is more pro-business than ours, and I think you don't have the regulations that we do."

A wise crack by Prime Minister John Key about not knowing who might turn up when he meets with the Australian Prime Minister is mentioned; as Proust acknowledges the difficulties the turbulent Australian political landscape has caused.

"There's lots of reasons to be positive about the future of New Zealand, I'm similarly positive about my country but the three levels of government, the issues around taxation, collapsing commodity prices are pretty significant challenges for us."

FUTURE THINKING

As Chairman of Nestle, Proust recently spoke at the Green Cities conference in Sydney as part of a panel discussing environmental, social and governance reporting; a topic Proust believes is crucial for boards.

"I think all companies are concerned about their footprint, emissions and supply chains. If you look at the range of speakers [at the conference] and if you look at the issues being raised, it's very broad.

"Looking at the role of proxy advisers and analysts generally, they used to report on profit and dividends and not much else. Now, at least in Australia, they are reporting on gender balance on boards they are reporting on sustainability, they are reporting on environmental impact so shareholders – or anybody interested in the company – has access to a wide range of information about the company far beyond the financials."

Very few companies now don't look at what they're doing from a sustainability perspective.

New Zealand lags behind in this respect, with inconsistencies across sectors regarding what needs to be reported. A recent call by the NZX as part of a review of corporate governance reporting requirements aims to clarify the expectations on boards to report on these issues.

From Proust's perspective these are issues that companies cannot afford to ignore.

"I think it has come much more to the fore in recent years regardless of the industry that company is in.

"Probably the whole process of this many years ago started with mining companies and the focus placed on them on sustainability and the like but very few companies now don't look at what they're doing from a sustainability perspective."

Whether this focus is proactive or reactive is another question; some companies spearhead the debate while others react to pressure from consumers and shareholders. As Chairman of Nestle, Proust is very aware of the impact these debates have on an organisation.

"If I think about Nestle globally, the Chairman and the CEO of Nestle have been for many years at the forefront of the debate about water usage, about the supply chain, and with a global company like Nestle you have very long supply chains. Cacao and coffee into Africa and South America and issues around the use of child labour for example.

"I've been chairing Nestle Australia for more than six years now – these have been issues for decades."

A quick review of online conversation about the company demonstrates why Nestle needs to take these issues so seriously. Blogs and Twitter posts fire hard questions at the company and in the recent past there have been calls for boycotts of the brand over issues such as those Proust mentions.

Companies can suffer significantly from not taking seriously concerns about these issues. New Zealanders will recall the public outcry and subsequent backing down by confectionary maker Cadbury when, in 2010, they altered their chocolate recipe to replace cocoa butter with palm oil. The move saw the company plummet from the top of annual Reader's Digest Trust Survey, a spot they had held for six years. Cadbury's owner, Kraft Foods, came out with a statement acknowledging the breakdown in trust and the time that would be required to rebuild it.

Nestle was faced with similar angst from the New Zealand last year, after it altered the recipe for its iconic Milo drink. Concerns were not related to any perceived ethical issues, but rather a faction of consumers didn't like the taste of the new Milo. They did not hold back in letting Nestle, and other social media users, know how they felt. The story made national news.

Proust's final piece of advice for directors is simple. Reputation is crucial, so be aware of the issues that impact on that.

Melanie Beattie – a profile and a partnership

It has been a year since ASB came on board as a national partner of IoD; a partnership representing the bank's commitment to supporting businesses to achieve well-informed governance.

As we move into the second year of this relationship, Mel Beattie, ASB's head of strategic partnerships, a board member for the not-for-profit organisation Achilles International and an IoD member, talks about her role and what ASB is doing to promote governance in strategic partnerships.

Mel Beattie left New Zealand for the United Kingdom more than 20 years ago where, as a recent graduate with "no fear and all the ambition in the world", she started her first direct sales company in the energy sector- an opportunity she believes set her on her career path.

"Corporate governance wasn't a strong focus for me at the time, but I was in fact operating with some key governance principles unknowingly," Mel says. "At the time I was just flying by the seat of my pants – I was 23 years old with 120 employees under me. What was critical for me was leadership of my team, transparent and meticulous reporting to my clients and creating a culture with strong values. I was very fortunate to have an amazing mentor through that time, who still backs me to this day."

After four years, Mel sold the business and began working with a dotcom start-up which listed on the London Stock Exchange. In this role, Mel was responsible for forging new partnerships and opportunities for the business across Europe and Asia.

"This was where I first eyeballed superior corporate governance and diligence, particularly in preparing for a listing," she says.

Unfortunately the dotcom crash arrived, prompting her decision to head home to New Zealand after six years abroad.

Back home, Mel managed another tech start-up before making the move to the corporate world, arriving at ASB where she is currently head of strategic partnerships.

"In August 2000, management consultant Peter Drucker noted that companies as we know them shall soon cease to exist - not in the legal or financial sense, but structurally and economically. He talked about business models shifting from ownership to partnerships, a shift that would take 25 years," Mel says.

"The Strategic Partnership practice at ASB exists to support the bank to create new opportunities and value for our customers. My role is about providing customers with experiences and value that extend beyond our foundation offerings in the financial sector. From a governance perspective, partnering is a new world of consideration," Mel says.

Melanie Beattie

"The IoD is one of ASB's premium strategic partners. ASB have formed the partnership as we regard IoD as one of the premier business organisations in New Zealand, committed to creating better outcomes for business through better governance. We firmly believe this is what lies behind the success of most of our best organisations and often makes the difference between having a truly ambitious vision and achieving that vision."

ASB's partnership with the IoD means ASB can help more business and rural leaders achieve their vision.

"The partnership reflects a formal alignment of values and ambitions and two market-leading brands joining to make a powerful difference in the business sector."

An Automated Future

It's the role of a board to be forward thinking and anticipate risks that might need to be managed by a business well before the risks present themselves. Thinking about the future is something Brad Kreit occupies himself with on a daily basis. As a research director with the California based Institute for the Future (IFTF), Kreit and his colleagues identify and provide insight about the issues and trends that will transform global society and the global marketplace.

Speaking to *board***room** ahead of his appearance at the IoD's Leadership Conference, Kreit offered some insights into the changing relationship between people and technology, and why as a director you should take notice as he discussed the IFTF's most recent technology-focused research project The Automated World: Toward Human+Machine Symbiosis.

The project explores the big technology forces ushering in a new wave of automation and examines how these forces will play out in three scales of human experience: our cities, professional lives, and personal lives.

In the latest Director Risk Survey of IoD members, by Marsh, directors indicated technological disruption is one of the greatest concerns at the board table, with the impact of cyber disruption featuring for the first time.

Discussions about the impacts of technological advancement have occurred for centuries. Central often to these discussions is how automation will affect jobs; a concern that gains attention when statistics about possible job losses are reported. A study by Oxford University researchers predicts that 47% of US jobs are susceptible to automation by 2050. The Committee for Economic Development of Australia predicts almost 40% of Australian jobs that exist today have a moderate to high likelihood of disappearing in the next 10 to 15 years as a result of technological advancements.

Kreit advises that the way we frame the conversation about automation is important to the conclusions we will reach.

"We called it The Automated World: Toward Human-Machine Symbiosis and it was a really intentional framing," Kreit explains.

"What we wanted to encourage people to do is not to be naïve about those questions about job loss, but to consider what we might be automating and how to automate things to amplify our own capabilities."

He says directors need to think strategically. The impact of technology needs to be given as much attention as, for example, a company's health and safety, finance and people concerns.

IFTF has a separate initiative titled Workable Futures looking at, amongst many other things, working with policy makers to consider some of the scenarios around automation and job loss.

IBM explains Watson as 'a cognitive system enabling a new partnership between people and computers'. The system is capable of learning subjects and providing insight about the information is accesses. It does this by:

Analysing unstructured data – Watson uses natural language processing to understand grammar and context

Understanding complex questions – it evaluates all possible meanings and determines what is being asked

Presenting answers and solutions - based on supporting evidence and quality of information found

www.ibm.com/smarterplanet/us/en/ibmwatson/

Fears about technological advancement causing job losses are not new. Kreit recalls the American folk tale about John Henry the 'steel-driver man' – a railroad worker around the time the steam-powered hammer was invented. Henry challenges the steam-hammer to a race. While he emerges victorious, his heart gives out and he dies.

"The moral seems to be that you can race against a machine but you will kill yourself to try and win," Kreit muses.

"We were conscious of this argument and aware that there is fear and concern and nervousness about jobs – will we just automate everything? What's job creation going to turn into? Will jobs turn into tasks?

"For us, you can ask that sort of question and it will get you to one place. It's important to acknowledge and be aware that there are some really scary scenarios about job loss that are worth paying attention to, but what happens when you just ask that question is, you to an extent shut down conversation or you shut down openness to different kinds of possibilities."

"If you just worry about job loss what you get to is 'don't create the machine or else we won't have any more jobs'. But, if you ask yourself 'what could this enable, what could this allow for?' you get to a completely different place."

Commentators say directors need to be aware of these kinds of arguments as technology, and disruptive technology, represent both growing risks and, if done right, big opportunities.

The McKinsey Global Institute argues that disruptive technology is important to all leaders because technology now affects every single sector of the economy – whether that be retail, financial services, shipping, manufacturing, or even agriculture.

As Kreit explains it, automated technology has the ability to reach into all areas of society. Leaders in both government and business must not only know what could be on the horizon but also prepare for its impact.

"What we did for this work is look at automation in the context of our personal lives, the context of our offices and the context of our cities. When you look from that perspective you see a lot of interesting opportunities."

One of Kreit's favourite examples of these opportunities comes in the form of a bright green toy dinosaur he first learned about through Kickstarter. The toy, by a small tech start-up called Cognitoys, is a learning tool for children - children talk to the dinosaur and ask it questions. Rather than responding with the pre-programmed phrases one would expect from a toy, the wifi-enabled dinosaur finds answers to questions on a range of topics, remembers information the child will share such as their name, stories and favourite jokes, and helps the child to learn.

It does this by connecting to an innovative piece of software – IBM's Watson.

"It's notable to recognise that Mattel, the largest toy maker in the United States, is making a talking Barbie doll. They have all these advantages over these guys on Kickstarter - they have sales and distribution and branding - but what they don't have is any advantage on machine intelligence. The Barbie machine intelligence could potentially be worse than what this small toy company is using by licensing Watson.

"There are undoubtedly jobs that will be lost due to automation technology and we do realistically need to be prepared, I mean here in the US our social safety net is not very good, we need to be prepared for some very rapid retraining and things that could be very hard and we're not prepared for. But at the same time it opens up lots of really cool business opportunities that haven't existed before.

"If you think about this toy company; it's a small start-up and they're able to create a really technologically sophisticated toy."

Kreit argues that people need to be open and consider that there are opportunities in this space if it is understood well enough. Thinking about it strategically, and as directors, asking the right questions can help your company remain relevant tomorrow. This is not something you should ignore.

With growing liability being placed on directors it's never been more important to understand the questions to ask of management about the impact of technology.

Governing technology investment, risks and opportunities is an increasingly important part of a board's digital leadership role.

Kreit agrees that directors have an important job to play in guiding their organisations through some of the hurdles that automation and other forms of technological advancement may present.

"Our argument is around getting some real clarity on the goals and vision of an organisation.

"With that real long-term vision in mind as short-term challenges or questions or ongoing issues that need constant management emerge, you have that clarity and that will help guide you."

What these challenges might look like can be better understood by examining some of the scenarios about the type of technologies that could exist in the future.

As part of the Human+Machine project Kreit and his colleagues identified five building blocks of automation. The first of these is fairly simple – the concept of continuous capture; that is constantly capturing, recording and analysing information. Essentially, Kreit explains "if you're not constantly tracking you're not really able to automate."

The second concept is one of simulation – what are some of the models that will drive automation?

"For example a simple model might be a model that says everything is fine, and if it's not fine let's trigger some kind of action.

"For instance, one of my favourite examples is there's some folks in the Netherlands who are developing an implantable sensor based on the observation that several hours before a heart attack patients experience a spike in troponin. So this sensor they're developing is designed to sit in someone's body – if it detects that elevated spike it will connect to your phone, alert you and say hey you're going to heart attack in the next few hours you should do something about that."

The third concept is 'on-demand intelligence' – typified by the example of the toy dinosaur. Kreit explains that this is recognising that anything with an internet connection can connect into any piece of software, any available intelligence, and do something on our behalf.

The fourth concept is that of evolvable hardware – and represents a subtle but important shift that is taking place in the tech world.

"If you think about your phone, your computer, we're very used to getting software updates. Most of us are not used to, our cars let's say, sending us alerts that say download the new OS. Tesla for example, sends software updates to its cars. I don't know the exact logistics of it but for example, you plug your car in at night, it gets an over the air update, you wake up in the morning and your car has acquired new abilities."

The fifth concept is a complex one, and drives a number of debates about automated technology. While self-aware technology may still be a thing of science fiction, Kreit believes it is important to think about the idea of 'encoded judgements' when automating technology.

"Encoded judgment is recognising that as we automate things, and offload more and more choices and more activities onto machines, we're essentially building our values and our morals into whatever it is that we're creating.

"Part of why we had this human plus machine story – they really fit together. If you don't recognise that we are imprinting our own values and our own morals on our tools as they become more powerful – it would be a mistake not to realise that we are sort of encoding our own judgements and our own value systems on our technology."

Information technology is redefining the corporate landscape. No matter what industry they are in, organisations are relying on new technology for everything from streamlining process, competitive advantage to squeezing costs. Technology is integral. Kreit believes some of the questions facing companies around technology might be too hard to answer, and some might not be answered any time soon, but cautions that directors should not ignore what's going on around the world.

"I think those are the kinds of dilemma that are not solvable. Technological job replacement is a good example; it has been going on for a long time, people have for decades lost jobs because of tech advancement. We can't necessarily and don't necessarily want to stop tech advancement, but at the same time we don't want millions of people suddenly finding themselves out of a work."

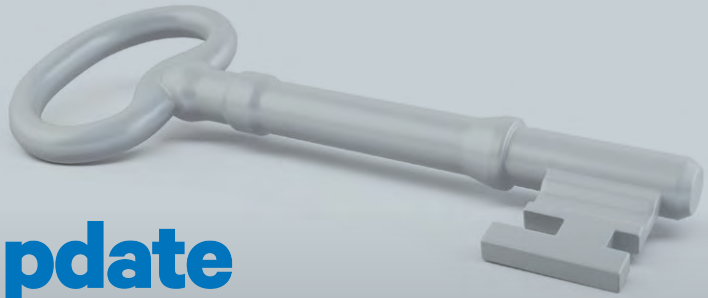
As technological advancements continue, addressing some of these questions relies on forward-thinking directors to take these issues into consideration at the board table.

For Kreit, speaking to people at director level is a great opportunity to get these kinds of issues in the minds of those whose role it is to think about things in the long-term.

"There's no easy solution but part of the question is thinking ahead.

"What boards can do is look at some of these long-term issues and recognise that we're probably never going to solve most of these, but they are things that we are going to have to manage on an ongoing basis."

Tesla describes their Model S as 'designed to keep getting better over time', with their website detailing the updated features for the vehicles as a result of its latest software update. These features include Autosteer, Auto Lane Change, and Autopark.



governance Leadership centre

Update

Keeping members up-to-date with new health and safety guidance, a farming due diligence guide and directorsbriefs on the TPP and a new Incorporated Societies Act have been a key focus for the GLC, says Felicity Caird.

NEW HEALTH AND SAFETY GOVERNANCE GUIDELINES

The Health and Safety at Work Act 2015 is about creating a healthy workplace culture and requires directors to take ultimate responsibility for the health and safety of their business. Directors must have knowledge of, and a commitment to, health and safety but are not expected to be experts. It's about having a demonstrable plan and a pro-active approach to making the workplace as safe as it can be.

Included with this issue of *board***room** is a copy of the *Health and Safety Guide: Good Governance for Directors,* updated in partnership with WorkSafe New Zealand. The guide is a practical tool to help directors focus on and step up to safety leadership.

DUE DILIGENCE ON FARMING BUSINESSES

A new guide by IoD and DairyNZ aims to help independent directors considering joining a farming board to understand the business and ask the right questions.

THE TPP EXPLAINED

The Trans-Pacific Partnership Agreement (TPP) will be the biggest free trade agreement in New Zealand's history. The 12 member countries account for 36% of the global economy and 800 million people. The agreement aims to liberalise trade and set consistent rules to make it easier to do business across the region.

Our first *directors***brief** for 2016 outlines the key elements of the TPP, implications for New Zealand, and the World Bank's economic impact analysis.

A NEW MODERN INCORPORATED SOCIETIES ACT

The outdated 1908 Act is being updated to improve governance structures and arrangements for incorporated societies. Our April *directors***brief** outlines key features of the draft bill and next steps.

POLICY SUBMISSION TO NZX

In February the IoD submitted to the New Zealand Stock Exchange on its *Review of corporate governance reporting requirements within NZ Main Board Listing Rules*. The review covers a broad range of corporate governance practices and reporting. When assessing reporting by top 20 NZX listed companies we found reporting was highly variable.

Corporate governance reporting needs to be open and meaningful and go beyond ticking boxes for compliance sake. Transparency and consistency matter to consumers, stakeholders and shareholders and it is important that a reporting regime is current, effective and aligned with best practice.

One of the challenges is a plethora of corporate governance codes. Reducing duplication and fragmentation is a good step forward.

NZX plans to base a revised Corporate Governance Best Practice Code on the Financial Market Authority's corporate governance principles and to introduce a tiered approach to reporting requirements, with 'comply or explain' recommendations and additional commentary about voluntary best practice reporting.

INTRODUCING 'COMPLY OR EXPLAIN'

Also known as 'if not, why not', comply and explain features in many international jurisdictions. It provides flexibility for boards to report in a way that is appropriate and meaningful to the circumstances, size and nature of the entity.

For 'comply or explain' to work effectively there needs to be genuine commitment to good governance and meaningful, open explanations. A constructive culture needs to be fostered where explanations are assessed on merit rather than assuming non-compliance is inherently negative.

HOLISTIC REPORTING

It is widely accepted that financial information alone doesn't tell the whole story and corporate reporting needs to reflect this. More holistic reporting can help demonstrate how an entity manages opportunities and risk and creates value long-term.

Many countries have some form of non-financial corporate reporting requirement. It is important New Zealand keeps up with global trends in corporate reporting such as environmental, social and governance (ESG) matters.

Guidance is needed on what high quality ESG reporting looks like, particularly given this is a new and evolving aspect of corporate governance reporting with a range of frameworks and approaches being taken globally. Guidance should not be prescriptive, but provide flexibility to allow reporting on what is most relevant to the business.

IoD submissions, directors*briefs *and other governance resources are available at www.iod.org.nz.

Strengthening Privacy Laws

Selwyn Eathorne

Selwyn Eathorne, Governance Leadership Centre Executive, looks at examples of high profile data breaches around the world and explains some of the changes to privacy law that might be expected in New Zealand.

Data breaches are on the rise and increasingly making headlines. In the last few years, there have been numerous high profile breaches including those at Target, Sony, EBay, JP Morgan Chase and online infidelity site Ashley Madison.

In Target's case, it was the victim of a sophisticated cyber-attack that exposed data from 110 million accounts and credit cards. The costs related to the breach are estimated to be over US$200 million.

The United States Office of Personnel Management was also attacked last year, with a breach compromising 22 million current and former employees' highly sensitive information. The director of the Office resigned immediately following the announcement of the breach.

Similar events have occurred in New Zealand. There were, for example, significant privacy breaches at ACC in 2011. They damaged the reputation of ACC and ultimately led to the departure of the CEO, Chair and other board members.

The Privacy Commissioner reported 121 data breaches in New Zealand in 2015, up from the previous year. The actual number of data breaches is likely to be much higher as breaches are often not reported; this is partly because data breach notification is currently voluntary in New Zealand.

NetSafe recorded 8570 online related incidents (which consists of requests for help and incident reports), again up from 2014. The total value of financial losses reported to NetSafe was $13.4 million, a substantial increase from the reported losses of $8 million in 2014.

MANDATORY NOTIFICATION OF DATA BREACHES

Global trends show that many jurisdictions including the United States, the European Union, Canada and Australia have enacted (or are about to) some form of mandatory data breach notification law.

A key policy reason for mandatory notification is that it allows people whose information has been compromised to take steps to mitigate any adverse consequences such as identity fraud or financial loss. For example, it gives those people the chance to change their online passwords or cancel their credit cards.

The prospect of mandatory data breach notification has been around for several years. In reviewing New Zealand's privacy law in 2011, the Law Commission recommended that data breach notification be mandatory. This was accepted in principle by Government in 2014. It proposed:

- agencies would have to notify material breaches to the Privacy Commissioner and also notify affected individuals for more serious breaches (ie where there is a real risk of harm).
- there would be exceptions to the requirement to notify individuals to protect trade secrets, security and vulnerable individuals.
- identities of agencies notifying breaches would not be published without their consent or unless notification was in the public interest.
- a new offence for agencies that fail to notify breaches to the Commissioner with a fine up to $10,000. This will be for private sector agencies only. The possibility of being 'named and shamed' is seen as the best method to ensure public sector agencies report breaches.
- enhancing the Commissioner's power to initiate investigations and issue compliance notices for breaches.

IN THE BOARDROOM

Data breaches, cyber-attacks and other technology related risks are progressively becoming part of the landscape for organisations. The board bears ultimate responsibility and directors will be increasingly held to account for any failures to have adequate privacy and data protection policies in place.

Privacy law reform is on the way and it is expected to include mandatory data breach notification law. We will continue to monitor this space in New Zealand and globally.

Malcolm Sutherland

Preparing for the Day of Reckoning

***boardroom** recently spoke to Chartered Member and IoD Taranaki Branch Committee member Malcolm Sutherland, about his governance journey, taking the step to becoming Chartered and inspiring other directors to do the same.*

Malcolm, an executive director with Blanchard International NZ, has been a member of the IoD for a long time – since 1994 in fact. Having first served on industry boards through the late 1970s and into the '80s and worked as an organisational performance consultant since, Malcolm has observed the changes to the IoD, and in the world of governance, with great interest.

"The IoD has changed tremendously and that's a very big part of the reason why I continue to be a member. It has turned into a very worthwhile, vibrant and professional body. That's not to say it wasn't in the early days, but it's modernised and expanded its capability and services in a very impressive way."

Malcolm rightly recognises that IoD has changed tremendously since he joined. October 2014 saw the IoD move from a membership organisation to a professional body with the introduction of the Chartered Membership pathway. This was the biggest change in IoD's history taking professionalism among the wider director community to a new level.

The Chartered Member Assessment (CMA) is the key criterion for entry to the category of Chartered Member. Malcolm is a new Chartered Member, having passed the CMA late last year.

Stakeholders, shareholders and the community expect directors to have the skill and knowledge to fulfil their duties and govern effectively, and the CMA provides assurance that Chartered Members have met standards of knowledge and skill to support them to carry out their duties.

As someone who has gone through the process, Malcolm agrees that it is a robust assessment, and one he prepared for well in advance.

"I think it was very humbling [receiving the Chartered Member designation]. I think it offers one the opportunity to validate one's knowledge and understanding and experience.

"It was something that I was interested, if not excited to do, from a personal point of view. Part of the reason I joined the IoD was my interest in professional learning, and with the new pathway being designed and promoted, I was inspired from day one to see the content and the criteria.

"In some ways I did it to test myself. I never underestimated it.

"When it was first promoted I thought I might do it but I also thought I might organise myself to do it."

For Malcolm that meant undertaking the Company Directors' Course Refresher before taking on the assessment and examination necessary to become Chartered. He organised to attend the CDC Refresher and later cleared his diary for the three weeks given to complete the assessment.

"All nicely planned," Malcolm says, "but, best laid plans of mice and men…"

Having cleared his schedule for study Malcolm found himself having to undergo surgery in the middle of the assessment process. Reflecting on this, he laughs that his journey to becoming Chartered didn't quite go as planned but stresses the value of setting a schedule and planning.

"I found it required that I do a lot of reading. In doing the assessment one can have an opinion on certain scenarios, but there are elements of fact that need to be put in and gathering those facts requires study time.

"I would recommend that anyone who is eligible to do it, plan well ahead and set out time to prepare. I was in a position to be able to make it a priority; not everybody might be able, but do so to the best of your ability. Be fair to yourself."

Taking on the challenge lined up with the values and beliefs Malcolm holds about the importance of getting governance right. He is an advocate for the director profession and is excited to see recognition of the IoD and the importance of good governance growing.

"You can't do a half-baked job in governance; if we do that it's going to come back to bite us."

While said with a smile, the sentiment is serious – the role of a director is important and shouldn't be taken lightly. It only takes a quick search through a news website to see what can happen to a company when its board is not functioning properly.

"The IoD is a professional body – that's what I see and that's what I have an aspiration for on behalf of other directors too – to see their role as a director as a profession, not something that they just clip on.

"Governance is a different skillset to other vocational skillsets so you need to be able to learn it properly, do it properly and professionally. The fact is that IoD is here to offer all the services and help to be able to do that.

"I interact on a daily basis with many who are in governance and accountability positions and aren't aware of what they carry in terms of those accountabilities. I try and influence them to have a think about IoD membership and the pathway.

"I see the pathway and the direction that the IoD is now taking in the promotion of professionalism in governance. We will see that [lack of awareness] change over time."

With a lot being said about the importance of diversity on boards, there is also recognition that directors with different backgrounds and levels of experience have different needs. Malcolm believes that directors who are committed to what they do are well backed up by the IoD.

"I'm excited about the IoD nowadays. It's offering a tremendous service, a tremendous product, a tremendous pathway, and wonderful resources to members.

"It's expanded its recognition that company directors come in all sorts of forms and shapes – from corporate to major organisations, right down to somebody who starts a business, registers it and all of sudden has all of the accountabilities as a company director that they had never thought about."

When talking about what is next, Malcolm knows what it is that drives him to continue to develop as a director.

"In my other professional world a lot of what I do is fix-it work. That's what inspires me because there's something to work on and you can only do it with a board being in tune, working together, becoming a high performing team as a board with a good strategy."

Malcolm sees he might have space for one or two more governance roles, having recently accepted a role as trustee and Chair of the Taranaki Rugby Community Trust. Malcolm this year became a member of the IoD Taranaki Branch committee. He sees the branches as playing an essential role in raising awareness about governance and looks forward to assisting with that.

Malcolm jokes that at this point he isn't building his career, but part of this is related to his commitment to doing right as a director and seeking quality over quantity.

"I think quality has to be a huge focus and that means putting the time into every single organisation that we have a governance duty to. It's about making a contribution where I can and where it seems purposeful to do."

As the conversation comes to a close Malcolm ponders another of the reasons he is so passionate about governance and why he strongly believes that directors need to take it seriously.

"Good governance can only be a good thing for the whole country at all levels.

"As directors we have our day of reckoning," he says with a smile.

"It's only going to be a good day or a bad day; there are not many shades in between, so we may as well make it a good day!"

How to become a Chartered Member

There are four criteria for becoming a Chartered Member. At the time of application to upgrade you must:

- be a member of the board of a qualifying organisation (one with a meaningful separation of the executive function from the oversight and governance function of the organisation)
- have completed the IoD Company Directors' Course (CDC) or equivalent
- have passed the Chartered Member Assessment (CMA) or equivalent
- complete an upgrade to Chartered Member form, and a confirmation of your good character and commitment to the Charter

WHAT'S IN THE EXAM?

The exam is divided into the following sections and subject areas and consists of a total of 60 questions:

Corporate governance (12 questions)

- *IoD Code of Practice*, *The Four Pillars of Governance Best Practice*, Companies Act, board structure, role of the chair, accountability

Finance (21 questions)

- Fundamentals (financial statements, reporting, accounting concepts), compliance, monitoring financial performance, Building business value

Law and compliance (20 questions)

- Law (legislation and directors duties), compliance (delegations, policies and responsibilities to regulators), best-practice (records, proceedings and indemnities)

Risk governance (7 questions)

- Risk definition, risk appetite, director's role in protecting business value, risk culture

ASSIGNMENT QUESTIONS

The assignment questions are based on a case study provided (in the form of an organisation overview, plus board papers for an upcoming meeting). They cover the following areas:

TOPIC	WORD GUIDE	%
Strategy	750	25
Risk	450	15
Finance and legal	600	20
Board dynamics	750	25
Ethics	450	15
	3000	**100**

PREPARING FOR THE CMA

Many of our members completed the Company Directors' Course before the introduction of the Chartered Membership pathway on 1 October 2014. To support these members in preparing for the Chartered Member Assessment, we've created the following guidelines:

I did the CDC in 2014

- review your course materials
- study *The Four Pillars*, and familiarise yourself with the Companies Act 1993

I did the CDC 2007-2013

- complete the two-day CDC Refresher
- study *The Four Pillars*, and familiarise yourself with the Companies Act 1993

I did the CDC before 2007

- We strongly recommend that you consider attending a current five-day CDC. The course has been reviewed and modified several times since you first attended.

You can find more information, FAQs and a downloadable candidate handbook on iod.org.nz. You are welcome to discuss your particular situation and best course of action with our Membership Team Leader by emailing lisa.mcrae@iod.org.nz

A great and high quality challenge

It's a different world than it was 16 years ago when Fonterra was formed – global and local volatility, increasing competition and enormous growth potential in new and emerging markets. Fonterra today is the country's biggest company and the world's largest dairy exporter. With that comes challenges and as its Chairman John Wilson told boardroom, good governance needs to be regularly reviewed.

When Fonterra was created in 2001 it was already globally unique, because unlike other cooperatives it had spilt governance and representation. Now, 16 years on, the challenge is to take a structure admired by its peer co-operatives internationally, and make it even stronger for the future.

As Chairman John Wilson says, it's a good challenge to have, because the basics are in place, so it's not a case of complete restructure but more an opportunity to reinforce its strengths and build on them.

"When I am with chairs of other cooperatives globally they are very envious of the structure that we have put in place, because we have separated the roles of governance and representation clearly. For our directors it is about acting in the best interest of the company, rather than what happens in many cooperatives where directors are voted by farmers or growers in their region and turn up to represent that region. In our case, that representation is separate through the Shareholders' Council. We work together as a team, but you also must have constructive tension between the Shareholders Council and the Board and that works well for us."

But what works well can always be improved, especially as times and circumstances have changed. The environment Fonterra operates in is significantly different, the way it needs to communicate has changed, farmers' expectations are different, the business is far more global, and it is significantly larger.

"We are a different business now from when Fonterra was formed and thought about. We are in a world which is significantly more volatile than it was, both in the dairy commodity market and, increasingly, the wider geo-political considerations. So how do we maintain that connect with our farmers and at the same time ensure that we remain as effective as we possibly can be in delivering returns for our farmers?"

In 2012/13 Fonterra refreshed its strategy and to support that; its board made a commitment to look at its governance and representation structure. It wanted to know how it could evolve to ensure it was as effective as it could be.

"Any board should regularly look at all aspects of its governance," Wilson says.

"We did a lot of work on that, we had a committee formed and we reviewed the current governance structure, looked at global best practice and looked at how we may be able to evolve our governance and representation."

When Fonterra faced the precautionary recall of WPC80, it was on the eve of taking the review discussion out to farmers. Instead the decision was made to put the review on hold with a commitment to continue at a future date. The restart was announced late last year.

Earlier this year Fonterra released its "conversation starter" to kick start the review process and ran several hundred meetings with farmers across the country to discuss it.

"It is a refresher document to create the opportunity for us all as farmers to think about what we have got and then to think about how can we potentially make it better," Wilson says.

"So it was specifically set up to remind ourselves as to the different roles between that of a board, the shareholders council and management and use that to provoke thought into how best we could use that going forward.

"It's worked incredibly well. We have had significant attendance of farmers at shed meetings, feedback on social media and many submissions - which has been great."

Wilson says more importantly the process has reignited a discussion he says the board believed fell away post the formation of Fonterra.

"I think a lot of us have taken for granted that there has been a strong understanding of the different roles of the Board and the Shareholders Council, when in fact in many farmers eyes it has merged somewhat. So it has been a great opportunity to go back and have the conversation again about the importance of what really good governance looks like and what a very effective Shareholders' Council looks like."

we clarify the minimum requirements of any Board.
”

subject to continuous disclosure rules that require material information to be provided to the market.

The Institute of Directors in New Zealand summarises best practice governance into four pillars of value that underpin the role of a Director.

THE FOUR PILLARS OF VALUE

I
Determining purpose
A Board adds value by leading the development of the entity's purpose, goals and strategy. A Board must take ownership of the entity's strategic direction.

II
An effective governance culture
A Board adds value by acting as a team with a high-performance culture committed to engaged, quality governance of the entity. It celebrates debate, diversity, thoughtful challenge and dissent. Board Members are recognised for their commitment, candour and integrity. This culture is characterised by effective relationships between the Board Members and with management, shareholders and stakeholders.

III
Holding to account
A value-adding Board holds management strictly and continuously to account through informed, astute, effective and professional independent oversight. It does not do the job of management but ensures purpose and strategy are understood by management and implemented according to:
- A clear plan with proper resource deployment
- Task allocation
- Performance management

Board and management responsibilities are clearly demarcated through delegated authorities and policies. CEO selection, scrutiny and succession processes are thorough and on-going.

IV
Effective compliance
A Board adds value by ensuring the company is, and remains, solvent. It ensures the probity of financial reports and processes and a high standard of compliance with regulatory environments. Risk management is a key feature of the Board's capability and the Board should scan and manage existing and prospective risks to the entity.

Source: The Institute of Directors in New Zealand, The Four Pillars of Governance Best Practice, 2012.

Wilson says every business is unique and this needs be reflected by the board - what are the unique qualities and how as a Director do you ensure that strength is enhanced?

“Of course the co-operative nature of who we are and the splitting that governance representation is a critical part of that and now it is essentially about how we optimise that,” Wilson says.

“I think that what we are seeing from farmers is an understanding. We have found that once we all go back and look at what we established to start with, a lot of it is just redefining, not just the responsibilities but redefining roles.”

Wilson is mindful of Fonterra’s role in the New Zealand economy and the importance of the review’s outcome to that.

“It is a great high quality challenge that we have, we are by any measure a highly successful dairy co-operative owned by farmers in New Zealand. Our success contributes to New Zealand’s success, so it stands to reason we want the best governance and representation structure for the future.”

GOOD GOVERNANCE

Wilson says it has, so far, been really interesting talking to farmers about the governance review of Fonterra.

“They absolutely understand that it is about quality,” he says.

“There has been a bit of discussion around quantity, but essentially it is about the quality of the human beings that we can appoint or elect onto the Fonterra board.

“That’s the first thing, capability, but essentially it’s about effectiveness. What diversity of experience and capability can we attract to be able to support growth and challenge our management team and support Fonterra’s strategy? It about strong diversity and experience, and that’s everyone from farmers to the very best independent directors in the world to ensure we remain highly effective.”

The review is considered by Fonterra as an opportunity to ensure that, from a governance perspective, highly capable people sit on its board.

It is also an opportunity to ensure the shareholders council can attract and retain capable, qualified farmers with the business knowledge to work effectively in the representation role. As Wilson points out, the Council’s role is effectively that of a cornerstone shareholder because of Fonterra’s share registry.

“Fonterra is unlike most companies. We don’t have a large shareholder, I think our largest shareholder is well under 1% so the council have a very important role as the cornerstone shareholder which monitors and comments on the performance of the company and they also are the guardian of our constitution.”

NEXT STEPS

Wilson says it is important over the next few months to ensure Fonterra has had strong levels of discussion with its farmer owners.

Fonterra will continue its rural meetings with farmers and will consider what was discussed along with comment from social media and submissions. All the information will be merged with the work that was done in 2013 and then a recommendation will be made. The recommendation in a draft proposal will be sent to its farmers probably in early April.

Another round of meetings will be held based on that draft proposal.

“The first round has been very much reminding us all of what we have currently got. We will take the draft proposition for potential change to farmers for their feedback,” Wilson says.

“Based on the feedback from that round of meetings we may put a final proposal for constitutional change to our farmers, most likely a special meeting at the end of May.

“We all want to do better and that is why we can, should and are carrying out this governance representation review.”

A Commitment to Quality

*In the first part of this director pathway series, we spoke with a new director about the step up to becoming a director. In this article, board***room** *spoke with Trish Oakley, a director with a number of board appointments and a few years' experience behind her, about committing to continuous learning and the value of connecting with others as she looks to develop her career further.*

Commentators agree that committing to being a director who continues to add value to the boards you sit on means understanding your competencies and recognising the areas that you need and want to develop. The IoD's Director Competency Framework helps directors identify competencies needed to up skill to operate effectively in the boardroom.

As the Head of Marketing and Product Development at Forsyth Barr, Trish Oakley believes she knows her area of expertise and has developed her skillset as a director around this.

"Some people see the world through numbers, as a marketer I see it more through words and ideas. My interest is in how an organisation positions itself and how it communicates with others," Trish explains.

"Recognising where my interests and strengths sit is an important consideration before accepting any appointment."

Trish currently sits on four boards, as well as the IoD Otago Southland Branch Committee. In speaking about how she ensures she adds value to each role, Trish discusses the importance of knowing what you are committing to.

"As a director you have to be disciplined and organised but importantly, you need to understand the time commitment required," Trish explains. "It's not about having lots of directorships, it's about making a quality contribution to the organisations you commit to."

Stakeholders, shareholders and the community expect directors to have the skill and knowledge to fulfil their duties and govern effectively. The IoD says with growing liability being placed on directors assessing the areas of focus for director development is important to ensure that they continue to add value and be an effective director.

A commitment to professional standards for directors, continuous improvement and currency in their roles as directors is what sets IoD members apart.

Trish acknowledges professional development comes in many forms.

"Professional development is important. Your skills and experience develop over time, not just from the experiences you encounter, but also from the individuals and organisations you work with. As an IoD member, you benefit from an experience rich environment where people are willing to share their learnings for the benefit of others.

"Growth comes from talking to lots of people to understand different perspectives and it will always involve a diverse reading pile."

Trish acknowledges that as a director that pile of reading is continuously growing, from the must do – board papers and best practice governance resources that will build your capability and expertise – to the 'interesting' or 'may be of use later'.

Accessing courses that will keep your skillset up to date is another thing Trish recommends others consider.

"I recently attended the Leading in a Digital Era course. I have a strong interest in the digital environment – a natural extension of the marketing role. It's about what's happening, why it's happening and thinking about what it means for your organisation, so for me that was an obvious choice.

"My challenge has been around improving my financial skills. While I had a base understanding, when you work with experts around the table you quickly see both the gap in your own knowledge and the opportunity you have to learn from others. I have been fortunate to work with directors who have been generous in their time to assist me in developing my skills in this area."

As a committee member with the IoD Otago Southland Branch, Trish enjoys the opportunity to interact with other members and guest speakers.

"Being involved in the committee I try to attend as many events as I can. These events are not about classroom situation learnings, they are real life scenarios and 'war stories' where you can take away some nuggets to apply in your own roles. It's a valuable thing."

When thinking about where to from here, Trish describes herself as being on a journey.

"Where do I want to go? People ask me that and I don't have the answer. I'm on a journey and it's a journey I want to do really well.

Trish Oakley

"I think people often talk about the first position being the hardest to secure, and when you've got one directorship, others follow. I think there's possibly some truth in that because it opens up a network, you've got experience and also confidence so you apply.

"Like many, I started with a volunteer community position, in a sector I enjoy; the arts. This gave me the confidence that I could contribute and participate and led me to a role in tourism, an area I am interested in and one that presents different marketing challenges."

For Trish, continuing to grow as a director is about more than looking for the next board appointment. Learning through the interactions she has with others and ensuring that she keeps an ear to the ground regarding current issues are part of being a strong director.

"What I look for is basically where I think I can add value. I want to do something because I think I've got a skillset that meets the needs of the organisation and I think it fits with where I'm at and what I'm doing. It comes back to what I said earlier, you've got to make sure that you've got the time to contribute."

Her advice for others in her position is simple.

"Know your skillset; read widely, talk to lots of people, ask questions to see what they are thinking and look to the future and think about what training you are going to need to do to get there."

In the third and final section of this three part series, boardroom will speak to an experienced director about their development plans and how they give back to the profession.

WHEN WOMEN THRIVE

Diversity has long been a discussion point amongst executives around the boardroom table at both a director level and at c-suite.

Having a thriving workforce that is diverse and inclusive of all populations drives innovation and growth in organisations and the advancement of society.

Diversity is not just a "good policy to have". It's actually a real business opportunity. In one study by Catalyst, companies with the highest representation of women in senior management had a 35% higher return on equity than those with the lowest representation. This is not something to ignore.

A recent global report from Mercer showed however that only 52% of organisations believe their board members are engaged in diversity and inclusion (D&I) initiatives.

Whilst diversity is not just of course about gender, the focus of this article is on the gap in female workforce participation worldwide and the tremendous threats and opportunities this presents to companies. However, analysing and addressing the drivers of female participation can, and should be used, to maximise the engagement and productivity of all diverse segments of the workforce.

When we think about the diverse perspectives and experiences women bring to the workplace, as directors, managers and as voices of the customer, it's vital to consider the risk of not having proper women's representation in any organisation.

Tomorrow's working population is taking shape today, yet despite years of progressive policies, current female hiring, promotion, and retention rates are insufficient to dramatically improve gender representation over the next decade. But with enough foresight, proactive leadership can blunt the risk of an inadequately diverse global workforce.

The recent "When Women Thrive" report by Mercer has provided some interesting insights as to the progress being made with diversity in the workforce both globally and in New Zealand.

The research – the most comprehensive of its kind featuring input from nearly 600 organisations around the world, employing 3.2 million people, including 1.3 million women – identifies a host of key drivers known to improve diversity and inclusion efforts.

According to the report, if organisations maintain the current rate of progress when it comes to gender equity, female representation in the professional and managerial ranks will reach only 40 per cent globally by 2025.

While women currently make up 40% of the average company's workforce, globally, they represent 33% of managers, 26% of senior managers and 20% of executives.

Women are perceived to have unique skills needed in today's market, including: flexibility and adaptability (39% vs. 20% who say men have those strengths); inclusive team management (43% vs. 20%); and emotional intelligence (24% vs. 5%);

The report states that although women are 1.5 times more likely than men to be hired at the executive level, they are also leaving organisations from the highest rank at 1.3 times the rate of men, undermining gains at the top.

Among the key trends is that women's representation within organisations declines as career levels rise – from support staff through the executive / director level.

HOW ARE WE RANKING?

In terms of regional rankings, New Zealand is certainly not dragging the chain neither however is it leading the pack - meaning there is still a lot of work to be done.

Women in Australia/New Zealand only make up 17% of executives and 33% of professionals and above – the second lowest rates after Asia.

Lower hiring and retention rates for women at the executive level, relative to men, mean that only a third of top jobs will be held by women in Australia/ New Zealand by 2025.

Latin America is projected to increase women's representation from 36% in 2015 to 49% in 2025; followed by Australia/ New Zealand moving from 35% to 40%.

Alison Bamford

A FUTURE PIPELINE

The greatest risk may be failing to have a diverse pipeline of females to replace those who will age out of the workforce. Right now, only 60 to 70% of employable women participate in the workforce, compared to nearly 90% of men, according to data from the World Economic Forum.

As workforces across the world age, the possibility is raised that more women will exit the job market — for example, to care for the growing elderly population. If leaders don't act now, they risk failing to develop enough qualified women to deliver on economic and corporate growth.

Yet we see a revolving door for women at the top, as traditional ad-hoc programmes undertaken by organisations to increase their female numbers fail to retain women in the workforce and in leadership positions. Among the key drivers of a successful gender strategy is leadership.

Our experience shows that it is not enough for leaders to mandate change — they must personally drive change through communication and exemplary behaviour.

In essence, directors and executives need to admit there is a problem and embrace the opportunity. Organisations should then base their gender diversity strategies on identifying the drivers of and barriers to gender equality. From there, a diversity strategy should be aligned with talent strategies, so that gender diversity programmes don't run counter to how talent is managed, including whether the firm tends to "build" or "buy" talent.

Alison Bamford, Mercer Marsh Benefits Leader, Alison.bamford@marsh.com

MARSH

Championing governance and connecting directors

It's an exciting time to join the Institute of Directors.

Membership is growing. Directors are challenging us to do more. We have new leadership, a growing profile, and a talented and engaged team. Our ambitious mission – to raise the standard of governance in all areas of New Zealand business and society – is driving us forward.

But the IoD can't succeed on its own. In an increasingly complex world, we have to work with partners, stakeholders, and government to build networks, extend thought leadership, and go into bat for our members. We also need to make our voice heard – speaking loudly and clearly about governance, and explaining its importance – if we're to lift the performance of directors and boards.

There's a lot to do. And as your new External Relations Manager, a chunk of that work falls on me. Here are some of my priorities in this new role.

PROMOTING CHARTERED MEMBERSHIP

Chartered Membership is at the heart of the IoD's agenda. Along with a requirement that all members do Continuing Professional Development (CPD), Chartered Membership proves we're a professional organisation focused on raising the standard of our members.

Unlike many professional bodies, there's no law calling us into being. And we don't compel directors to belong. Anyone can be a director. The IoD's difference is that our members choose to join because they want to connect with other directors, improve their skills, and commit to the highest ethical standards.

We respect that choice. The Chartered Membership pathway is our way of demonstrating that.

By sitting the assessment and stepping up to Chartered Membership or Fellowship, members are checking themselves against the benchmarks of their profession. They're demonstrating an ongoing commitment to ethics and to gaining the skills and knowledge they need to succeed in the board room.

The Chartered Membership pathway is bedded in and members are rising to the challenge of the assessment. But we're only just getting started.

Some members are confused about the criteria for Chartered Membership and the requirements for CPD. Part of my role involves developing simpler and clearer messages, and encouraging members who are considering the Chartered Member Assessment.

We need to promote the benefits of becoming chartered. The government, regulators, banks, and insurers are showing an interest in chartered assessment. Boards themselves

are starting to specify that they want Chartered Members when they recruit. They realise that a high standard raises the quality of directors and reduces risks to their organisation. Educating those stakeholders is a key to success.

Another key is encouraging Chartered Members and Fellows to champion the programme. If you are chartered, you should report your status in annual reports and biographies, include your postnominal (CMInstD or CFInstD), and promote Chartered Membership among your peers.

The Chartered Membership pathway will succeed only when the IoD's benchmarks are accepted and recognised across the director community.

BUILDING PARTNERSHIPS

Another area of focus is sponsorship.

We're supported by some great, and truly valued, businesses – as partners, event sponsors, and branch supporters. They're from different sectors and regions, and they support us for different reasons. But they have some things in common.

They want to work with the IoD because we're respected and we sit at the heart of the director community. And they believe that better governance is crucial for New Zealand's success.

Each of our sponsors brings a lot to the relationship – whether it's governance expertise, deep networks, specialist skills, or a great venue for events – but each has so much more to offer.

Strategic partnering is a growing trend around the world. If you visit the website of a US corporate, chances are you'll find a list of companies and organisations they partner with.

There's great potential to strengthen our relationships with partners and sponsors, find common purpose, and work together for common goals. To do that, we need to:

- Better understand our sponsor's needs and priorities, and identify how the IoD can better service those, and
- Help our sponsors better understand what the IoD needs from them, so our members can benefit from a stronger relationship.

ENGAGING STAKEHOLDERS

There are many groups and organisations critical to our success. These include:

- Market regulators and the NZX,
- Advocacy and industry groups,
- Clients of IoD's board services and director training,
- Corporates and SMEs,
- Government departments and agencies, and;
- Not-for-profit organisations

Many of these stakeholders have a vital interest in governance. They look to the IoD for leadership, advocacy, support, and partnering. Others have skills and resources we need to tap into to pursue our goals.

As a small membership organisation, we'll always struggle to work effectively with every stakeholder and make the most of every opportunity that comes along.

But by being proactive and thoughtful, we can:

- Identify our most critical stakeholders and develop better relationships with them.
- Keep our stakeholders better informed about what we do.
- Better connect stakeholders with our branch and member networks.

Our biggest stakeholder is the government.

For nine years before joining the IoD I had the privilege of working for the Prime Minister in Parliament. It was an amazing experience which gave me great insights into how ministers make decisions and how a successful government works. I'm enjoying bringing those insights to this role.

The IoD doesn't have a strong history of working closely with ministers and opposition parties. As a result, it has a low profile in the corridors of power. Many people in parliament aren't clear about who we are and what we do. But when you sit down and explain it to them, they're impressed.

They can see we have a lot to offer. We're credible, apolitical, and well-connected. We're not-for-profit and focused on the public good and the long-term interests of the country.

Our mission of lifting the standard of governance aligns well with the government's Better Public Services

Willy Trolove

programme and the Business Growth Agenda. Equally, it sits nicely with the opposition's focus on the Future of Work and sustainability.

That's a huge opportunity. The quality of governance across government agencies, public service providers, and local government is mixed. There are many ways the IoD and its members can better engage with government, advocate for better policy, and help lift the quality of governance across the public sector. We can, in other words, play a much bigger role in lifting the prosperity and wellbeing of all New Zealanders.

CONNECTING WITH MEMBERS AND BRANCHES

The final and, perhaps, most important part of my role is engaging with branches and members. Stakeholder relations succeeds when both sides benefit. Similarly, I'll succeed when our branches are better connected with and informed about our sponsors, our stakeholders, and the government.

So I'll be taking the pulse of our membership and branches when I can to understand the issues you face as directors. And I'll be looking at ways to improve communication with you and encourage you to become more involved.

In return, you can help me by discussing governance with your colleagues and contacts, championing the IoD, and promoting our Chartered Membership pathway.

As a networking organisation, the IoD succeeds and falls on how well we connect and work with each other to achieve our goals. I'm looking forward to succeeding with you.

Willy Trolove, IoD External Relations Manager Willy.Trolove@iod.org.nz

Are you revisiting your offer due diligence?

The time is now for directors of continuous issuers such as banks, fund managers and finance companies to review their offer due diligence processes. The Financial Markets Conduct Act 2013 (FMCA) creates an opportunity to tailor the way directors undertake due diligence on their offer materials. It could also allow board agendas to be de-cluttered.

The government's intent behind the FMCA was to create a regime which is:

> *"flexible enough to allow a director to delegate the process for development of disclosure and verifying its completeness and accuracy to others, if it is reasonable to do so in the circumstances."*

The FMCA includes a broader range of due diligence defences for directors than did its predecessor, the Securities Act 1978. In particular, it also provides a new defence to directors if they can prove they took all reasonable and proper steps to ensure the issuer complied with the relevant disclosure obligations.

THE FMCA ALLOWS GREATER FLEXIBILITY

The FMCA permits a more flexible approach to offer due diligence by allowing directors to choose from at least two options:

- **Traditional:** The Securities Act style of due diligence where directors are heavily involved in the due diligence and verification process itself and personally review the contents of the offer materials.
- **Infrastructure-based approach:** The new FMCA infrastructure-based approach involves directors designing and overseeing the due diligence and verification process, rather than doing it themselves.

The traditional style will likely continue to be the gold standard for strategically important offerings. Where there is an initial public offering or the raising of capital in a subordinated bond issue, significant personal involvement by board members would continue to be expected under the FMCA regime.

However, for business as usual offerings by continuous issuers, the infrastructure-based approach may be a better fit with governance expectations and in accordance with good governance practice that non-executive directors do not become deeply immersed in the business' operations. Instead they oversee and monitor the process. It may also have the benefit of freeing up board time to focus on strategic issues.

The two approaches outlined are not the only two options open to directors and there is no formulaic answer to offer due diligence.

The appropriate level of director involvement in the process will depend on the circumstances of the particular offer and of the issuer. What is crucial is that the board must be satisfied that the right people from their organisation are involved in the process so that all material information will be drawn out, verified and disclosed in a clear, concise and effective manner. The infrastructure-based approach is not due diligence-lite and so for some smaller continuous issuers, the traditional style may be straightforward. In practice, some issuers will likely adopt a hybrid approach.

STEPS FOR TAKING AN INFRASTRUCTURE-BASED APPROACH

Directors are still required to 'exercise intelligent oversight of the company's affairs', but provided directors continue to do so, it may be possible to delegate the actual verification of the contents of the offer materials to others. Directors of continuous issuers may look to other compliance frameworks such as Standard NZS/AS 3806 Compliance programmes to design their due diligence process. An infrastructure-based approach will likely involve the board of directors at an oversight level:

- developing and implementing an effective due diligence planning memorandum that is appropriate for the issuer's business and for the specific offer;
- taking reasonable precautions in the selection of the members of the due diligence committee, ensuring that each of their roles are clearly articulated and that the committee has access to the board, all levels of the organisation and expert advice;
- laying down an effective system of supervision of the due diligence process to ensure it is working as expected and ensure any problems are identified, reported and remedied;
- receiving and being satisfied with compliance reports from the due diligence committee setting out whether there are any issues with the final offer materials and whether in their view, it should be approved; and
- post-process review of the operation of the process (including the outcomes) to identify areas for improvement for future offerings.

THE FMCA DEADLINE IS APPROACHING. ARE YOUR DUE DILIGENCE PROCESSES READY?

Continuous issuers are in the process of transitioning to the FMCA regime which they must do before 1 December 2016. Many will choose to do so in September 2016 when large numbers of existing prospectuses for continuous issuers will expire.

Directors should use this transition period to take a hard look at whether their existing due diligence and verification process is appropriate for their business.

There is no one-size-fits-all approach to due diligence and verification. The emphasis for directors needs to be on ensuring the process designed and adopted is appropriate for the circumstances of the offer and of the issuer.

Ultimately, when designing their due diligence and verification processes directors need to be focused on investor outcomes. That is, directors need to have the mindset that the purpose of due diligence is to ensure that investors have all material matters, accurately and effectively disclosed, to allow them to decide whether or not to invest in the particular offer. While a well designed and correctly implemented process will help directors and issuers establish a defence where there is defective disclosure, the best defence is getting it right in the first place.

Whichever approach is adopted, directors must have a robust answer to the question "how do you know your offer materials comply with the FMCA and Financial Markets Conduct Regulations 2014 and that they will continue to do so while the offer remains open?"

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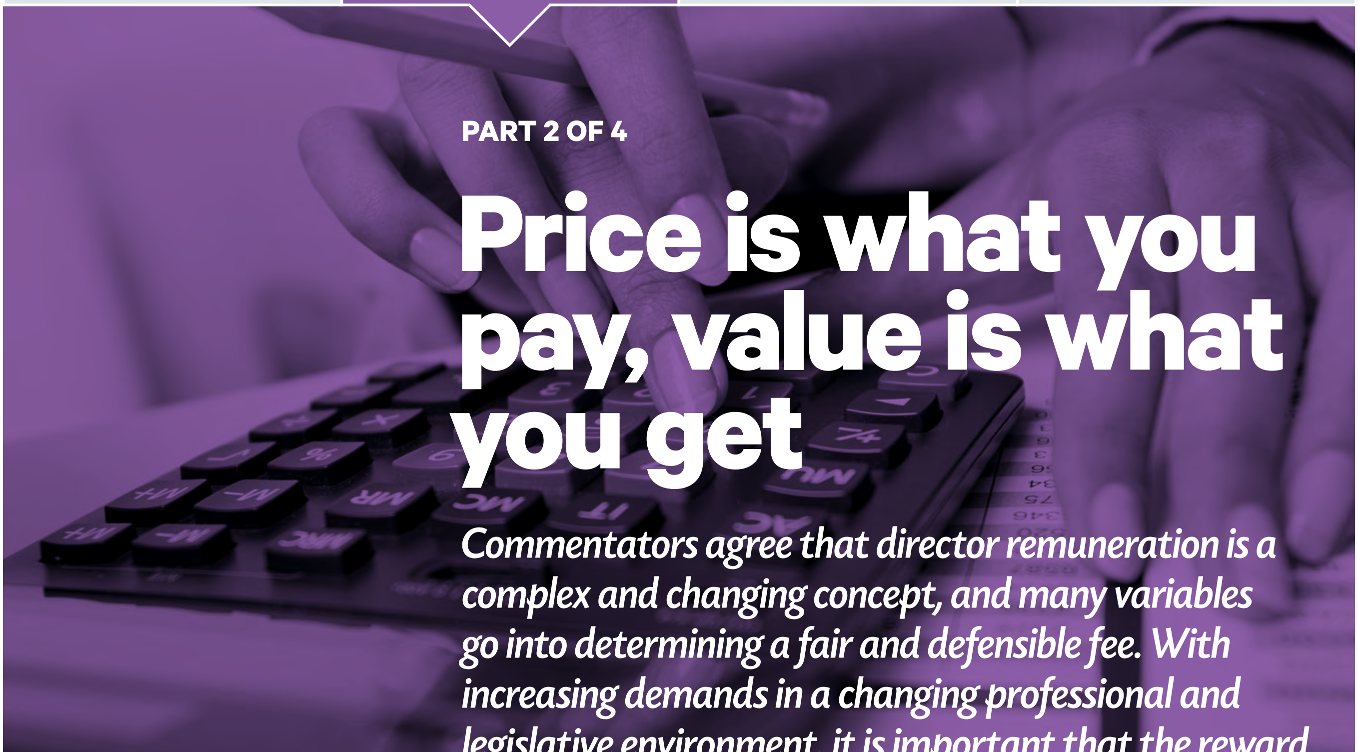
KEY CONSIDERATIONS

The new FMCA regime provides an opportunity for boards of directors to review their offer due diligence processes. Questions directors need to ask themselves include:

- ✓ Is the offer a strategic, one-off event, or is it business as usual?
- ✓ Who in the business has material information about the offer and how will they be involved in the due diligence process?
- ✓ How do they exercise intelligent oversight over the process and ensure that it has been implemented correctly?
- ✓ How will the effectiveness of their process be tested and reported back to them?
- ✓ Will the process ensure that investors receive the information they need and that the information is reliable?



PART 2 OF 4

Price is what you pay, value is what you get

Commentators agree that director remuneration is a complex and changing concept, and many variables go into determining a fair and defensible fee. With increasing demands in a changing professional and legislative environment, it is important that the reward is appropriate for the skills and experience of the director, and the tasks and risks that are undertaken.

Ellen Hodgetts, Board Services Advisor

To attract and retain the best people to your board to drive growth and performance for your organisation, you need to pay your directors a fair and reasonable fee.

Getting remuneration right has a greater impact than just making sure a director is adequately compensated for the time they spend in their role.

"It's about fairly remunerating the directors on our board," Wellington Airport Financial Controller Anthony Cox explains.

Regular review, using up-to-date comparator benchmarking data and best practice advice, is critical if boards are to keep pace with remuneration trends.

Working with the IoD was the right fit for Wellington Airport when they were looking to benchmark their board remuneration.

"It had been a few years since we had externally benchmarked our directors' fee levels and we wanted to be certain that we weren't getting out of step with the market," says Cox.

"We were looking for an external benchmark and looked at the possible sources for that. We wanted a service that could provide a New Zealand focus and the right experience, knowledge and access to databases."

Board Services Advisor Ellen Hodgetts is IoD's director fees specialist and she works with a wide range of New Zealand businesses providing a range of DirectorRem services.

"Setting director fees is not a 'one size fits all' model," Hodgetts advises.

"There's no calculator for inputting variables and popping out a number. It's about analysing available data; understanding the business, the industry, the ownership model, really viewing the market as broadly as possible before being in a position to make a recommendation."

For clients who just need benchmarking data to inform their director fee decisions, a SnapShot report provides a high level view of the market and fee benchmarks relevant to the business. A tailored report provides a formal, independent and in-depth benchmarking review and appropriate fee range recommendations.

Tailored DirectorRem reports take into account the many variables that need to be analysed. These include the industry type, number of staff, time commitments of the governance roles, as well as the individual nature of an organisation and its complexity and risk profile. The report becomes a useful document to inform discussions and decision making.

Cox notes that engaging Hodgetts to undertake the tailored approach meant that Wellington Airport could benchmark itself against other organisations that they felt were actually comparable.

"We wanted to make sure that the comparatives were suitable to us. We looked at a mixture of listed and non-listed, public entities and private entities and saw that we were perhaps a little bit unique due to the regulatory environment we operate in.

"Ellen was very responsive and made the process very simple for us. At the end of the process we were comfortable that we could make comparisons with confidence."

"While there are the published surveys [about remuneration], which are a bit more broad brush, this process made us realise the benefit of having the more tailored report done for us rather than relying on a more general survey."

While director remuneration has not always been a topic that is easily discussed, the IoD believe it is in the interest of shareholders and New Zealand as a whole that great talent is attracted and retained on boards. Attracting the right people can have a direct correlation to company performance. The reward for the role must match the risk undertaken and skills brought to the table to ensure that talent is attracted and retained.

David Greenslade, Managing Director at Strategi Limited, agrees with this sentiment.

"I work with firms looking to get into the regulatory environment and this requires businesses to look at their governance structure. Often this means looking to recruit new directors.

"A key part of recruiting appropriate directors is knowing how much to pay them, for what level of input.

"For one of my clients we decided that rather than take a stab at setting fees ourselves, we needed to go to a knowledgeable, credible, independent source with access to wide ranging data and get them to give us a report on how much a director in this type of role, undertaking a particular type of work with certain time commitments, would cost."

Hodgetts notes the importance of gathering appropriate information about a role, to ensure that any recommendation is well-informed.

"Asking the right questions and getting a business thinking about the role that their board is being asked to perform is a crucial part to assessing the fee structure of that role."

This information gathering process in itself can be a very useful process for clients.

"Going through the DirectorRem process had a whole lot of flow-on effects," Greenslade says.

"Not only did it cement a realistic fee structure, but there were some unexpected learnings and it caused us to become a lot more structured in our approach to appointing directors.

"It forced us to go through a more in depth look at what the job descriptions would be for each of the directors and the chairman we wanted to appoint.

"Prior to that we just thought about it as a role - 'we need a chairman, we need x number of directors with this sort of skill set' - but we had never applied ourselves to thinking through how large or small the time commitment would be, and that was quite insightful for us."

"The DirectorRem report became a key discussion document with the founding shareholders and directors as to how to move forward. It illustrated the cost to have a board but also what the business might achieve out of that type of expenditure. My clients had seen all the literature and knew they should have an independent board, or some independent members, but they had no idea how much that might actually cost."

"In my business, working with firms needing to transition to a formalised structure, the board remuneration process is key."

A busy programme in labour market law

National came into government in November 2008 promising some significant changes to labour market regulation. It has worked through this list, and more besides, with the passage of six pieces of legislation to amend the Employment Relations Act 2000 (ERA). The most recent amendments came into force on 1 April.

Employment law has always been a key differentiator between National and Labour, which guarantees a certain amount of legislative "traffic" as policy changes are made and unmade, depending upon which party is in government. Voluntary unionism was once a case in point.

The big ticket items National campaigned on in 2008 were:

- providing for a 90 day trial period in workplaces employing fewer than 20 employees
- making union access to a worksite contingent on the employer's consent, and
- allowing employees to cash in their fourth week of annual leave.

The first item, which allows an employer and new employees to agree that for a period up to 90 days after starting a job, the employee can be dismissed without being able to bring a personal grievance for unjustified dismissal, was delivered in 2009 and extended to all employers in 2011 in the face of significant political and union opposition.

The uptake of trial periods by employers was swift and significant – a Statistics New Zealand survey in 2012 found that in the last 12 months they had been used by 59 percent of all employers who had taken on staff and 36 percent of new hires. Trial periods are unlikely to survive a change of government without amendment, with Labour having indicated that they would be reviewed to incorporate "fairness" requirements.

National's other 2008 campaign commitments were delivered in 2011 at the same time as making employer-friendly changes to the personal grievance provisions of the ERA. These were also opposed by the unions but were seen by many employers as reflecting a swing of the pendulum back towards a more balanced position between the interests of employers and the rights of employees.

Big themes in National's policy-making in this area have been a desire to attract investment and create jobs, a belief that light regulation is integral to economic growth, and a willingness to scratch itches.

The stand-out example of the first tendency is the so-called "Hobbit clause", introduced in 2010 to protect the labour only contracting model in the film industry as an inducement to Warner Bros to shoot the Hobbit films in New Zealand.

But by far the most significant policy strand has been toward labour market flexibility, often achieved by dismantling union prerogatives. Examples include:

- allowing employers to communicate with employees during collective bargaining, so long as the communication does not amount to a negotiation and does not undermine the union's authority
- removing the obligation to conclude a collective agreement in collective bargaining
- allowing employers to opt out of multi-employer bargaining
- requiring advance notice for most strikes and lock-outs, and
- allowing proportionate pay reductions when employees engage in partial strike action or go slows.

However, while most of the statutory amendments National has authored have been perceived as pro-employer, this has not always been the case – and particularly not in recent times where political and public pressure has led to some significant changes.

The recently passed Employment Relations Amendment Act includes a crackdown on "zero hours" contracts, which followed a media-grabbing campaign by Unite, representing fast food and hospitality workers. The changes, including last minute compromises which secured Labour and the Greens support for the Act, provide that:

- availability provisions are allowed only in an employment agreement that specifies agreed hours of work and includes guaranteed hours within those agreed hours, and then only if they relate to a period that is in addition to those guaranteed hours
- employers cannot cancel a shift without giving the employee reasonable notice (which must be specified in employment agreements) and, if notice is not given, without paying reasonable compensation

Geoff Carter

- secondary employment cannot be restricted without genuine reasons which are stated in the employment agreement. These might include protecting the employer's commercially sensitive information, intellectual property, commercial reputation or preventing a conflict of interest
- employers must keep a record of hours worked, including for salaried workers, and an employee's agreed hours of work must be recorded in employment agreements or there must be an indication of the arrangements related to when the employee is to work, and
- employers are prohibited from making unreasonable wage deductions. This will likely cover any losses the employer has suffered through the fault of a third party, for example, the motorist who leaves without paying for their petrol.

Obviously, the dynamics of the workplace are affected by a much broader range of legislation than the Employment Relations Act. The Health and Safety at Work Act, for instance, affects all workplaces and businesses.

Moreover, while the ever-changing legislative framework is important, the biggest determinants of labour market outcomes will always be the availability of skills and the relative strength of the economy.

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Systemic risk:

A limitation of traditional risk management practices

"Understanding and modelling systemic risk requires two fundamental changes: one relating to approach, the other to technique."

In the aftermath of the global financial crisis, questions are being asked about why traditional risk management methodologies seem to be unable to provide sufficient warning of 'the next' crisis. Over the last 40 years, many significant financial or economic crises were not adequately foreseen and prevented.

An examination into some of the root causes reveal that a major factor is the acceptance of, and reliance on, historical data in models and scenarios, ignoring the fact that future scenarios are being shaped by macro-economic, socio-political and other megatrends not necessarily observed before.

Current examples of megatrends not observed before include:

- quantitative easing and the unwinding thereof
- aging populations in developed countries and the outworkings of progressively shrinking tax bases, inexorably expanding health care and social security costs - in many cases, off base of unprecedented peace time fiscal debt levels
- unparalleled levels of new regulation
- population growth in developing countries
- technological advances and disruptions
- explosive growth in the availability of real-time information and access thereto
- changing weather patterns.

A second reason for the root cause of these crises can be traced to a neglect of the limitations inherent in traditional risk management tools and methodologies. These include modelling assumptions, distributions adopted as well as the correlation and volatility surfaces accepted.

Collectively, these limitations and shortcomings heighten the likelihood that traditional risk management methodologies, including at the sophisticated end of the spectrum, underestimate and understate systemic risk: the risk inherent to an entire market, imposed upon it by its interdependencies and interconnectedness. Understanding and modelling systemic risk requires a fundamentally different approach. This is particularly important as the current globalization cycle has led to unparalleled levels of correlation and contagion across international economies and financial systems. As a result, when crises occur, their magnitude and impact are greater; the depth of crises increase; and the recovery periods become longer and slower. These features are characteristic of the global financial crisis and its aftermath.

NEW MACRO-ECONOMIC OPERATING ENVIRONMENT, NEW RISK MANAGEMENT APPROACH

Understanding and modelling systemic risk requires two fundamental changes: one relating to approach, the other to technique.

Andries Terblanche

Ross J Buckley

Kay Baldock

The first suggests elevated scepticism and caution in applying traditional risk analyses and methodologies in light of the probability that the aforementioned macro-economic, socio-political and other megatrends reduce the explanatory and predictive utility of historical data for future crises modelling. As such, the data, which is not free of limitations, should be complemented by drawing on the inputs and insights of seasoned, down cycle-experienced senior officials within an organization. Risk management can no longer be performed in isolation of their foresight. Grey hair is the new risk management black.

The second suggests acknowledgment that correlations are both more extensive and less predictable than traditional risk theory posits and that it is therefore essential to identify and study clusters of risks, including their potential systemic interaction. The aggregation of individually significant risks is no longer sufficient. Systemic risks behave in a non-linear manner, requiring the application of alternative methodologies to identify interlinked risk clusters. Recent developments in this field have made credible inroads into understanding and identifying systemic risks and are useful to boards and management in obtaining an understanding of:

- the potential impact of emerging macro economic, socio-political and other megatrends on the business, both to the upside and the downside
- how the megatrends can combine and interlink to form unparalleled clusters of upside opportunities and downside challenges
- risk mitigation and contingency plans to respond to downside clusters of risks (as opposed to the 'sum' of single risks)
- controls in place to identify, prevent, detect and remediate risks within systemically significant risk clusters
- the testing frequency and relative significance of the outcomes of such testing as it pertains to the design and operation of the controls.

Regulators, too, are increasingly emphasizing the inadequacies of single risk analyses or sum-of-single-risk analyses, particularly when these are predicated on somewhat simplistic modelling of future events by the 'acceptance' of past data. Today's stress testing and scenario analyses require cluster analyses of risk to overcome the anchoring bias associated with the adoption of historical observations of data. This is particularly important in the prime areas of regulatory focus: going concern analyses and capital adequacy assessments for financial services institutions.

THE POSSIBILITY OF THE NEXT CRISES

It remains an open question whether the modern day financial system, which has been shaped by the combined forces of globalization, market liberalization and technology, can be adequately controlled, or whether further and potentially more devastating crashes are inevitable. We now know that financial markets exhibit behavioural patterns consistent with other complex adaptive systems, including their chaotic and unpredictable characteristics.

As a result, effective risk management requires risk management practices and techniques that:

- acknowledge the contemporary operating environment as being different than the past
- recognize the resulting limitations in traditional risk modelling paradigms
- compensate for these through the application of risk cluster analyses and the quantitative modelling of their clustered economic impact
- draw on the deep cycle experience and analyses of senior officials in both the modelling and interpretation of potential exposures to systemic risks.

To do this requires the active consideration and modelling of systemic risks, as well as their reporting to risk committees and boards. Behind the analyses should be an acknowledgment of the limitations of historic data's usefulness to predict the next crisis. Risk management tools to achieve this result have been well researched and are now in existence and should be applied to overcome the limitations of traditional risk management practices in identifying systemic risks.

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Governance of IT projects: The directors' perspective

IoD member Ashley Mahadeo has undertaken a research project as part of an MBA with Massey University. He submits it now for the consideration of boardroom readers, who might be interested to find out what other directors think about the question:

In a society where information technology is so pervasive and it is clear that the risks such projects carry could affect business operations and businesses on so many levels, should boards of directors be paying closer attention to IT projects?

BY Uttama (Ashley) Mahadeo & Dennis Viehland

Information technology (IT) is now intractably linked to business strategy. There is an imperative need for directors to be comfortable in providing good governance not only to the IT operations of their business, but also to IT projects. This is because IT projects, as the vehicles for implementing strategy, consume considerable organisational resources and are inherently risky.

WHY IT PROJECT GOVERNANCE IS IMPORTANT

Project Governance is the intersection between corporate governance and project management. This overlap between governance and management provides a valuable framework that adds value to IT projects. It ensures there is proper alignment between strategic vision and IT projects.

Projects that are actively overseen by a steering committee tend to adhere more rigorously to project management standards[1], so, are more likely to be successful. Good project governance provides a reliable framework to support project goals and objectives while holding project teams accountable. Otherwise, there are chances that issues will remain hidden until it is too late[2]. As IT projects become larger, more fast-paced and more global, they become exponentially more complex, riskier and harder to manage. The oversight of complex and large IT projects requires a proper governance framework to enable proper monitoring[3].

A proper project governance structure provides good oversight of IT projects and allows directors to ensure projects are well supported and that there is a basis for accountability and transparency[4].
IT projects obtain a better chance of success by benefiting from the support and guidance of the board. Additionally, the board can make sure the organisation and operations are not unduly impacted by minimising project risks.

DIRECTORS' TOP 5 CONCERNS

The findings reported below are based on interviews with seven directors with 1-14 years of experience on the boards of 44 companies. Only one director had a professional background in IT, but collectively they participated in governance of 14 IT projects of various sizes and scope in the last seven years. In the full research study[5] 12 concerns were identified in four general areas. The top five concerns are described in this section.

1. **IT projects tend to be aggressively optimistic**
   The general trend observed and agreed on by most of the directors is that IT projects remain aggressively optimistic. The cause of excessive optimism is a lack of understanding of the complexity

of IT components at various levels, including among technical experts and the managers overseeing the projects. This leads to the fact that the objectives and estimates of the projects are often largely guesswork, with limited understanding of the potential unknown risks. The result is over-ambitious objectives accompanied by a largely underestimated budget. This problem is accentuated by the fact that developers try to pad their estimates to allow for uncertainty and unknowns, whereas management, typically, is largely trying to challenge this padding to reduce cost[6]. The end result is that the projects are still left with unknowns but the "extra" cost to resolve these is now removed. This makes the projects even riskier.

Recommendation: Boards should encourage project management teams to ensure there is better and more in-depth planning, and to explain how the budgets allow for the scope, complexity, risk and potential unknowns.

2. Project gateways and budget thresholds

Gateways and thresholds are often introduced in the project life cycle to ensure quality. However, these gateways can create an incentive to mask the real size, budget and complexities of projects by breaking them down into smaller individual projects to escape the board's attention.

Recommendation: Given that every IT project carries risks, risk management of all projects should be on the board's radar so that the associated risks can be overseen properly.

3. Skills at board level are not broad-based enough

Two of the directors explicitly said that "the skill set at board level is just not broad enough". They made it clear that the skill set of the board should be a fair reflection of the operational aspects of the business to achieve optimum efficiency and effectiveness. This is particularly true for the IT project governance team's skill set. Additionally, as emphasised by other directors, given that these projects actually serve business functions and business strategy, business owners should really be driving these projects. The underlying reason is that although IT practitioners are experts in programming and development, it is very likely their understanding of the business requirements of the firm will be limited.

Another director acknowledged that "directors cannot be experts at everything" and another commented that "directors need to be able to ask the hard questions". The general consensus is that directors do not need to be experts in the domain of IT projects, however, they do need to be able to understand the pain-points or the various factors influencing IT projects.

Recommendation: All directors need a basic understanding of issues associated with governance of IT projects. Then they will be in a much better position to ask the hard questions and also to understand the information being provided and challenge it as required.

4. Technical language and jargon

This is an important obstacle for directors whose area of expertise is not IT. It should be noted that even technical persons are not proficient in all areas of IT and that technical jargon remains an undeniable issue. However, this issue is surmountable. Management/project teams and directors have to appreciate each other's limitations and be mindful of the jargon being used and remain aware of potential misunderstandings. "A confused board is unlikely to approve something", said one interview participant with 11 years of experience as a director. It is important to make sure that the information provided suits the audience and can be readily understood. This means when communication is not a barrier, both parties can be as effective as possible.

The difficulty in understanding the technical jargon also highlights the fact that there is a definite gap between business practitioners (or users) and IT practitioners[7]. Two of the most experienced directors suggested that it is time this gap was closed by emphasising that, apart from infrastructure projects which deal with particularly technical aspects of IT such as space or memory, all other projects support business functions. Therefore there is "no such thing as an IT project".

Recommendation: Boards should encourage project teams and management to close the gap between business and IT. This should be achieved through the collaboration of business and IT practitioners to create simple, accurate and common terms. This will help avoid misunderstanding and confusion.

5. Fast-paced evolution of IT

The fact that IT evolves rapidly is also a concern for directors because, when it comes to settling on a strategic approach, part of any approach is agreeing on the technology to be used and understanding its capabilities and threats. However, choosing the technology becomes a hurdle given that there are major enhancements almost constantly in most technologies.

Recommendation: It is important for directors and management to develop thresholds that new technology needs to meet before being considered for implementation. Otherwise too much time can be wasted in choosing the right technology.

CONCLUSION

The research confirms some of the directors' concerns regarding the delivery of IT projects. These are real and need to be taken seriously to help businesses move forward as IT projects become more common, larger, more complex and more present. Better IT project governance will help better achieve strategic goals that are intractably linked to IT.

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Larry Fink's 2016 Corporate Governance Letter to CEOs

Over the past several years, I have written to the CEOs of leading U.S. companies urging resistance to the powerful forces of short-termism afflicting corporate behavior. Reducing these pressures and working instead to invest in long-term growth remains an issue of paramount importance for BlackRock's clients, most of whom are saving for long-term goals, as well as for the entire global economy.

While I've heard strong support from corporate leaders for taking such a long-term view, many companies continue to engage in practices that may undermine their ability to invest for the future. Dividends paid out by S&P 500 companies in 2015 amounted to the highest proportion of their earnings since 2009. As of the end of the third quarter of 2015, buybacks were up 27% over 12 months. We certainly support returning excess cash to shareholders, but not at the expense of value-creating investment.

LONG-TERM VALUE CREATION FRAMEWORK

We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation. Additionally, because boards have a critical role to play in strategic planning, we believe CEOs should explicitly affirm that their boards have reviewed those plans. BlackRock's corporate governance team, in their engagement with companies, will be looking for this framework and board review.

We recognize that companies operate in fluid environments and face a challenging mix of external dynamics. Given the right context, long-term shareholders will understand, and even expect, that a company will need to pivot in response to the changing environments it is navigating. But one reason for investors' short-term horizons is that companies have not sufficiently educated them about the ecosystems they are operating in, what their competitive threats are, and how technology and other innovations are impacting their businesses.

ACTIVISTS' PERSPECTIVE

Without clearly articulated plans, companies risk losing the faith of long-term investors. Companies also expose themselves to the pressures of investors focused on maximizing near-term profit at the expense of long-term value. Indeed, some short-term investors (and analysts) offer more compelling visions for companies than the companies themselves, allowing these perspectives to fill the void and build support for potentially destabilizing actions.

Those activists who focus on long-term value creation sometimes do offer better strategies than management. In those cases, BlackRock's corporate governance team will support activist plans. During the 2015 proxy season, in the 18 largest U.S. proxy contests (as measured by market cap), BlackRock voted with activists 39% of the time.

Nonetheless, we believe that companies are usually better served when ideas for value creation are part of an overall framework developed and driven by the company, rather than forced upon them in a proxy fight.

REPORTING PROGRESS

Over time, as companies do a better job laying out their long-term growth frameworks, the need diminishes for quarterly EPS guidance, and we would urge companies to move away from providing it. Today's culture of quarterly earnings hysteria is totally contrary to the long-term approach we need. To be clear, we do believe companies should still report quarterly results – long-termism should not be a substitute for transparency – but CEOs should be more focused in these reports on demonstrating progress against their strategic plans than a one-penny deviation from their EPS targets or analyst consensus estimates.

With clearly communicated and understood long-term plans in place, quarterly earnings reports would be transformed from an instrument of incessant short-termism into a building block of long-term behavior. They would serve as a useful "electrocardiogram" for companies, providing information on how companies are performing against the "baseline EKG" of their long-term plan for value creation.

We also are proposing that companies explicitly affirm to shareholders that their boards have reviewed their strategic plans. This review should be a rigorous process that provides the board the necessary context and allows for a robust debate. Boards have an obligation to review, understand, discuss and challenge a company's strategy.

ENVIRONMENTAL AND SOCIAL IMPACT

Generating sustainable returns over time also requires a sharper focus not only on governance, but also environmental and social (ESG) factors. Over the long-term, ESG issues – ranging from climate change to diversity to board effectiveness – can have real and quantifiable financial impacts.

At companies where ESG issues are handled well, they are often a signal of operational excellence. BlackRock has been undertaking a multi-year effort to integrate ESG considerations into our investment processes, and we expect companies to have strategies to manage these issues.

STAKEHOLDERS TO BUY IN

We recognize that the culture of short-term results is not something that can be solved by CEOs and their boards alone. Investors, the media and public officials all also have a role to play in changing the culture of short-term results.

Over the past few years, we've seen more and more discussion around how to foster a long-term mindset. While these discussions are encouraging, we will only achieve our goal by changing practices and policies, and CEOs of leading companies have a vital role to play in that debate.

Corporate leaders have historically been a source of optimism about the future of our economy. At a time when there is so much anxiety and uncertainty in the capital markets, in our political discourse and across our society more broadly, it is critical that investors in particular hear a forward-looking vision about companies' prospects and the public policy they need to achieve consistent, sustainable growth. The solutions to these challenges are in our hands, and I ask that CEOs join me in helping to answer them.

Out&about

AUCKLAND

Auckland branch's 2015 Emerging Director Award winner Paul Adams was presented with his award during the welcome evening in February, and a breakfast function with Tony Carter.

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WELLINGTON

Wellington Branch Annual General Meeting with presentation by Michael Stiassny, President of IoD

NELSON MARLBOROUGH

Simon Arcus, IoD CEO, and Liz Coutts, IoD Vice President, joined the Nelson Marlborough Branch to discuss emerging trends for directors in 2016.

1 | Breakfast function with Tony Carter (Auckland)
2 | Tony Carter (Auckland)
3 | Michael Stiassny, Tom Perkins (Auckland)
4 | Paul Adams, Julia Hoare (Auckland)
5 | Wellington Branch Annual General Meeting (Wellington)
6 | Liz Coutts, Simon Arcus (Nelson Marlborough)
7 | Julie Millar, Graeme Marriott, Graeme McGlinn (Canterbury)
8 | Monique Bond, Rodger Finlay, Nathan Latimer, Chris Aynsley (Canterbury)
9 | Warren Head, Nigel Rigby, Chris Stoelhorst, Chris Gran (Canterbury)
10 | David O'Malley and Robbie Burnside (Otago Southland)
11 | John McCall and Norcombe Barker (Otago Southland)
12 | Teresa Chan, Julie Curphey, Rachel McLauchlan, Simon Arcus, Karen Thompson (Otago Southland)

CANTERBURY

Nigel Rigby shared the story of Metroglass, discussing the dilemmas, pressures, agendas, risks taken and fast style of the organisation's development since the mid 2000's.

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OTAGO SOUTHLAND

IoD CEO Simon Arcus and IoD Otago Southland branch committee member Stuart McLauchlan spoke about governance issues on the radar for 2016. This event was held live in Dunedin and by Skype to events in Invercargill and Queenstown.

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Company Directors' Course QUEENSTOWN, FEBRUARY 2016

Back Row: Aviette Musin, Tess Shaw, Warren Johnstone, Frank Burgess, JP Ferris, Andrew Simcock, Tony van der Hoorn, Mark McAtamney, Rudi Bublitz, Russell Drummond, Andrew Whiley, Rudi Hefer, Stephen Bateman, James Woodward, Katrina Bach

Front Row: Selwyn Eathorne, John Booth, Sean McKinley, Mark Farrell, Aden Forrest, Vicki Cunningham, Don Miskell, Jason Fleming, Nigel Pollock, Maureen Reid

IoD Events Diary

For more information visit www.iod.org.nz or contact your local branch office

Self-paced learning

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Directors' and Officers' Insurance

Ethics – How directors do business

Health and Safety Governance

Webinars

9 MAY AND 13 JUNE
2.30 PM – 3.30 PM
Hot Topics for SME directors

Health and Safety Roadshows

Some dates are still to be confirmed. Please check our website for the confirmed dates if your region is not listed below.

BAY OF PLENTY

Rotorua	**June 28**
Tauranga	**June 29**

CANTERBURY

Christchurch	**June 14**

OTAGO SOUTHLAND

Dunedin	**June 15**
Invercargill	**June 16**
Queenstown	**June 17**

Auckland

18 APRIL
Company Directors' Course Non-residential

19 APRIL
The future of the New Zealand economy and how to restore the Kiwi dream
Breakfast function with Andrew Little

19 APRIL
Audit and Risk Committees

29 APRIL
From CEO/CFO in NZ to Vice Chairman/ CFO in Microsoft and General Motors in the USA - lessons learnt along the journey
Breakfast function with Chris Liddell CNZM

20 MAY
Succeeding in the new digital era
Breakfast function with Claudia Batten

24 MAY
Public Company Directorship

24 MAY
Governance Essentials

25 MAY
Finance Essentials

26 MAY
Strategy Essentials

1 JUNE
Maintaining a future focus in governing Crown-owned companies
FirstBreak evening panel and networking meeting

8 JUNE
Chairing the Board

9 JUNE
How digital changes everything
Breakfast function with Barbara Chapman

12 JUNE
Company Directors' Course

20 JUNE
Company Directors' Course Refresher

22 JUNE
Risk Essentials

Bay of Plenty

20 APRIL
Cyber-Security for the Boardroom
Cocktail with Stephan van Lieshout, Rotorua

17 MAY
Leading in a Digital Era, Tauranga

18 MAY
Key issues for directors in 2016
On the Radar lunch function with Simon Arcus, Taupo

Taranaki

7 APRIL
Rural Governance Essentials, New Plymouth

Wellington

19 APRIL
Governance Essentials

20 APRIL
Finance Essentials

21 APRIL
Strategy Essentials

17 MAY
Chairing the Board

18 MAY
Finance Essentials

19 MAY
Not-for-Proft Governance Essentials

29 MAY
Company Directors' Course

14 JUNE
Audit and Risk Committees

15 JUNE
Masterclass – Health and Safety Reform

16 JUNE
Masterclass – Leading through a Media Crisis

Nelson/ Marlborough

14 APRIL
The challenges, opportunities and pitfalls of growing EBOS
Lunch function with Mark Waller, Chair EBOS Group Ltd

10 MAY
Governance Development Programme, Nelson

18 MAY
Drugs and Alcohol in the Workplace
Lunch function with Steven Williams from the Drug Detection Agency, Blenheim

24 MAY
The Importance of Culture in the Boardroom
Lunch function with Tony Carter

Canterbury

19 MAY
Governance Development Programme, Christchurch

19 MAY
Rural Governance Essentials, Ashburton

14 JUNE
Governance Essentials, Christchurch

15 JUNE
Finance Essentials, Christchurch

16 JUNE
Risk Essentials, Christchurch

Otago/Southland

8 MAY
Company Directors' Course, Queenstown

22 JUNE
Leading in a Digital Era

23 JUNE
Leading Through a Media Crisis, Dunedin

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Registrar of Companies – 2016 first quarter Q&A

The Registrar of Companies, Mandy McDonald, discusses how the Companies Amendment Act 2014 is being implemented and the impact this has on the integrity of the Companies Register.

Mandy, can you give us an update on the implementation of the Companies Amendment Act 2014?

In December 2015, 2,433 companies were removed from the Companies Register as a result of not meeting the essential requirement of having at least one director who must "live in New Zealand" (or in Australia if they are also a director of a company registered in that country).

I'm looking closely at how companies are complying with the rules requiring them to provide date and place of birth for all directors, and ultimate holding company information. As at February 2016 54% of companies had supplied directors' dates of birth, and just over 16,500 companies had indicated they have an ultimate holding company, through their annual return. I'm receiving regular reports to ensure this is tracking as expected.

What challenges have you faced in implementing the Amendment Act?

The resident director rule uses the term "live in New Zealand" which is not defined in the Companies Act. My interpretation of this term has been challenged and this may ultimately be a matter for resolution by the High Court.

What impact is the inclusion of the director's date of birth and place of birth having on the Companies Register?

Having the date and place of birth on our register, while not publically available, helps to verify our information on directors and gives our data even more credibility. We're keeping an eye on the date and place of birth information that is being supplied to the Companies Register and there may be new integrity checks put in place.

directorVacancies

directorVacancies is a cost-effective way to reach IoD members – New Zealand's largest pool of director talent. We will list your vacancy until the application deadline closes or until you find a suitable candidate.

OXFORD HEALTH CHARITABLE TRUST
Role: Directors (two - three roles)
Location: Oxford, North Canterbury,
Closes: 17 April

KIWIFRUIT VINE HEALTH INC (KVH)
Role: Independent Director, Biosecurity
Location: Mt Maunganui
Closes: 18 April

HORSE OF THE YEAR (HAWKE'S BAY) LIMITED
Role: Independent directors (two)
Location: Hawke's Bay.
Closes: 21 April

GIRL GUIDING NEW ZEALAND
Role: National President
Location: National
Closes: 30 April

THE BALLET FOUNDATION OF NEW ZEALAND
Role: Trustee
Location: National
Closes: 30 April

AUSTRALASIAN CORROSION ASSOCIATION
Role: Director (two)
Location: Australia (Melbourne and Sydney)
Closes: 6 May 2016

You'll find more directorVacancies advertised on the IoD website, in the monthly directorVacancies email distributed to IoD members and on the IoD Twitter feed, @IoDNZ.

THE FOLLOWING POSITIONS ARE OPEN UNTIL FILLED:

PARS INCORPORATED
Role: Board Member/Treasurer
Location: Auckland.

NORTH HARBOUR LIVING WITHOUT VIOLENCE
Role: Board Member/Trustee
Location: Takapuna, Auckland

STOP PROGRAMMES
Role: Directorships (2)
Location: Christchurch

AUCKLAND COMMUNITIES FOUNDATION
Role: Board members
Location: Auckland CBD