

boardroom

UNLOCKING LEADERSHIP

Governance Leadership Centre open for business

HOW MUCH ARE DIRECTORS PAID?

SIR MAARTEN WEVERS ON GOVERNANCE



10 Treasury as shareholder – taking a fresh approach

18 Goodbye mass advertising, hello targeting and engagement

22 Putting safety first in high-hazard industries

30 Developing a pathway of experience for directors

40 How do you grow CPD points?

STRATEGY DESIGN & ADVERTISING

We'd like to get our thinking into your boardroom.

Growing your brands in a systematic and disciplined way will drive up margin, improve your bottom line and boost your reputation. As a design-led advertising agency, we turn sound business thinking into rich creative concepts and powerfully designed campaigns.

Our work is crafted and effective.

If your board is looking for a practical, results focused growth partner, request your copy of *strategy thinking*TM at strategy.co.nz.



INSTITUTE OF DIRECTORS
IN NEW ZEALAND



NEW ZEALAND TRADE
AND ENTERPRISE



CLOUDY BAY



VICTORIA UNIVERSITY

www.strategy.co.nz



SHARE AN IDEA



OFFICE OF THE OMBUDSMAN



MY FOOD BAG



BOOSTED

HOW CAN I GET MY WORKING CAPITAL TO WORK HARDER?

A **Heartland Business Call Account** pays a market leading return and is simple – just the way a call account for businesses and business executives should be. Funds are held on-call, with easy access and unlimited transfers to one nominated bank account. There are no fees and you earn a great return on every dollar.

Maybe that's why the **Heartland Business Call Account** is recognised as providing “outstanding value” by independent financial products research company Canstar who have awarded it five stars.

Talk to us. We're Heartland – New Zealand's Specialist Bank.

Heartland Business Call Account

4.25%
P.A.

Interest paid monthly. Interest rate subject to change. Maximum balance \$5m.

0800 85 20 20
www.heartland.co.nz



HEARTLAND
BANK

New Zealand's Specialist Bank

A copy of Heartland Bank Limited's Disclosure Statement and Account and Service General Terms and Conditions can be obtained from www.heartland.co.nz or by calling us on 0800 85 20 20.

FROM THE EDITOR

The wearing of seat-belts for back-seat passengers did not become compulsory in New Zealand until 1979; front-seat passengers were required to wear them from 1975. New Zealanders who grew up before that time will hold a collective memory of sliding unharnessed around the slippery back seats of their parents' cars. This may seem madly unsafe now but at the time there was opposition to the new laws.

Now, there is not only a legal requirement for you to wear a seat-belt but a cultural one as well. Most of us slip on a seat-belt unthinkingly as soon as we get into our cars.

Legislation can provide the motivation for us to re-educate ourselves and develop new habits. Many believe that, once it is enacted, the Health and Safety Reform Bill will succeed in bringing about a new mindset regarding health and safety in the workplace.

Among the stories in this issue, you will find examples of high-hazard businesses where positive changes are already being made – well ahead of legislative reform.

Katherine Robinson
Editor, boardroom



**Institute of Directors in
New Zealand (Inc)**
Mezzanine Floor,
50 Customhouse Quay
PO Box 25253, Wellington 6146
New Zealand
tel: 04 499 0076
fax: 04 499 9488
email: mail@iod.org.nz
www.iod.org.nz

10 Unlocking leadership

Is leadership really all in the genes or is it a commodity bought by followers? Simon Arcus explores leadership theories



- 10** Unlocking leadership
- 15** Changing the face of Treasury
- 17** IoD Directors' Fees Survey – the results are out
- 18** A new dawn in Adland
- 22** At the cutting edge of health and safety
- 26** In the eye of the storm
- 30** A pathway to experience
- 32** Keeping up with the play on continuous disclosure
- 36** How to be an IPO rock star
- 38** The changing landscape of environmental liability
- 40** How do you grow CPD points?
- 50** New people, new places, new ways

INSIDE IoD

- 7** CEO Report
- 8** Update
- 42** Director Development
- 45** Board Services
- 46** Branch News
- 48** Branch Events



15 Changing the face of Treasury

Taking a fresh approach, the Treasury plans to work more closely with boards



18 A new dawn in Adland

Advertising is changing at the speed of light – can you keep up? By Christopher Bray

Institute of Directors (IoD)

boardroom 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.

boardroom 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.

For all editorial enquiries:
Editor, Katherine Robinson
027 5639 686 or email
katherine.robinson@iod.org.nz

For all advertising enquiries:
Fran Page: 04 801 0450

boardroom is designed by
Strategy Design & Advertising,
www.strategy.co.nz

Institute of Directors in New Zealand (Inc)

Mezzanine Floor, 50 Customhouse Quay,
PO Box 25253, Wellington 6146,
New Zealand

Tel: 04 499 0076, Fax: 04 499 9488
Email: mail@iod.org.nz

www.iod.org.nz

SENIOR MANAGEMENT TEAM

Chief Executive Officer

Dr William Whittaker

Manager, Membership, Marketing and Communications

Nikki Franklin

Manager, Governance Leadership Centre

Simon Arcus

Corporate Services Manager

Chris Fox

General Manager Commercial

Tim Allen

COUNCIL 2013/2014

Stuart McLauchlan, President;
Michael Stiassny, Vice President;
Liz Coutts, Auckland; **Warren Dalzell**,
Auckland; **Glenn Snelgrove**, Bay of Plenty;
Margaret Devlin, Waikato; **Jim Donovan**,
Wellington; **Dr Helen Anderson**,
Wellington; **John McCliskie**, Nelson
Marlborough; **Ray Polson**, Canterbury;
Geoff Thomas, Otago Southland

COMMERCIAL BOARD

Ray Polson, Chairman, **Jim Donovan**,
Margaret Devlin, **Stuart McLauchlan**,
Brian Steele, **Dr Alison Harrison**,
Rangimarie Hunia

The Institute of Directors has staff based at the National Office in Wellington, and eight branch managers operating from their localities. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 49

boardroom is pleased to acknowledge the support of sponsors
Marsh, Chapman Tripp and KPMG.



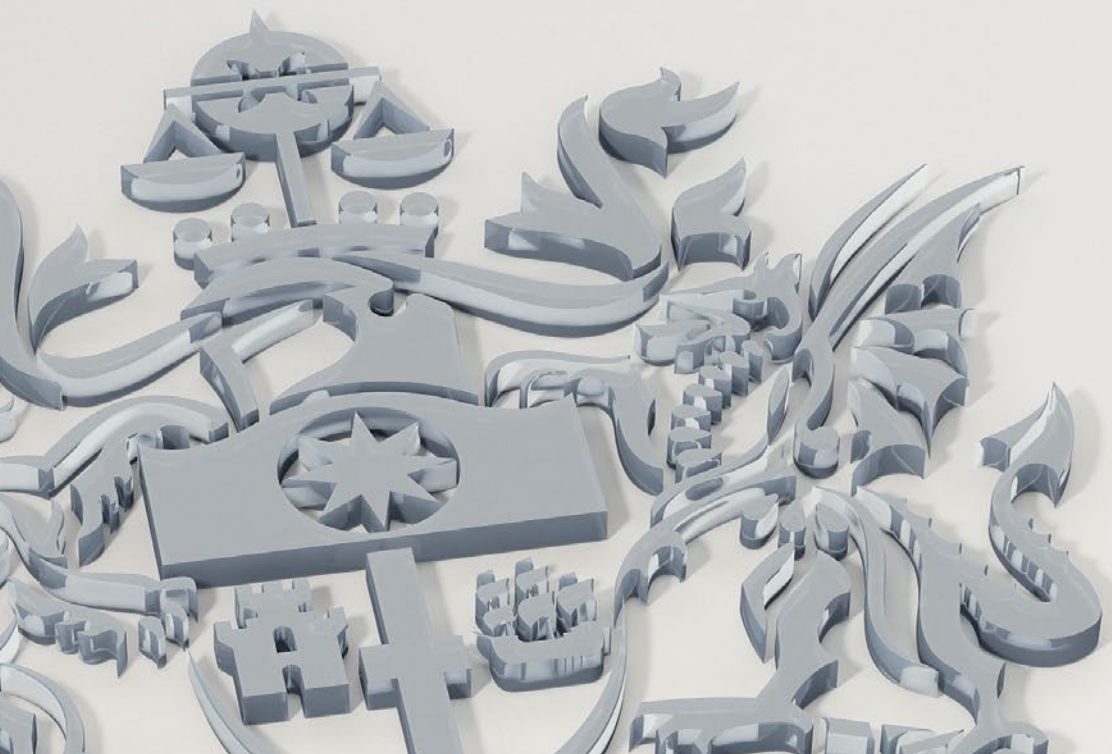
chapmantripp.com, 04 499 5999



marsh.co.nz, 0800 627 744



kpmg.co.nz, 09 367 5800



CEO REPORT

Creating a culture of responsibility

New Zealand has a proud history as a nation of independent entrepreneurs and small businesses. An estimated 500,000 companies are registered at the Companies Office, and over 97 per cent of them are SMEs, many of those owned as family businesses.



Just as the Royal Commission of Inquiry into the Pike River Coal Mine Tragedy shocked the nation with its revelations of shoddy health and safety practices, the conviction and sentencing of Gloria Davis a couple of months ago could well have sent ripples of alarm to directors of those small businesses.

The fishing vessel Easy Rider sank in Foveaux Strait when it was swamped by a wave just after midnight on 15 March, 2012. Eight died in the tragedy, including Gloria's partner.

The boat was registered to AZ1 Enterprises, of which Gloria was the sole director. In the subsequent court case, she was found guilty of offences including failure to take all practicable steps to ensure no contractors or subcontractors were harmed while working on the Easy Rider.

Gloria may actually have had little to do with the business or her husband's boat, and claimed in her defence that he had assumed responsibility for health and safety risk management. As a company director, she was held responsible for the full range of directors' duties, including the wellbeing of employers as contractors.

It was a brutal reminder that being a director is a serious job with weighty responsibilities and stiff penalties if these are ignored. And this applies whether you sit on the board of a large corporate or are an owner operator.

There are heartening signs that there is a growing awareness of health and safety responsibilities. The IoD has committed to

raising awareness, representing directors' interests and effecting the culture change needed to raise the country's health and safety ranking within the OECD. Currently, New Zealand is placed at 14th.

I have recently completed a national roadshow, The Contractor Initiative, jointly run by the IoD and Business Leaders' Health and Safety Forum initiative. I was struck not only by the number of participants (over 550 over eight locations) but also by the depth of interest.

In part, this interest is naturally generated by preparations for the changes in health and safety legislation in 2015. The Health and Safety Reform Bill will bring New Zealand into alignment with Australia by introducing a positive due diligence duty on directors. Once enacted, directors will be required to proactively manage workplace health and safety and ensure that the organisation complies with this duty so far as is reasonably practicable. Significant penalties for a breach of duty are also being introduced.

The new legislation will require a person conducting a business or undertaking (PCBU) to be responsible for the health and safety of contractors and subcontractors. The concept of the PCBU and how contractor responsibilities are apportioned and managed has generated the most interest.

It is not a case of sheeting back all responsibility to directors or owners. It is about proportionality. As IoD Vice-President Michael Stiassny commented at the select committee presentation,

everyone has a responsibility because it is about creating and sustaining a culture of accountability. Some work will be needed to demarcate and articulate responsibilities more clearly, but major and complex projects such as the Christchurch rebuild demonstrate that collective responsibility is the key to minimising workplace injuries

Realistically, accidents happen. And they happen in even the most safety-conscious workplaces. It is impossible to totally de-risk any enterprise but that does not mean that you should not have a zero harm policy in place.

From what I have witnessed on the road with The Contractor Initiative, there is a genuine desire for education that goes beyond compliance. The IoD has already demonstrated that it is playing a major role in this and will continue to do so, since as the statistics indicate, directors are responsible for a broad spectrum of the country's business.

In response to growing demand, the IoD has developed a range of health and safety resources, the latest of which are the Online Health and Safety Module and a Boards in Action workshop for senior directors.

There will be some who feel they have heard enough and want to move on to the next challenge. However, the Health and Safety Reform Bill has not yet passed and Australia is reviewing its health and safety legislation – upon which ours is based – so there is clearly a long way to go. A business that does health and safety well is most likely to do everything else well. It is therefore not only a necessity, but a business advantage.

Update

RECENT APPOINTMENTS

We would like to congratulate the following members on their new board positions.

Former Mediaworks head Brent Impey is now chair of the New Zealand Rugby Board

Steve Saunders is to be a director at Landcare Research

Dame Jenny Shipley is chair of China Construction Bank (New Zealand)

Colleen Neville is to be a director at New Zealand Forest Research and Scion

Kiwibank deputy chair Alison Gerry has been appointed to the Infratil board

John O'Hara joins the ESR board

TSB deputy chair Bruce Richards has been named the new chair, with Murray Bain to succeed him as deputy chair

Nick Main and Dr Gillian Lewis join the NIWA board

Jane Taylor has been appointed deputy chair of Landcare Research

Sarah Haydon is to be a director at GNS Science

Marion Cowden is to be promoted to deputy chair of ESR

Jim Donovan will be the new deputy chair of REANNZ

Sam Robinson has been reappointed chair of AgResearch, new appointments are Jeff Grant and Michelle Alexander

Chartered Director – progress report

Transitioning of current members into the new membership structure is well underway, and the new categories will take effect on 1 October. We would like to thank all those who have updated details of their governance roles on our database. If you have not done so already, log on to www.iod.org.nz and click on Update my details.

Applications to upgrade to Fellow closed on 18 July and for Chartered Member on 31 August.

We will be constantly updating the information on our website as we approach the 1 October launch date. For an overview of Chartered Director, see the brochure *Chartered Director – a guide for current members*. This is available for download as a PDF on our website.

If you have any concerns or enquiries regarding your membership, please contact Dr Lisa Docherty, Registrar, phone 04 470 2645 or email lisa.docherty@iod.org.nz

IOD BY NUMBERS*

6594

members as at 30 June 2014

130

new members in June 2014

3.5^{years}¹

median length of a directorship

50.9%

members with one or more unpaid directorships

Queen's Service Medal Awarded

The IoD warmly congratulates **Karen Sherry**, who was awarded the **Queen's Service Medal (QSM)** for services to the electrical industry.

* Correct at time of publication,

¹ According to *The IoD Directors' Fees Report 2014*

Keeping up with new accounting standards

Accounting standards are changing, affecting 95 per cent of New Zealand businesses, reducing their compliance requirements and potentially saving them time and money.

Following changes to legislation, the majority of New Zealand's small and medium sized businesses will not have to produce annual accounts which follow accounting standards issued by the External Reporting Board (XRB) for any financial year that begins on or after 1 April 2014.

"The new legislative arrangements and accounting standards give businesses a greater choice to do what's best for them and for many this will help reduce time and compliance costs," says Graeme Mitchell, Chairman of the XRB, which has overall responsibility for setting accounting standards.

"While it is difficult to quantify the extent of the savings, in a competitive business

environment, we think this will be welcome news to any company director looking to streamline processes and make efficiencies where they can," Mr Mitchell says.

The XRB stresses that applying the proper accounting standards is a fundamental duty for company directors. Mr Mitchell encourages all directors to ensure that they understand what the changes mean for their business by talking to their accountant or going to www.xrb.govt.nz for more information.

Save the date
IoD Leadership Conference
21-22 April 2015
The Langham, Auckland

Aspiring Director Award Winners

Maria Stockman and Peter Tinholt were joint winners of the Bay of Plenty's 2014 Aspiring Director Award. Noting the high standard of applicants overall, Deryck Shaw, one of the judging panel said "We were not able to choose one winner, as both were just as deserving as the other."

Clare Kearney won the Otago Southland branch's 2014 Aspiring Director Award. Otago Southland Branch Chair Geoff Thomas was impressed with the effort Clare put into developing herself for board roles.

Clare currently serves as chair of Network Waitaki Ltd and deputy chair of Sport Otago, in addition to being on the board of Waitaki Community Garden Trust.

Reminder: applications close on 19 September for Auckland branch's Emerging Director Study Award. The winner will receive \$2,000 towards an IoD professional development course, mentoring by a senior director, a year's complimentary membership of the IoD, and a year's free attendance of Auckland branch events.

For further details and to apply, visit the Auckland branch section of www.iod.org.nz

directorRem

Found the right director? Make sure you keep them.

Are your fees right for attracting, motivating, and retaining top directors?

Do you have the best people who can drive growth and performance for your organisation? With increasing demands being placed on directors to perform, it is important that the reward is appropriate for the risks and requirements of the role.

We can help you set the right fees for your directors with our DirectorRem tailored benchmarking services.

We offer a range of services suited to your needs and budget.



Call us to discuss on 04 499 0076
 or email boardservices@iod.org.nz
iod.org.nz



Unlocking leadership

Whether it is nature, nurture or a commodity, leadership is a quality that sparks debate. Simon Arcus, Manager of the IoD's newly established Governance Leadership Centre, looks at what defines leadership and asks whether there is a role for a senior independent director on New Zealand boards



Did you know scientists at University College London claimed to identify a leadership gene in their research? The study is the first to identify a DNA sequence associated with the tendency for individuals to occupy a leadership position. (It's gene rs4950 for those interested). Maybe it's time to pack up and go home if this business called leadership is as simple as gene sequencing...

I suspect the gene revelation merely adds to the debate about whether leaders are born or made. Tomes abound on the characteristics and determinants of leadership. Research even runs to study of primate behaviour.

One of the recent contributions to leadership thinking is outlined in the May 2014 *Harvard Business Review*. Authors W Chan Kim and Renée Mauborgne essentially characterise leadership as a product. It can be thought of as a service that people in an organisation 'buy' or 'don't buy' and can be understood as having customers:

"[There are] the bosses to whom the leader must deliver performance, and the followers who need the leader's guidance and support to achieve. When people value your leadership practices, they in effect buy your leadership... But when employees don't buy your leadership, they disengage, becoming non-customers of your leadership."

Conceptually, there's some merit in the metaphor. But I can't help thinking that the flavour of the definition goes a little too far towards commodifying leadership as customer service.

So what do I think? My own notion of leadership is simple. It is the moral courage to make decisions and take responsibility thereafter. I heard this many years ago

from my headmaster, Ian McKinnon FlinstD, and never found a better or more succinct definition. Moral courage includes being able to conceive a vision and inspire others by it as well as the persistence and resolve to implement it.

LEADERSHIP IN GOVERNANCE

The governance world calls for specific types of leadership which can evolve to suit specific circumstances and needs. Changes of leadership on the board can lead to significant cultural change. Different types of leadership on the board can also be identified.

The board is a system which will function best when there is effective leadership from the chair. The chair is typically a first among equals in the boardroom and the leadership style this calls for may be quite different from the pattern of a CEO. Through skilled leadership a chair creates an environment in which the board functions at its best. He or she manages a complex set of relationships to create consensus between directors and take the business forward. In a sense the chair is a servant leader, drawing out the views of others and landing the board discussion at the right place. The leadership of the board calls for savvy behavioural intelligence and relationship management: a specific kind of leadership.

The board is the strategic leadership group of the business. This requires the courage to look over the strategic horizon, envision the future, hold management to account and help chart the direction of the business. The board is a group of thought leaders.

Critically, the board has the vital task of making the choice of leader for the whole organisation: the CEO. The board should be putting significant time into understanding what leadership looks like

in order to determine the leadership the business requires. This includes taking time to develop profiles of executive excellence, institute succession-planning processes and consider long-term needs. *Bloomberg Businessweek* recently suggested this is a weak spot for some boards in the United States:

"When many of the present-day members of boards were rising in their careers they weren't exposed to good structures and processes for senior-level executive assessment. So while directors may feel they are on familiar ground when, for example, they're engaged with financials, they may be unfamiliar with best practices in senior-level assessment."

Increasingly, boards are involved in establishing a solid foundation for an incumbent CEO. The first 90 days has long been regarded as a golden period in tenure and some boards now spend significant time working with a new CEO to prepare definitive plans for that period. We have seen a trend of management consultants beginning to offer specific services to help with this task.

A NEW PARADIGM: THE SENIOR INDEPENDENT DIRECTOR

We should be open to ideas that add value to leadership on boards. One new concept introduced overseas is the role of the senior independent director (SID). The SID is an emergent feature of publicly listed companies on both sides of the Atlantic. The notion of the SID was introduced by the UK Cadbury report in 1992 and the subsequent Higgs report endorsed the concept. While many UK companies had a SID-like director before the reports, it was suggested that the position be codified as part of good governance

practice. The SID role is intended to provide boards extra muscle by giving him or her a number of key responsibilities. The objective is for the SID, as an experienced director, to contribute specifically to the overall health of the board. A SID has a number of key duties on the board:

- provide an alternative route of communication for major shareholders, particularly where the concerns are not resolved through normal channels of communication.
- key involvement in the appointment of a new chair by chairing the nomination committee
- lead the annual appraisal of the chair
- provide a reference point for other non-executive directors where dissatisfaction or other issues arise with the performance of the chairman.
- ensure that the chair is co-ordinating the views of the shareholders and that concerns are conveyed to all directors
- ensure that appropriate succession-planning procedures are in place for the board.

The UK Corporate Governance Code in June 2010 recognised the unique role of the SID in Article A.4.1:

“The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.”

The SID role calls for moral courage to take decisions or give guidance that is at odds with the chair at times. This makes it a sophisticated position on the board and calls for experience and skill. It requires an honest broker who can take the non-executive director view to the board in times of difficulty.

INITIAL RESISTANCE STRONG

Resistance to the notion of a SID from senior directors was powerful. Criticism was heaped on the idea by a number of senior and distinguished British directors. At its most basic the push back was along three broad lines. First, a perception of unnecessary complexity for boards. Secondly, opponents alleged the SID role introduced ambiguity into shareholder relations. To whom was the shareholder to go as first point of contact? Third, the role of a SID would actually create a counterweight to the chair and unbalance or undermine the power dynamics and clear authority lines of the board.

According to the IoD UK, the initial scepticism about the SID role appears to have largely vanished and its value is now recognised.

“The post caused some controversy when it was first proposed, with claims that it made governance more cumbersome and weakened the role of the chairman... As time has moved on, the role has become generally accepted. When the board is undergoing a period of stress, the senior independent director’s role becomes vitally important. He or she is expected to work with the chairman and the other directors, and/or shareholders, to resolve major issues. For example, they can act as an alternative point of contact for investors who may have made little headway in discussions with

the chairman, chief executive or finance director or who may have concerns about the performance of these individuals.”

One of the most important arguments for a SID is to provide a balancing effect on the role of the CEO and chair. A combination of a weak chair and a dominant CEO will create problems for the board just as a dominant chair and weak CEO might. A combination of a chair and CEO marching in step can also have upsides and downsides. The SID role in providing feedback to the chair may add an important safeguard.

A NEW ZEALAND CASE FOR A SID ROLE?

The SID role is not a significant feature on New Zealand boards nor provided for in regulation or guidelines. Is it time we consider the SID (or similar) on our publicly listed companies? Many New Zealand boards may already have a de facto SID where a skilled and experienced director is instrumental in the effective operation of the board. A formal role on the board for a savvy independent director may provide an excellent support for the chair, particularly where the stakeholder and investor environment is complex.

Would a SID role be so different from practice today? The role of a deputy chair may already have some of the features of a SID but equally may merely be a designated stand-in position for the chair.

One area where a SID may add value is in the capital markets. Kiwisaver and other mutual funds are beginning to change the shape of the New Zealand markets and their influence can only grow. This may mean re-examining whether the existing corporate governance settings are correct or whether innovations such as the SID are called for. Funds will become significant long-term investors with specific views

Governance Leadership Centre launches

The IoD has established a new research, policy and thought leadership hub, the Governance Leadership Centre (GLC).

and influences on the companies to which they are linked. The need to manage relationships will deepen. This may also bring with it debate on the need for a principles based code for institutional investors akin to the UK Stewardship Code.

The original notion of the SID was intended for publicly listed corporate boards. It isn't difficult to see how the role might be useful in other arenas or adapted to suit. Boards, which deal with complex stakeholder environments such as charitable or sports organisations, may benefit or co-operatives could be attracted to the leadership role of the SID. The SID could strengthen the board's capacity to communicate with stakeholders. Other boards with a strong commitment to evaluation and continuous improvement may see value in the SID's role in feeding back to the chair on performance.

The leadership role of the board is subject to evolution and leadership may include innovations or opportunities that add value to corporate governance. A SID is about appointing a director to a leadership role even if that role is, at times, out of step with the chair. The SID is an idea whose time may not have arrived, but if we are serious about adding value in the future a strong senior board member role may be worth considering.

We would be interested in hearing your views on the subject as part of the discussions on the IoD's LinkedIn group.

The GLC's mission is to foster a dialogue with the IoD membership, through articles such as this one. As part of its mandate to keep IoD members informed, the GLC also issues Practice Notes on how legislative changes may affect directors and also *directorsbriefs* on topical issues. To date, the GLC has issued *directorsbriefs* on the Health and Safety Reform Bill and more recently on technology governance.

The GLC is also responsible for developing a range of resources on the IoD website aimed at connecting members with current best practice information. In the Governance Resources section, you will find a range of resources that help to define what good governance practice is and what the roles and responsibilities of the director are.

MEET THE TEAM



Simon Arcus, Manager, Governance Leadership Centre

Simon is a member of the leadership team at the IoD, including periods as acting Chief Executive. He was Managing Editor of the second edition of the IoD's foundation guide to governance, *The Four Pillars of Governance Best Practice*. Simon is a solicitor with an LLB/BA from the University of Otago and Postgraduate Diploma in Business from Massey University. He is a Senior Associate ANZIF and a member of Chartered Secretaries New Zealand.



Felicity Caird, Governance Leadership Centre Executive

Felicity joined the IoD in March 2014. She came from the Office of the Auditor-General where she was a Sector Manager, reporting to Parliament and working with management and boards of a range of public sector entities, including SOEs, DHBs and Crown entities. Prior to that she worked at the State Services Commission on governance in the wider state sector. Felicity has an MA in history from the University of Canterbury and a DipLib from Victoria University.



Pete Hodkinson, Governance Leadership Centre Team Administrator

Pete is a past President of the Unitec Students' Association, President of the New Zealand Union of Students' Associations, Member of the Unitec Institute of Technology Council and has sat on a number of other governance boards in the student and education sector.



Changing the face of Treasury

Charged with overseeing the Treasury's commercial, financial and corporate operations, Deputy Chief Executive Vicky Robertson says that the department plans to work more closely with directors of boards of SOEs and Crown entities

"Treasury's organisational vision comes down to achieving higher living standards for New Zealanders. We've deliberately framed this vision to mean more than economic growth. A range of factors influence people's quality of life. This includes their physical environment, health, education and skills, social institutions and conventions, and natural resources such as quality water, a stable climate and biodiversity," says Vicky.

As well as being the government of the day's lead adviser on economic, financial and regulatory issues, the Treasury oversees 49 government-owned enterprises that have either full or partial commercial objectives. These enterprises employ over 40,000 people and, as at 30 June 2013, held assets of around \$125 billion. This includes investment funds, commercially focused companies – some listed on the NZX – and policy-focused assets.

Some of these entities perform well, says Vicky, especially the financial assets like the New Zealand Superannuation Fund, which has prospered from the global recovery in equity markets. But she acknowledges that others, such as New Zealand Post, Solid Energy and KiwiRail have been operating in challenging sectors.

"New Zealand Post's traditional business is in decline, Solid Energy is operating in a depressed international coal market, and KiwiRail is unlikely to become a financially self-sustainable business at least for the foreseeable future," she says.

"Our goal is to manage the Government's balance sheet in a way that delivers better outcomes more efficiently and we know governance is one of the keys to this."

A lawyer, the mother of two teenage sons, and a former Black Sticks hockey representative, Vicky has had a 14-year career with the Treasury. She was the first woman to lead the Treasury's tax unit and in 2010, was seconded to the United Nations Development Programme in New York, where her brief was to contribute to a structural review of its business model.

The Treasury's pivotal role in government attracted her to the department and holds her interest to this day.

"Treasury has a unique role because you can see across a breadth of issues and you can see their interconnectedness. It means that you are well placed to make a difference to New Zealand. You can see the opportunities as well as the challenges. My challenge has always been to come up

"We believe the Government and boards need to have a clearer shared understanding of what good performance looks like, especially from the shareholder's perspective"

with practical solutions that will allow New Zealand to play to its strengths," she says.

In wanting to take a more active role in managing the Government's investment, she says Treasury's approach is no different to shareholders around the world who stepped forward to take a more active interest in their investments after the global financial crisis.

"Treasury is acting on behalf of its investor which is the government of the day. We have to be on the front foot if we're going to achieve the return New Zealanders can reasonably expect for their considerable investment," she says.

She says that the SOE model that a number of New Zealand's commercial entities have been operating under was not set up with long-term government ownership in mind.

"It was an arm's length structure intended to instil a high level of independence and impose market disciplines on an entity in preparation for divestment. This has meant that while we've always sought to monitor entities, and have at times challenged decisions, we've deliberately been careful not to get too close to boards.

"And to be clear, the boards of commercial entities owned by the Crown will always be responsible for a company's performance, and we will always be responsible for holding them to account. But we believe the Government and the Crown boards need to have a clearer shared understanding of what good performance looks like, especially from the shareholder's perspective."

In practice, Treasury's plans to lean in as an investor will mean not only looking at the decisions boards make on specific issues, but at the overall company strategy.

Historically, boards have focused on developing their strategy in the best interests of the entity. This is consistent with the philosophy of the SOE model but, says Vicky, it's not always consistent with the broader aims of the Crown.

"On the other hand, we realise that we employ directors for a reason. We really value directors and the role that they play. We want to have a deeper understanding of their perspectives too, so that we can provide better advice where the shareholder needs to make important decisions that might help to strengthen and grow the business.

"So we need to work more closely with the companies we own to get on the same page about what good performance looks like and how the company is going to achieve it," she says.

For instance, Treasury is currently working with KiwiRail to develop long-term sustainability.

"Together with the company, we are standing back and taking a systematic, segment-by-segment look at the business. It's a genuine partnership, with joint governance and a Treasury secondee to the project. And it might be that we come out of the project with different views on the way forward, but we will have the same deep, shared understanding of the company's performance drivers and prospects.

"We need to work more closely with the companies we own to get on the same page about what good performance looks like and how the company is going to achieve it"

"For purely commercial assets our ambition for better performance might involve setting targets. Where things become more difficult is where an entity has multiple objectives, some of which are social rather than commercial. How do you put a value on non-commercial objectives so that you can effectively set priorities and measure overall success? This might be an area where we take a cue from thinking around public private partnerships – for example, under the PPP for Wiri Prison, the operator will be incentivised to reduce reoffending. Conversely, payments can be cut if specified targets for the effectiveness of rehabilitation and reintegration programmes are not achieved.

Once a strategy has been set, Treasury will focus on ensuring that board appointments are consistent with that strategy.

"We'll be aiming for a careful balance between the need for deep, specialist, institutional knowledge, and fresh, challenging perspectives," she says.

"We are really interested in how boards are thinking about best practice, particularly relating to how diversity can affect board performance."

And to answer the question of who will be monitoring the monitor, Vicky says that the Treasury is well aware that it needs to keep challenging its own point of view. It has recently established Commercial Operations Advisory Board to provide an external perspective.

Experienced directors Anne Blackburn, Marko Bogoievski, Roger France, Cathy Quinn and Mark Verbiest were recently appointed to the board.

"They bring with them exceptional skills and experience, and have a high standing in the commercial community," says Vicky. "It will keep our commercial advice tightly connected to markets and best practice investment management in New Zealand and internationally. And it will provide advice on the diversity of corporate boards, whether wholly or partially controlled by the Crown."

Vicky Robertson has overall responsibility for the Treasury's commercial, financial and corporate operations. She has spent her 14-year career at the Treasury in a variety of policy areas, with roles ranging from policy development on Kiwi Saver legislation to heading an interdepartmental group on the 2005 review of New Zealand's climate change policies. She led the Treasury's tax unit and was seconded to the United Nations Development Programme in New York in 2010, where she led a strategic and structural review of the organisation.

Before joining the Treasury, Vicky worked for the Ministry of Commerce, focusing on regulatory and competition policy.

Vicky is a mother to two teenage boys, and has a law degree from Victoria University of Wellington. She is a former Black Sticks hockey representative and is an avid mountain biker, competing at national level.

IoD Directors' Fees Survey – the results are out

The IoD Directors' Fees Report 2014, a key source of information on director remuneration trends and work practices in the New Zealand market, is now available

This year's survey, carried out in conjunction with dsd Consulting, is the result of a record number of participants, representing 1,262 organisations and 1,883 directorships.

The results reflect a more confident economy with a spike in non-executive director fees after years of remaining relatively static. The median fee for a non-executive director increased from \$36,000 to \$40,000. The greatest rises by industry were in property and real estate services (27.8%), retail (21.9%) and construction (21.3%).

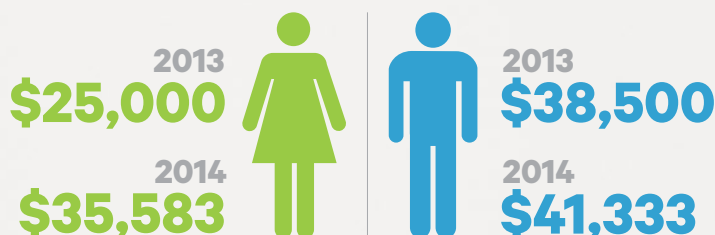
This year, 23.9% of the respondents were women, compared to 19.9% in 2013. Not only did more women take part in the survey, but those surveyed also recorded a \$10,500 rise in their median fee.

The yawning disparity in fees between New Zealand-owned and overseas-owned companies continues to widen. The median for directors on the boards of locally owned firms is \$36,000, compared to \$85,000 for overseas-owned companies.

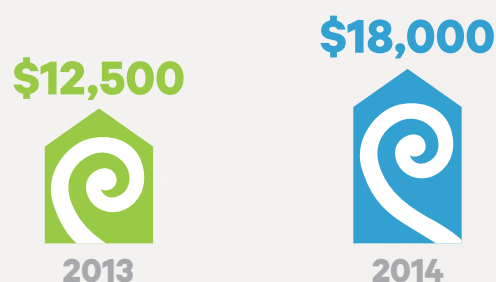
The survey also offers a window into directors' working practices – for each hour that a board formally meets, for instance, board members spend at least one hour in preparation. The median of hours spent in other engagements, for example, meetings, phone calls and discussions outside the boardroom, have risen to 24 per annum. And directors are frequently on the move, with 20 hours per year devoted to traveling to board meetings.

The survey will be available to participants at \$350, members who did not participate: \$550, and non-members: \$650. It can be purchased from dsd Consulting – surveys@dsd.co.nz

MEDIAN NON-EXECUTIVE DIRECTOR FEE – FEMALE / MALE



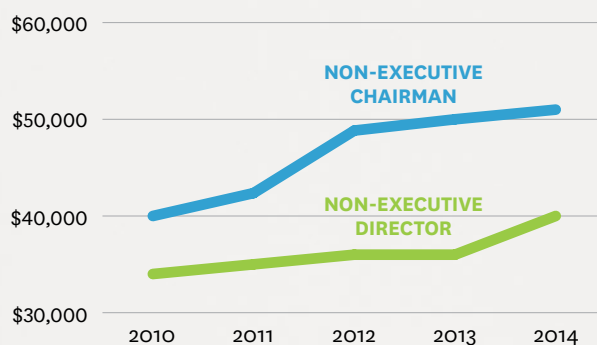
MEDIAN NON-EXECUTIVE DIRECTOR FEES FOR MĀORI ENTITIES



MEDIAN NON-EXECUTIVE DIRECTOR FEE FOR NZ-OWNED / OVERSEAS-OWNED ORGANISATIONS



FEE MOVEMENT BY ROLE

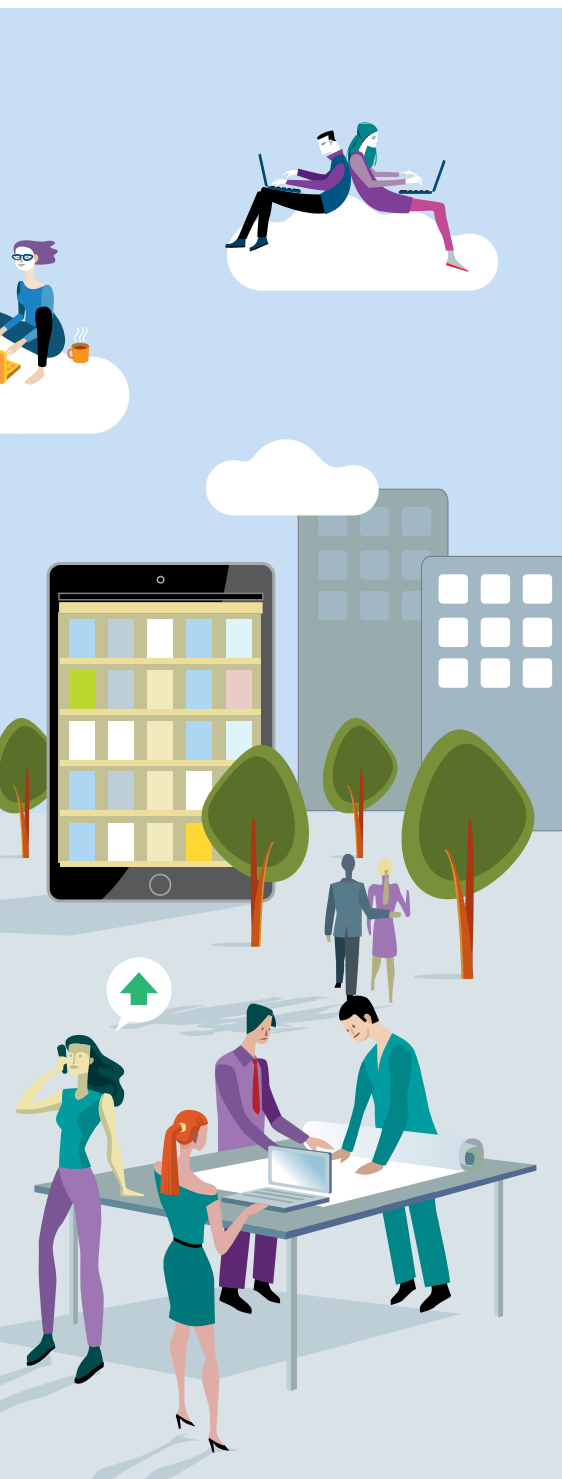




A new dawn in Adland

The internet and digital media have reshaped the communications landscape, with new technology allowing for pin-sharp targeting of customers and clients. Balloons and barbeques or data and analytics: which side of the digital divide is your business on?

By Christopher Bray



Kevin Blight is one of New Zealand's most experienced advertising media planners and buyers. On his website is just one sentence: "The way we communicate has changed more in the last five years than in the last 500 years combined." His bookends are the printed book (1450) and Facebook (2004), but have recent changes really been so profound?

Well, consider this: in the last five years, newspapers' share of advertising industry turnover in New Zealand has dropped from 33 per cent to 21 per cent¹ – in real terms, a 40 per cent decline in their advertising revenue in just five years. Over the same period, interactive media experienced a 220 per cent growth rate in real terms. Given the trends, there will be more money spent on online advertising than on newspaper advertising this year, and within a couple of years, more money spent online than on television.

The media landscape – the ways in which people are communicating with customers and prospects – has already changed. In a recent column, New Zealand Herald media writer John Drinnan quoted PwC partner and digital specialist Paul Brabin. "For years, he says, people talked about the 'journey to a digital future'. We have now arrived and it is "digital now".

Okay, hear that. But why? Why is traditional media declining and what's so attractive about digital media? "Fragmentation," says Blight. "Once upon a time, television was a family viewing event. Everybody watched one channel. Now, homes have two or three television sets and people are watching individually, not together, or they're watching or reading content online."

With more TV channels, more radio stations and more magazines, traditional media is harder to buy and mass audiences are harder to reach.

"Are we still running a shop, welcoming customers when they ring the bell or are we engaging forward, offering value, establishing and maintaining relationships?"

Rob Mills, Melbourne-based director and CEO of sports and entertainment consultancy Gemba, shares a case study of a sporting organisation with a target of \$6 million of ticket sales for an event. After spending \$400,000 on traditional advertising and promotion, they achieved sales of \$5.8 million. So, they changed their approach. They built a database. 600,000 names: people interested in their sport. And they used digital marketing techniques to better understand those people and to communicate with them directly...personally. As a result, they sold \$8 million in tickets, for a media spend of just \$50,000.

"Just one of the things their data and analytics enabled them to do," says Mills, "was to identify the fans willing to pay more to attend the event – to buy a premium offer. As a result, not only did they sell more tickets, but the average ticket price went up."

"There's the old saying," says Andrew Fraser, Director of Marketing for Tourism New Zealand, "that half my advertising is wasted, but I don't know which half. Well, now we do know which half is wasted and we can do something about it. The digital tools give us a clear line of sight to conversion. We can watch people's



behaviour, learn and respond. We know that if we can drive people to the '100% Pure' website, when they visit New Zealand they will stay longer, spend more, and go to more places around the country."

Tourism New Zealand spends \$50 million a year promoting New Zealand overseas, and today 70 per cent of that is spent on interactive digital media. The 30 per cent it spends on traditional media is mostly in countries slower to adopt new media.

Fraser makes a distinction between what he calls 'traditional digital' such as banner advertising – "off-line techniques being used online" – and Tourism New Zealand's approach. "What digital technology allows us to do," he says, "is to understand what drives people and to provide content that's highly relevant."

Fraser agrees with Rob Mills, who says, "The more you understand about data and analytics, the less you need research." He points to other marketing paradigms that are changing, such as the interaction with media organisations. "We are working with owned space, earned space and paid space and creating and leveraging content accordingly." And, he says, "Because of the strength of the New Zealand brand, we've been able to partner directly with Facebook and Google – they're keen to work with organisations like us who are pushing the boundaries."

Pause. There is more than one story here, so let's consider what we're observing. The long story – the overarching story – is the dramatic, disruptive, ongoing impact of the Internet on our world: its effects rolling and unfolding everywhere we look, like ever-changing patterns in clouds.

The second story is how traditional media is responding. In 1960, Theodore Levitt wrote his now-classic Harvard Business Review article, 'Marketing Myopia', in which he argued that businesses fail when they define themselves by what they do, rather than by what their customers need. Newspapers have discovered that people didn't want classified advertising after all; they wanted to find a job, buy a house, or sell a secondhand car. What television and radio stations are now asking themselves is "are we broadcasters, or are we in the news and entertainment business: platform or content?"

"The more you understand about data and analytics, the less you need research."

But the third story is what this article is about: how advertisers – marketers – are responding (or should be). Because what's interesting is that 'data and analytics', to use Mills' term, are not new: Don Peppers and Martha Rogers wrote *The One To One Future* back in 1993, and the world's been awash in loyalty programmes and CRM systems ever since.

But what is new is that the focus of all of that relationship marketing over the past 20 years has been on building stronger engagement with existing customers. The reliance on traditional media advertising for customer acquisition has continued. But now, leading marketers are using digital technology to build stronger engagement with potential customers.

The future – the now – that Rob Mills and Andrew Fraser are describing is one involving engaging forward: building relationships before there is a relationship (in the sense of being a paying customer). There is no shop; there is no

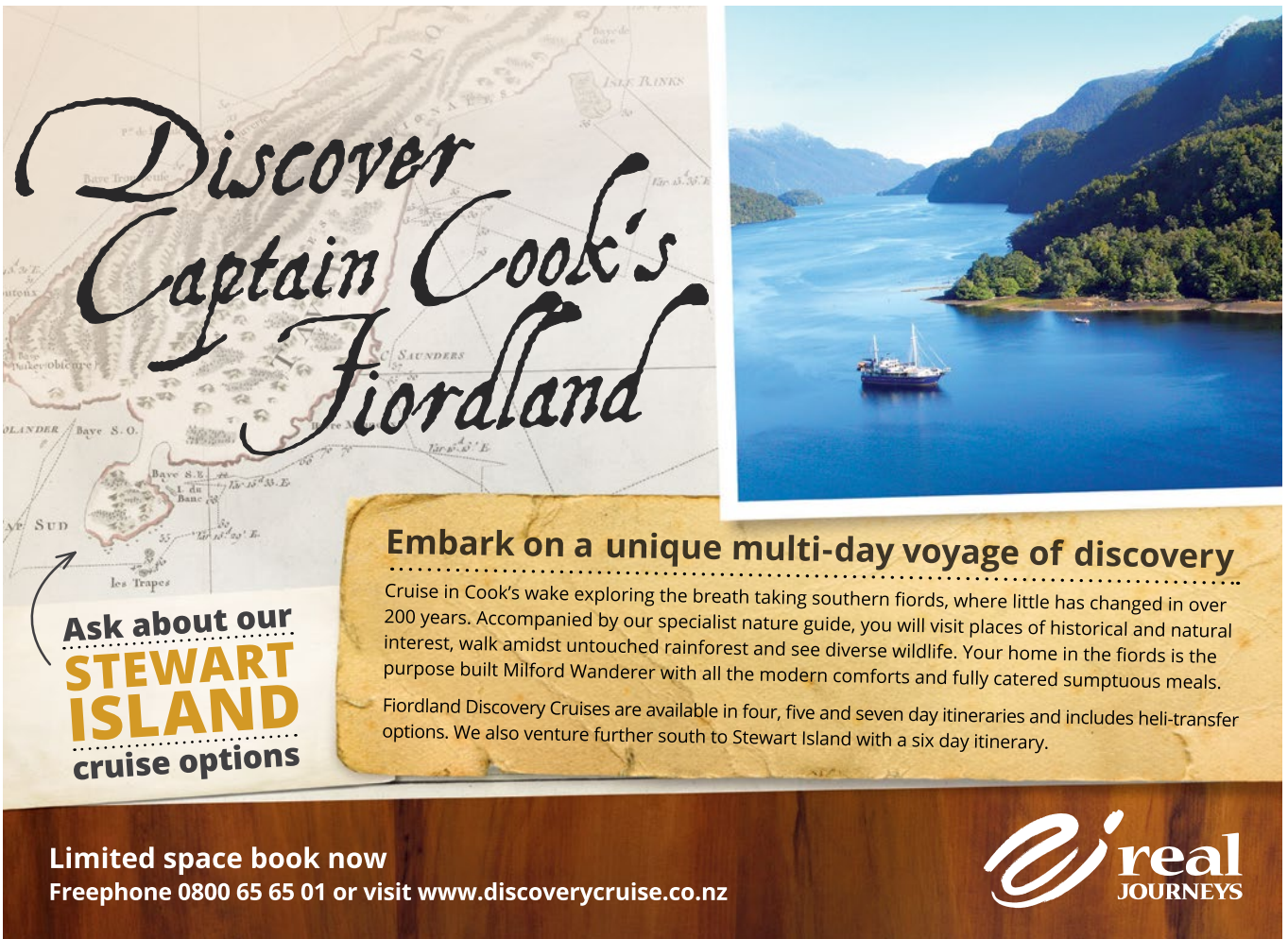
door. The new marketers are not waiting until you step inside; they're out in the market square, offering tastings, having conversations, discovering what people are looking for. Providing information that's relevant. Inviting them to take a closer look. It's not so much that they've taken down the sign (although they have put away the loud hailer); it's more that they're not standing behind the counter, hoping the sign will do the trick.

Engaging forward exploits and explores the new technology and the new platforms, but, really, it is a different paradigm. It's making future customers as visible and as real as existing customers – identifying them, out there, trying to figure out what they want – and connecting with them: helping them, drawing them closer. Traditionally, customers have been strangers until they cross the threshold. Under this model, by the time they arrive, they are already friends.

And so the question for directors to consider, when next the marketing activity is being discussed, is this, "Are we still running a shop, welcoming customers when they ring the bell – delighted they saw our sign – or are we engaging forward, offering value, establishing and maintaining relationships and learning from those relationships what people are looking for and what they might buy? Which side of the digital divide are we on: balloons and barbeques, or data and analytics?"

Which brings us back to our opening question: has the way we communicate changed more in the past five years than in the last 500 years combined? You might debate the dates. You might ask, "what do you mean, 'the way we communicate'?" But you surely can't deny the sentiment. The Internet is changing the world as profoundly as did the printing press. We are at the end of the era of exposure – of mass media advertising – and at the dawning of the age of engagement. Let the sun shine in.

Christopher Bray is a corporate storyteller and independent chairman of Equestrian Sports New Zealand. Previously he was Managing Director Australia/New Zealand for relationship marketing agency Carlson Marketing Group (now Aimia).



Discover Captain Cook's Fiordland

Embark on a unique multi-day voyage of discovery

Cruise in Cook's wake exploring the breath taking southern fiords, where little has changed in over 200 years. Accompanied by our specialist nature guide, you will visit places of historical and natural interest, walk amidst untouched rainforest and see diverse wildlife. Your home in the fiords is the purpose built Milford Wanderer with all the modern comforts and fully catered sumptuous meals.

Fiordland Discovery Cruises are available in four, five and seven day itineraries and includes heli-transfer options. We also venture further south to Stewart Island with a six day itinerary.

Ask about our STEWART ISLAND cruise options

Limited space book now
Freephone 0800 65 65 01 or visit www.discoverycruise.co.nz

i real JOURNEYS

directorSearch

Searching for a new board member?

When looking for a new director, you should cast the net wide enough to ensure you find the best person for the job while achieving the optimal skills balance for the board as a whole.

We can help you find the right person for your board.

We have New Zealand's largest database of director talent who are actively looking for board positions.

Our service is robust and objective and in line with best practice.



Call us to discuss on 04 499 0076
or email boardservices@iod.org.nz
iod.org.nz

At the cutting edge of health and safety





**HEALTH
& SAFETY**

By the middle of next year, reforms of the country's health and safety system will have come into force. As part of a series of boardroom features on this important topic, Amy Williams examines how some businesses in high-hazard industries have taken the lead in promoting a positive health and safety culture

To many, the overhaul can't come soon enough. It took the tragic events of the Pike River Coal mining accident in 2010, in which 29 men lost their lives, to put health and safety firmly on the agenda.

That year, a coalition of business and government leaders called the Business Leaders' Health and Safety Forum was set up to improve the performance of workplace health and safety in this country. The forum's ultimate aim is to achieve zero harm workplaces by working with chief executives, and it has 185 such business leaders on its membership.

The forum's executive director, Julian Hughes, spends much of his time educating business leaders about how to create a health and safety culture, ensuring that the vision for zero harm is a shared one. This included the recent national roadshow, The Contractor Initiative, run in partnership with the IoD.

He has more than a decade's experience working as a health and safety manager, and says leadership and change in this area needs to be supported at the board table.

"I think in a few years directors will be much more involved in this conversation. If it [the new law] goes well, it will become a part and parcel of being a director."

Hughes says directors should approach health and safety with the same mindset regardless of the industry they're in. They need to drive a culture that takes people's health and safety seriously.

"From a director level, it is really important they understand the concepts because they are the ones who are going to ask the questions of management."

He says that a culture change is already taking place in many companies in high hazard industries. These industries are those that have the most on-the-job fatalities, such as the petroleum, forestry, construction, and extractives (mining, tunnelling and quarrying) sectors.

"We have a young gun risk-taking culture in our people. The more you can involve and talk to and empower the workers, the better"

GETTING OUT OF THE BOARDROOM

When *boardroom* spoke to Sjoerd Post, he had just come back from a safety walk around the Marsden Point oil refinery, talking to workers about how safe they feel, what the risks are and whether there is anything more the company can do to help keep them safe. Refining NZ's chief executive is a familiar face on site, and he likes to make sure the people know safety comes before profit.

Post has stopped workers in their tracks when he has seen someone taking on too much risk, to make sure they rethink how they are doing a job and complete it safely. Because of the nature of the work, the refinery has a lot of rules and processes.

He says his management team has spent time ensuring that workers feel comfortable reporting accidents and near misses and talking about the issues. Although the company's injury rate has dropped dramatically since 2007, it has inched up recently and Post says the safety message is a constant journey.



Julian Hughes



Sjoerd Post



Graham Darlow



David Jackson

Board evaluation done better

Best practice boards commit to evaluation for continuous improvement.

BetterBoards is an online evaluation tool that helps boards identify their strengths and weaknesses, assess their performance, and determine opportunities to become better at what they do.

It is simple to set-up, easy to use, and accessible across mobile web platforms. The evaluation reports are comprehensive, easy to follow, and accompanied by an overview to assist the chair in leading post-evaluation discussions.

Additionally, boards can choose to have an IoD facilitated discussion to explore the board's current situation and determine future direction.

BetterBoards is the only board evaluation tool that shows how your board is performing against the IoD's comprehensive reference guide for directors, the *Four Pillars of Governance Best Practice*.

Contact us at
boardservices@iod.org.nz
or phone us on 04 499 0076
to talk about your board evaluation needs.



simple set-up • accessible • comprehensive

Chairman David Jackson says it is also important for him and the board to go on these safety walks, to talk to the workers and get a feel for the risks in the business.

“Any culture emanates from the top, you won’t make change unless your CEO and board are in sync in terms of thinking and focus.”

He is also on the boards of Fonterra and Nuplex, and is a former director of Pumpkin Patch. But when it comes to building a health and safety culture, Jackson says it is irrelevant what the industry is and that safety should be top of mind in every business.

“Every board I’m on now is focused on safety, but it wasn’t like that five years ago.”

He says directors should insist on managers creating a culture where workers feel comfortable reporting near misses, because that is how they will be able to prevent further accidents.

ACCIDENTS WAITING TO HAPPEN

That’s an area Fletcher Construction has been working on – to get workers, including contractors, to tell their manager when something nearly went wrong.

Chief executive Graham Darlow says the business’s injury rate has dropped by 90 per cent in the past six years, in direct relation to the increase in near-miss reporting.

Considering the business is involved in repairing 80,000 earthquake-damaged Christchurch homes and has engaged about 8,000 sub-contractors, that is no mean feat.

“Near-miss reporting has been a really big part of our improvement. We make sure we investigate near-hits as seriously as we would if somebody had been hurt,” says Darlow.

He says management has had to work hard to overcome workers’ fears that reporting near-misses would result in retribution of some kind, whether it was from their boss or losing face with co-workers. The business instigated a series of initiatives that included workers in the change, and rewarded reporting.

The first hint of change came from the board when they said the business’s injury rate and approach should be no

different to other parts of the company, and that being a high hazard industry was no excuse for a higher injury rate.

Until then, Darlow says management viewed the construction business as inherently more risky – therefore an excuse for having a higher rate of injuries. He says the board’s challenge helped change his mindset, and the board has held management accountable ever since.

Darlow says his reports to the board cover both employee and contractor safety, and his performance is judged on the safety record of both groups.

BRING OUT THE AWARDS

Forestry services company PF Olsen makes sure it rewards good health and safety practice among its forestry crews. The company’s injury rate is half that of the national average, although chief executive Peter Clark says that is nothing to brag about compared to considerably lower international benchmarks.

He says it has been challenging building a health and safety culture among crews that contract for the company, given the workforce has a high turnover. The company has up to 1,500 contractors and employees of contractors working on its sites.

“In New Zealand we have a young gun risk-taking culture in our people. The more you can involve and talk to and empower the workers, the better...it really is about a management style.”

He says PF Olsen sets very clear expectations and rules with its contractors and actively supports them to train their employees in best practice in health and safety.

The company holds events to reward forestry crews that uphold the safety standards.

He says directors need to determine whether management is proactive or not, and take appropriate action to ensure safety comes first.

“Boards need to get on the shop floor and see and talk to the workers themselves. Ask questions about health and safety.”

HEALTH AND SAFETY CHECKLIST

Health and safety is an important part of governance and directors will have a personal obligation of due diligence in this area when law reforms come into effect next year.

Here are some steps directors need to take:

- be proactive
- understand where the health and safety risks are
- be informed and ensure the company meets its obligations, for example do site visits and really get to know the business
- ensure that there are risk management and worker participation practices in place
- be more involved with health and safety risks, trends, audits, investigations and cultural information.

WHAT DO YOU KNOW ABOUT HEALTH AND SAFETY?

The IoD has developed a range of resources to help directors bring about a positive health and safety culture in the workplace. These include:

- the interactive Health and Safety Online Module detailing the changing health and safety governance landscape and recent case studies. To register, visit www.iod.org.nz
- *The Good Governance Practices Guideline for Managing Health and Safety Risks* produced in partnership with the Ministry of Business, Innovation and Employment (MBIE). There is an executive summary version, *Managing health and safety risks*, and guidelines for SMEs, *The Health and Safety Leadership Guide*
- for an overview of the changing legislation and the implications for directors, see the *directorsbrief* on health and safety produced by the IoD’s Governance Leadership Centre.
- discussion of the Health and Safety Reform Bill has featured in the past two editions of *boardroom*.

All information is available to members on www.iod.org.nz

IN FOCUS

In the eye of the storm

Sir Maarten Wevers talks to boardroom about a career that has never been too far away from the heart of political action. By Katherine Robinson

When Sir Maarten started work as private secretary for David Lange in 1985, he was told by a long-serving aide that, “The job of the staff who are closest to the Prime Minister is to create ‘a pool of tranquillity’ around him because no minister can make decisions if there is arguing and staff are in a flap.”

Calmness in a crisis is something that Sir Maarten has reputedly perfected in his long career as a diplomat and a senior public servant. A cool head and an ability to bring people and agencies together are qualities that have led him into some of the public sector’s most demanding roles.

This included the position of Chief Executive of the Department of the Prime Minister and Cabinet (DPMC), where he worked first for Helen Clark and then John Key. After eight years in the role, he left in 2012, vowing to play more golf. Instead, he was rapidly enlisted to head the inquiry into the Department of Education’s faulty Novopay payroll system before taking up the role of chair of the Earthquake Commission (EQC) in August 2013.

It has been a challenging year, and one in which he has had to publicly acknowledge mistakes made by the commission in handling the aftermath of New Zealand’s most devastating natural disaster. While he says that there is still room for improvement, he points to the extraordinary pressures the commission has been working under since February 2011.

“It is an organisation that has experienced enormous growth under tremendous pressure. There were 22 staff before the quakes – at its peak EQC had over 1600 staff. The scale of the damage from the quakes has meant that we have undertaken a whole range of functions that were never envisaged in our legislation.”

Up until the Canterbury earthquakes, the EQC operated as a cash settlement organisation.

“If there had been a flood or other natural events, its role was to assess damage and write a cheque, but it would be your job to fix it.

“Having a sense of confidence and purpose is really important as is a willingness to always search for something better. Accepting the status quo is not really the space that any chair should be in”

“With over 120,000 homes damaged in the Canterbury quakes, it was properly agreed that cash settlements alone were not going to work in Christchurch. The EQC put its hand up and said it could take on the role of co-ordinating the repairs. More than 70,000 went into the Canterbury Home Repair Programme, run by EQC, and managed on our behalf by Fletchers.

“It was a role that had never been envisaged or properly prepared for, bringing with it the challenge of dealing with customers and contractors.”



Nevertheless, he says that the commission has co-ordinated repairs on 60,000 homes in Canterbury to date.

A former New Zealand ambassador to Japan, Sir Maarten made a poignant visit to Sendai, the city near the coast laid waste by the 2011 earthquake and tsunami. He reported that “people over there were very impressed at how comprehensive and universal the EQC coverage was. They have nobody doing the repair programme in Japan. Everybody is left to his or her own devices because it’s a cash settlement process. There’s no other option. So it’s going to take a long, long time to fix there.

“Thanks to the build-up of the National Disaster Fund to \$6.5 billion, and the re-insurance we procured, the EQC’s insurance liabilities for residential customers arising from Canterbury, of about \$12bn, will be met without direct impact on the Crown balance sheet. That is probably unique globally for a disaster of this scale. The system has prevented a really big additional fiscal shock to the nation.

“Having the EQC is much better than not having the EQC. Can the EQC be improved? Of course. We have taken lots of learnings from both Christchurch and from the Cook Strait quakes on how we can ensure that we are better placed to deal with another large scale event.”

CHANGING GEARS

In his long career, Sir Maarten was chair of the APEC Senior Officials’ Meeting and General Manager, Government Business, New Zealand Post. His appointment as chair of the EQC is his first major governance role after years as a chief executive. How does he find the shift from management to governance?

“I take pains to not think and act like a chief executive. I did the IOD’s Chairing the Board course recently, which was very valuable. The legal and behavioural expectations of a chair are quite clear and specific. The EQC has been through a very large, ongoing challenge so you need to know the basis that you are expected to operate as a chair.”

A good chair, he says, is someone who can exercise leadership and

“You may have a good department, fabulous staff or the latest technology but if the governance is not well designed or it does not have the right balance between strategy, oversight and risk management, then the organisation will not flourish.”

direction but still be able to draw on the talents of board members.

“One of the things that I learned from DPMC was that if you are in a leadership position, the level of expectation towards you is quite different. You have to fulfil that sense of expectation and be the leader of that group by leading in a way that allows others to follow. Having a sense of confidence and purpose is really important, as is a willingness to always search for something better. Accepting the status quo is not really the space that any chair should be in.”

And what does he think makes a good board?

“It is really important to have a diverse set of skills and an open supportive environment that allows you to search to get the best decision. I think a board should be able to cope with a bit of dissonance without compromising the respect of the directors. You should always be able to ask awkward questions and if you don’t get the right answers then you should ask them again.”

Governance is one of his passions, an interest triggered from student days and a degree in economics, and honed by years working so close to Cabinet (which he likens to the board of New Zealand) in the DPMC.

WORKING ON A WIDE CANVAS

“The DPMC is a very small agency but things have to be really well managed. If something goes wrong, the implications are potentially very serious because it is all about support for the Prime Minister

and the Government as New Zealand’s elected representatives,” he says.

“The standards that you set yourself and your staff have to be the highest. And you are working with an enormously wide canvas because every issue that comes onto the Prime Minister’s plate is something that you are expected to foresee, manage and provide advice on. I would often say to staff that there is no rule that says you only have one issue at a time or that they will come neatly packaged. It is a 24/7 role.”

And a role in which Sir Maarten stresses there is no room for political bias. He has worked for three very different Prime Ministers – David Lange, Helen Clark and John Key – and served them with a public servant’s impartiality.

“Your job is to get the best policy advice to the Prime Minister or ministers in the best way you can and in a free, frank, and fearless manner. It is not your job to make the decision or to second-guess ministers. If you don’t understand that right down to every sinew in your body, then you are in the wrong job.”

This impartiality, he says, is a precious commodity, because without it you will erode public trust in an elected government.

“It’s also vital to the success of the private sector. It would be very difficult to find successful private sector firms based in countries that do not have good respect for the law or where there are capricious decisions by bureaucrats,” he says.

Instances where public servants have brought their political views to work are rare in New Zealand, but any taint of partiality brings media scrutiny. Does he think that the fish bowl existence of a senior public servant calls for different qualities in its leaders to private sector leaders?

“A lot of those leadership qualities are very transportable between sectors. There is a different emphasis in the public sector and different challenges. Public sector leaders don’t usually have share prices to worry about but as a public sector leader, you need to demonstrate really strong personal qualities around integrity, professionalism, and an understanding of your place in our democratic system of government.

“It would be very difficult to find successful private sector firms based in countries that do not have good respect for the law or where there are capricious decisions by bureaucrats”

“A lot of the work in the public sector is about delivery of a service to the public. You need to be resilient, to take a tough call when you need to and be able to deal with pressures that arise in public domains. And you should not respond to those pressures publicly because that is the role of ministers.”

Acute awareness of the need for good governance led Sir Maarten to join the IoD’s Wellington branch committee this year.

“There is a governance aspect to everything that we do and I support the IoD’s mission to raise governance standards. I find it difficult to imagine a company or a government department or a country that would be successful in the absence of good governance.

“You may have a good department, fabulous staff or the latest technology but if the governance is not well designed or it does not have the right balance between strategy, oversight and risk management, then the organisation will not flourish. It is a critical component of institutional success, commercial success and public policy success.

“You can see the impact of good governance very clearly.”

Sir Maarten Wevers was Private Secretary to Prime Minister, the Right Hon David Lange, High Commissioner to Papua New Guinea, and Ambassador to Japan. Sir Maarten was also the Chair of the APEC Senior Officials’ Meeting, and General Manager, Government Business, New Zealand Post. He served most recently as Chief Executive of the Department of the Prime Minister and Cabinet from 2004 to 2012. In 2012 he was appointed Knight Companion of the New Zealand Order of Merit.

directorVacancy noticeboard

The noticeboard 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.

INFRACON LIMITED

Role: Directors
Location: Central Hawke’s Bay/Tararua
Applications close: 22 August

COMMUNITY LIVING TRUST

Role: Trustee
Location: Hamilton
Applications close: 28 August

THE ROYAL NEW ZEALAND FOUNDATION OF THE BLIND

Role: Directors
Location: Auckland
Applications close: 12 September

ALZHEIMER’S OTAGO

Role: Treasurer, board members
Location: Otago
Applications close: Applications will remain open until the positions are filled.

LANTERN HOUSE TRUST

Role: Independent trustee
Location: Waikato
Applications close: Applications will remain open until the position is filled.

BRAEMAR CHARITABLE TRUST

Role: Lay trustees (2)
Location: Waikato
Applications close: Applications will remain open until the positions are filled.

STOP

Role: Directors (2)
Location: Christchurch
Applications close: Applications will remain open until the positions are filled.

TE URI O HAU CHARITABLE TRUST

Role: Trustee
Location: Auckland/Northland
Applications close: Applications will remain open until the position is filled.

TENNIS CANTERBURY REGION INCORPORATED

Role: Appointed board members (2), elected board member
Location: Christchurch
Applications close: Applications will remain open until the positions are filled.

You’ll find more governance positions advertised on the directorVacancy noticeboard on the IoD website, in the monthly directorVacancy noticeboard email distributed to IoD members and on the IoD Twitter feed

OPINION

A pathway to experience

The primary sector has long had a history of co-operatives or supplier ownership and control, and logically so. Ownership and control is exercised by supplying shareholders through democratic election. Directors are often elected by supporting a cause or movement, or by having a particular philosophy, rather than for their skillsets or experience in governance. Eoin Garden asks whether good governance is being compromised by this process and how it can be improved

Farmers – and, I’m sure, shareholders in most co-operatives – strongly defend the elective model and argue that newly elected (albeit inexperienced) directors will quickly become effective, because at least they understand and can represent their fellow shareholders well. Most directors, whether in the corporate or co-operative sector, would claim to be part of good governance models – but what does good look like?

Matt Stanley of Propero Consulting says development of governance expertise needs to follow the 70-20-10 rule. As a rule of thumb, 70 per cent comes through real-life governance and business experience, 20 per cent from learning through relationships (mentoring, coaching, and learning from others within a board culture of trust and integrity), and 10 per cent through targeted training programmes.

For co-operatives, that is a sobering conclusion. Indeed, any board depends on the electoral cycle and democratic process to deliver good governance is at a huge disadvantage. Nowadays, our co-operative boards are full of directors who have degrees in commerce, marketing, science and the like, but very few have the most important competency of all – governance experience.

For the purpose of this discussion, experience could be defined as

having acquired knowledge and understanding of how one should exercise judgment in fulfilling the responsibilities of being a good director.

Wisdom, an attribute that we afford those who show good leadership and have the ability to consistently make sound judgments, has its roots in experience. In simple terms, it is the rationalising of experiences from the past – both good and bad – and applying the lessons to the present and the future. Borrowed experiences from leaders we respect can also contribute to our own wisdom. But whatever the source, experience continually reveals itself as being the major component of successful governance.

FROM GOOD TO GREAT

To be internationally competitive, our primary sector enterprises need to continually strive to improve. The co-operatives are the benchmark by which public and private businesses measure their own performances, and this is one of the main intrinsic values all producers benefit from in a truly competitive environment where co-operatives operate. It is all the more important that co-operative governance shifts from good to great. That shift has to begin at the top – at governance level.

At a recently convened meeting of chairmen and representatives of five of the major primary sector co-operatives, the following conclusions were tabled:

- our primary sector must continually strive for better governance models
- on its own, the co-operative democratic election process does not deliver the skillsets and balance, let alone experience, needed for great governance
- the 70-20-10 rule, rating experience as the single most important contributor to great governance, was accepted
- we need to generate engagement and discussion about good governance among co-operative shareholders on a pan-industry basis. Cross-fertilisation will raise the bar further than single company initiatives
- there is a real need to collectively create a pool of experienced directors across the sector from which shareholders can elect good governors
- engagement with and participation from other co-operatives needs to be sought.
- there is a wide range of leadership development and governance training providers, and that a proliferation of such programmes is not warranted unless a specific need is identified.

PART OF THE CHALLENGE

We cannot escape the challenge of having inexperienced directors coming to the board table. In the past it was accepted as the board’s responsibility to invest in their training, and by the end of the first term of office, with the benefit of three years, participation, a recently

elected director would be contributing fully. There are problems with that view.

First, in the second electoral cycle, the director may not be successful and the investment will have been of little value. In some cases, new and inexperienced directors could make up one third of the elected directors at the table. The board simply cannot function as a great board with so much inexperience around the table.

PART OF THE SOLUTION

Experience will deliver the greatest outcome so maybe we should kick some of the existing prejudices to touch – mine included. We should think in terms of ‘a pathway to experience’.

Co-operatives in the sector need to proactively engage with, individuals to plan for the future and begin to invest in themselves. In return, they should be supported along that pathway with financial support and opportunities that make them attractive to many more companies as future directors. Within the rural sector, many young businessmen and women decide to get their own businesses in order before considering governance roles. If they were to be supported on a pathway with fewer responsibilities and less commitment, we would be able to develop that pool of experience.

The IoD has already developed programmes in this area. The Emerging (or Aspiring) Director Awards have a long history of developing new directors and mentoring any of these awards include an apprentice or observer role on a board. Mentoring by senior directors is often provided.

The IoD has also provided support for the Future Directors programme. In this initiative, talented potential directors apply to sit on a board for a year. They are encouraged to take part in board discussions but are not able to vote. I would suggest that co-operatives adapt

this model by offering appointments to promising potential directors across a range of participating boards. They could serve a one-year term on each board, including time on non-cooperative boards.

The pathway to experience over a three-year timeframe should include a commitment by individuals to participate in a range of the very good leadership development and targeted training programmes which already exist. Mentoring by senior directors would be provided.

In the final analysis, however, the electorate is going to decide who sits around the table. But what we need to achieve is a range of experienced candidates who are confident in fronting up to the electors, with the conviction that when they are first elected, they can truly make a positive difference to their co-operative.

The corporate sector might simply consider this the ongoing challenge for the co-operative model, and one which could be avoided to a large degree with greater control over the boardroom appointment process. However, while the problem is peculiar to co-operatives, the wider challenge for great governance in the primary sector is not.

As Director Development facilitator Richard Westlake of Westlake Consulting points out, the sector is of such importance to the wider economy that we now see a growing equity investment platform developing in the primary sector. “This will require more experienced governors – but where are they going to come from?”

There is a strong case for initiatives such as the Aspiring Director Awards and Future Directors programme to be an integral part of New Zealand corporate and co-operative governance to develop a Pathway to Experience.



Eoin Garden

Eoin Garden was on the board of Silver Fern Farms for 14 years, including six years as chair. During that time he oversaw the transition from a representational to a skills-based model.

He had established a range of farming businesses in the livestock and forestry sectors, and represented farmers and the rural sectors at provincial and national levels before taking up governance roles.

Keeping up with the play on continuous disclosure

The continuous disclosure regime is a mainstay of our securities markets law, so it is important that directors and management keep up with the game and avoid the referee's whistle. By Josh Blakemore



The central requirement of the NZX Listing Rules and the Securities Markets Act 1988 remains unchanged – once a listed company becomes aware of any material information or misinformation concerning it or its securities, it must immediately inform the market through a statement to the NZX, unless an exception applies.

But a series of developments either already in play or on the immediate horizon make it a good time to revisit how market disclosure works. These are:

- the new Financial Markets Conduct Act 2013 (FMCA)
- the NZX New Market proposal for early stage companies, and
- guidance from the Australian Securities and Investments Commission (ASIC) on investor briefings and market soundings.

FMCA CHANGES

The key change in the FMCA is a shift in regulatory focus from one-off or point of sale disclosure to ongoing disclosure. The most significant development in this regard for listed issuers is the ‘same class offers’ exemption, which has been in force since 1 April this year. Where companies choose to take advantage of this facility, directors will not automatically be deemed liable if there is defective disclosure.

The exemption allows a listed issuer to offer equity or debt securities of the same class as those already available in the market with limited supporting documentation. Instead a ‘cleansing notice’ must be sent to the NZX confirming that the issuer is in compliance with its financial reporting and continuous disclosure requirements, as the main precondition to use the new mechanism.

In effect, any issuer wanting to use it will need to have due diligence processes in place which give them a high level of assurance in the quality of their ongoing market disclosures. Issuers will not want to make a flurry of disclosures immediately prior to launching a same class offer as this would be an indication that the issuer lacked confidence in its ongoing compliance with the disclosure rules.

Of course, issuers will want to ensure that they are in compliance with their continuous disclosure obligations in any event. However, they may also want to review their approach to continuous

disclosure (and to periodic disclosure – for example, annual reports) with a view to the possibility of a capital raising at some stage.

For example, some issuers may wish to update the market on key notes and drivers in their annual reports more explicitly than they currently do – not because they are required to, but so that potential future investors under a same class offer can have ready access to an up-to-date overview of those matters.

THE NZX NEW MARKET

In recognition of the high compliance costs associated with continuous disclosure, the NZX is proposing a “continuous disclosure-lite” option for small and medium-sized companies that choose to list on the NZX’s mooted New Market. At the time of writing, the necessary exemption from the Securities Markets Act had been granted, subject to the Financial Markets Authority (FMA) being satisfied with the design of the regime.

The NZX is recommending that disclosure be limited to:

- interim updates required on the occurrence of specified events, and
- an obligation to correct market information that is misleading and credibly sourced.

We think the triggers for issuing interim updates are appropriate and, for the most part, will be events issuers would need to disclose to manage transactions in the ordinary course.

Our experience suggests that issuers are willing compliers with continuous disclosure obligations, but that compliance often requires a number of difficult judgement calls which chew up the time and energy of management and directors, and can give rise to significant external advisor costs. Any relief from these, within appropriate parameters to protect the investor, is to be welcomed.

ASIC GUIDANCE ON INVESTOR BRIEFINGS AND MARKET SOUNDINGS

An aspect of market disclosure that has attracted some regulatory attention in Australia is the management of interactions between an issuer and particular classes of market participants (as opposed to the market generally).



Josh Blackmore

ASIC has just released a note on its assessment of market practice around the handling of sensitive information in the context of analyst and investor briefings prior to corporate transactions. Risk areas identified by ASIC include:

- the smaller, less structured and more interactive briefing
- analysts with a poor understanding of the boundaries seeking to elicit market sensitive information, and
- issuers not being careful to ensure that the staff who front briefings have a clear understanding of the relevant issues and of the limits on what should and should not be disclosed.

ASIC has also expressed some concern at an over-reliance on advisers to manage risks (rather than the issuer having its own policies) in relation to the informal market soundings that sometimes occur prior to a transaction being announced or a trading halt being sought.

ASIC recommends that issuers:

- prepare in advance for leaks by drawing up draft requests for trading halts and draft exchange announcements
- discuss frankly with advisers if and when soundings should be conducted about a capital raising (and how many investors may need to be sounded), and
- consider using trading halts to manage the risks associated with soundings (presumably where these cannot be completed between market close and open).

It seems unlikely that trading halts prior to informal soundings will be particularly attractive as, in the event that the offer doesn’t proceed, the issuer will have some potentially awkward explanations to make.

Josh Blackmore is a partner at Chapman Tripp specialising in commercial transactions and securities law.

KOVACS

DESIGN FURNITURE



The Maverick Settee by Kovacs

Photographed at Beauty at the Tannery; model dressed by Redhouse Boutique; The Tannery, 3 Garlands Road, Woolston



How to be an IPO rock star

With the dark days of the late-Noughties behind us, New Zealand is clearly revelling in its rock star economy label, says Ian Thursfield

In the years after the global financial crisis, the aggregate market capitalisation of delistings exceeded that of IPOs. But times have changed – over \$4.0 billion was invested in seven IPO companies in 2013 and a further eight or so IPOs have either been completed or are expected in 2014.

Recent IPOs have exhibited a variety of – sometimes novel – facets:

- the timing of the bookbuild is now fluid – front end (Metroglass), back end (Z Energy), or middle (Gentrack)
- compliance listings – GeoOp had a capital raising followed by a compliance listing (without PFI, but more on that later), a process that Pushpay is rumoured to be following
- the separation of the investment statement and the prospectus of Genesis becoming the “new normal”; and
- the emergence of a number of early stage IPOs, for example, Xero and ikeGPS, as well as offers of mature businesses (Z Energy; Meridian; Genesis).

These trends are interesting but there have also been changes in the content of offer documents driven by the need for clear marketing messages and the impact these can have on the launch of an IPO. This is where the use of some modern prospective financial information (PFI), non-GAAP and pro forma reporting comes in.

Analysts and investors are now used to the look and feel of PFI and there are numerous examples of what should be included in the financial information. PFI has in a sense become a “boiler plate”. Given this base, pro forma, non-GAAP financial measures and sensitivity analysis are increasingly being used to help inform potential investors and analysts about the business.

WHAT IS PFI AND IS IT STILL USEFUL?

The use of PFI in prospectuses, although not mandatory, is well established. There have been questions raised in relation to the usefulness of PFI in a start-up or fast-growing environment. Specifically, in a world where valuation has become detached from PE multiples and dividend yields, does PFI help explain and sell the company?

I believe that even in this situation, PFI is helpful. Preparing and presenting PFI means the company has to explain and rationalise the base case to investors, and gives them an understanding of the various drivers of performance. As important, including PFI shows that the governance of the company is in good hands; PFI is driven off budgeting processes and is reported against in future periods. Good budgeting protocols are more important for cash-hungry, fast-growing tech businesses than they are for mature





Ian Thursfield

cash-positive ones. Fundamentally, should you invest in a company whose budget is considered by directors to be potentially misleading and hence, not profitable?

WHAT ARE PRO FORMA ADJUSTMENTS AND HOW SHOULD THEY BE APPLIED?

Pro forma adjustments are made to the statutory historical information and/or the PFI, and reset the capital structure of the company to both reflect the post-IPO structure, for example, share capital repaying bank debt, and remove the impact of historical capital transactions, such as purchase of a business. For instance, for the Gentrack IPO, Gentrack re-presented the historical financial information as if the IPO and capital raising had occurred one day before the start of the historical period.

Pro forma adjustments should not be used to remove bad news stories from historical trading or show an unbalanced view (taking out costs but leaving in revenues). The FMA takes a dim view of companies that try to hide items such as redundancy costs within pro forma adjustments. While pro forma adjustments have become the norm, in fact a director should be questioning whether pro forma information is really required – it is cleaner and simpler to show statutory performance.

NON-GAAP MEASURES

In the world of non-GAAP financial information, there are measures that fall into two broad categories: traditional and alternative.

The traditional non-GAAP measures, for example, EBITDA, EBITDAF and NPATA,

are largely additional subtotal lines in the financial statements and are easily recognisable by the investor community. However what is new on the scene and has recently been given additional prominence (although not “undue prominence”, as this will put you on the wrong side of the FMA) are alternative non-GAAP and non-financial measures, for instance, annualised recurring revenue, customer numbers, EBIT before non-operating costs, and revenue per employee.

These alternative measures can be used to guide an analyst or potential investor to metrics that are used internally by the business and best represent the operations and value drivers of the company. These must not be misleading and should be both measurable (think verification) and reportable.

SENSITIVITIES AND THEIR USE

Sensitivities have become commonplace to allow investors sufficient information to assess the importance of certain assumptions underlying the PFI. In general, sensitivities are confined to revenue-based changes (some variant of price or volume) and movements in FX.

Recently, sensitivities over input pricing have become a minor trend with Meridian, Genesis and Z Energy all including this as a key sensitivity. Sensitivities can help explain post-IPO performance relative to PFI published in the offer document, which can be comforting to directors if actual results undershoot the prospectus. In selecting sensitivities, directors need to determine the key drivers of volatility

within the business, but perhaps more importantly, they need to understand how best to illustrate this without giving away commercially sensitive information.

CONCLUSION

The role of a director is perhaps at its most visible when a company plans to list on a stock exchange. With over \$60 million a week in contributions into Kiwisaver in 2014 and strong economic growth, New Zealand may be entering a sustained period of IPO activity. A director’s job at this time is to present information that gives potential shareholders adequate information to make an educated decision as to whether to invest while also allowing the marketing messages appropriate space. Among the questions directors should ask are: do we really need pro formas? Are we using the correct non-GAAP measures? Are our sensitivities specific enough to show likely volatility?

Hopefully with these questions running through directors’ minds, the investing public can be helped to make sensible decisions.

Ian Thursfield – KPMG Partner in Charge of Transactions & Restructuring

Ian heads the Transaction Services team in New Zealand and has advised on numerous due diligence assignments both in New Zealand and internationally across all market segments. He has 15 years’ experience in due diligence and independent appraisals.

The changing landscape of environmental liability

According to Marsh's latest Directors' Risk Survey, directors rate environmental risk as number five of the top ten emerging risks facing directors. Interestingly, climate change follows at number seven. By Karin Scholz

The last few years has seen the tightening of legislation, increased efforts to enforce the local Resource Management Act (RMA) and, patterned after the United States, very broad environmental laws being passed in Europe, Asia and Australia. Companies and their directors and officers are at increasing risk of facing criminal allegations, with serious financial penalties for not properly addressing environmental issues.

WHAT KIND OF ENVIRONMENTAL RISK IS THERE?

Risk can loosely be placed into five main categories relating to an entity or individual:

- **Contractual** (entity): contracts will have indemnity and insurance clauses that do not overtly address pollution risk, but the inherent obligation exists.
- **Third party/civil** (entity): an affected party outside of contract.
- **Regulatory** (entity): compliance with legislation, both locally and globally.
- **First party** (entity): onsite pollution is usually considered intangible damage and does not trigger a material damage/business interruption policy.
- **Directors risk** (individual): responsibility for the action, or lack of action, taken in respect of pollution when in a position of authority on a board.

Any one of the above can bring a business to a standstill and can significantly influence an organisation's financial performance, reputation and brand, cash flow and shareholder value.

Given the potential for interdependent biological systems to be impacted by natural disasters and climate change, an understanding of **environmental systemic risk** is something governments,

accountants and risk managers increasingly have to factor into their models to mitigate or avoid large scale irreversible disasters.

UNDERSTANDING YOUR RISK

One can be forgiven for thinking that a director's exposure to pollution risk is low if company activities are not mining, manufacturing or the handling of toxic waste. Unfortunately it is not so straightforward, with the reality being that even indirect association with pollution can attract considerable negative attention. Some examples of this follow:

- environmental impairment of property can destroy a financial institution's primary and secondary source of repayment. Even worse, it may attach directly to the financial institution if it becomes associated with the secured real estate interest as either title holder or manager of the property
- all aspects of construction and development and manufacturing are at risk in the course of demolishing toxic buildings or exposing legacy soil and water
- investment in properties; either directly by way of subsidiaries or indirectly by way of joint ventures or alliances. Real estate and certain activities on owned or leased real estate can be viewed as both an asset and a latent liability
- professional services provided, such as design or conveyancing, can lead to pollution or the purchase of contaminated property
- merger and acquisition decision-making needs to incorporate due consideration of the implications of pollution. The cost of remediation can be a deal breaker.

The insidious nature of pollution is such that it can take place unnoticed for many

years, or have occurred under previous regimes where regulatory standards were lower and reckless lending was common. Consequently, pollution is commonly an unknown quantity for decision makers. This is in the context of both avoiding pollution altogether and avoiding exacerbation of any known pollution.

Basic proactive risk management protocol would consist of the following:

- identify pollution and the potential for pollution
- develop solutions for the removal or mitigation of pollution conditions
- implement an environmental management system
- establish a process that keeps the organisation up-to-date on all developments in environmental regulations and laws
- conduct periodic environmental compliance audits
- ensure that environment-related record-keeping and documentation is easily retrievable and not scattered throughout the organisation
- coordinate and effectively communicate environmental activities throughout the organisation, since environmental risk is rarely controlled by one department.

Unless a concerted effort is made to identify contamination in the first instance, risk management and due diligence processes cannot be considered robust or adequate.

OFFSHORE RISK FOCUS

Never assume New Zealand law applies offshore. The implications of compulsory insurance requirements in foreign jurisdictions are ever-increasing. So too is the complexity and risk as regulators drive to enforce the provisions within the law



Karin Scholz

that allow them to more directly recover remediation costs from individuals. In some territories, the commercial environment is such that it is foolhardy to trade without the protection of robust insurance in force as allegations of pollution can be hefty tools.

Recent case law in Canada (Northstar Aerospace) raises another concern in that it is conceivable that any director could be held personally responsible for clean-up costs. Multinational businesses need to cast a critical eye on their multinational insurance programmes.

DIRECTORS AND OFFICERS MUST PROTECT THEMSELVES

Directors and officers need to be duly diligent and ensure that they:

- identify and understand the significant corporate environmental liabilities
- identify and understand any potential personal environmental liabilities
- establish processes to ensure liabilities are addressed and monitored
- understand how environmental liabilities will be funded, reserved and financially assured
- keep diligent records of the board of directors' oversight.

It is also critical for directors and officers to understand the insurance programmes of the organisations they serve, including any coverage gaps and additional coverage available in the market. They should also obtain appropriate legal advice.

To find out more about environmental risks contact Karin Scholz on 09 928 3102 or karin.scholz@marsh.com.



CASE HISTORIES

- On October 28, 2013, 12 former directors and officers of bankrupt Northstar Aerospace agreed to pay a total of CAN \$4.75 million to the Ontario environmental regulator for costs to clean up the company's manufacturing site.
- On February 2, 2014 a broken stormwater pipe beneath a coal ash pond at Dan River Steam Station in the United States allowed 39,000 tons of coal ash and 27 million gallons of contaminated water to spill into the Dan River. On May 21, 2014, two shareholders filed a derivative lawsuit against the company's CEO, COO, and 14 of the company's current directors.
- The Chinese Government has punished 33 multinational corporations over the past three years for violating the nation's environmental laws and regulations, according to the Worldwatch Institute.
- The Australian Government secured a legally enforceable AU \$305,000 pledge from plantation timber company Hancock Victorian Plantations Pty Ltd to repair damage done to a critically endangered grassland in southwestern Victoria and to better protect what remains.

Natural disasters and the exacerbation of liability

Environmental damage can be caused by a natural disaster. Fires, floods and earthquakes can have a disastrous impact on infrastructure, water tables and soil quality, e.g. discharge from treatment plants or landfill, leaching of toxic materials from industry or agribusiness, or mould infestation from prolonged exposure to moisture.

Notably, pollution from these sources can migrate onto neighboring sites. The obligation to clean up still exists regardless of remedies for recourse available.

How do you grow CPD points?

Satisfying the Chartered Director programme's continuing professional development (CPD) requirement for the core membership categories can be achieved through both formal and informal learning. Five IoD members share their recent history of professional development to illustrate how points will be accumulated under the new system.

By Breanna Cullen

A commitment by members to CPD is an important part of the professionalisation of the IoD. To be included in one of the core membership categories (Member, Chartered Member and Chartered Fellow), you will need to maintain 60 CPD points over a rolling three-year period.

"CPD is already routine practice for many of our members, both as part of making sure they are effective directors and as a requirement of other professional bodies to which they belong," says Lisa Docherty, Registrar. "For most of our members, meeting the CPD requirement will simply be an acknowledgement of their long-standing commitment to the profession."

You can gain CPD points through formal channels such as Director Development or relevant courses offered by other providers. But since professional development is not restricted to formal training, points may also be allocated to informal learning. Reading governance-related material, for instance, will earn up to ten points every year, and attending branch events will accrue two to four points per event. CPD points are also awarded for governance-related presentations or mentoring.

For a full list of how CPD points will be allocated after 1 October, visit www.iod.org.nz.

CASE STUDIES



NORAH BARLOW

Eligible under transition for:

Chartered Member

Summerset Group Holdings director Norah Barlow believes currency of knowledge is crucial to performing effectively, "particularly for me, being new at being a director in multiple companies with different business models and different norms for the board."

Norah completed the Company Directors' Course (CDC) in 2011, attends branch functions, has spoken at branch events, and reads *boardroom* regularly. She is also a member of Chartered Accountants Australia and New Zealand (formerly the New Zealand Institute of Chartered Accountants), enabling her to cross-credit accountancy courses such as Audit and Risk Committees. Norah does not set a budget aside for professional development, but consults course calendars when planning her development for the year.

CPD Points*

Reading:	10
Presentations:	10
Branch events:	4
Chartered Accountants ANZ course	4
Total:	28



AARON RINK

Eligible under transition for:

Chartered Member

A plumber by trade, CF Reese Group director Aaron Rink enlisted the help of a board to grow his company. He is now part of the IoD's FirstBoards group and shared his experience in moving to a full board at the recent Undressing Governance seminar. Aaron has completed the CDC, Chairing the Board and Boards in Action, and has this year undertaken Strategy Essentials.

"I find the courses are a great way to gain targeted governance learning and also a way of re-energising myself and reconnecting with best practice in the governance sector," he says.

Aaron is a frequent face at branch events in Waikato, and made the trip to Auckland for the 2014 IoD Leadership Conference in April. He reads *boardroom* and a host of governance articles, as well as keeping tabs on the IoD's LinkedIn group.

Two of the boards Aaron now serves on have a dedicated budget for professional development, and he plans his according to which skills he will need each year.

CPD Points*

Reading:	10
Presentations:	10
FirstBoards:	5
Strategy Essentials:	8
Conference:	12
Branch events:	10
Total:	55

CASE STUDIES

**SAM ROBINSON**

Eligible under transition for:

Chartered Fellow

AgResearch chairman Sam Robinson values branch events as opportunities to learn from other directors. He regularly attends those held in Hawke's Bay and checks the IoD events calendar when travelling to Wellington. Sam is a mentor in the IoD's Mentoring for Diversity programme and also speaks at a variety of events. He reads on governance matters in newspapers, online, and in *boardroom*.

Sam selects courses and branch events according to whether they fit his needs. Through his position on the board of a Crown Research Institute, Sam is also able to undertake courses run by Treasury's Commercial Operations (formerly COMU).

CPD Points*

Mentoring:	15
Reading:	10
Presentations:	10
COMU course:	8
Branch events:	8
Total:	51

**TIM FULTON**

Eligible under transition for:

Member

Experienced in running his own companies, Tim Fulton is stepping into the realm of the professional director. Tim says that he needed to build a formal knowledge base in governance and undertook the CDC and Finance Essentials last year.

"I found it hugely beneficial in structuring governance principles that I now use more and more in a practical sense, as I gain experience as a director."

Tim attends branch events, reads *boardroom*, and takes formal courses. He budgets \$2500 - \$5000 for professional development each year, and plans his development according to what the year ahead has in store for him. He is currently undertaking a six-week programme that offers mentoring from an online international business development team.

CPD Points*

Reading:	10
Branch events:	6
Third party course:	5
Total:	21

**JOHN PALMER**

Eligible under transition for:

Chartered Fellow

As an experienced chair and non-executive director, John Palmer speaks on governance at a range of events and says he finds facilitating the IoD's Chairing the Board course a great way to stay current. John is involved in mentoring through the IoD, and a number of aspiring directors have benefited from his experience. He attends two or three seminars a year across both Australia and New Zealand, with specific interests in governance and remuneration. John does not have a budget set aside for CPD, but accepts opportunities as they arise.

CPD Points*

Mentoring:	15
Reading:	10
Presentations:	10
Events:	4
Total:	39

***PLEASE NOTE:**

The CPD points above are estimates, based on each member's activity over the previous year, and indicate how many points each member is likely to accumulate should the pattern of their participation continue.

All Director Development courses undertaken in 2014 will count for CPD points. After October 1, branch events will be allocated between two and four points.

Director Development – plan your course

Professional development is key to keeping up in a fast-changing world. It offers the chance not only to gather new information, but also to take time out and see the world from a different perspective. Sharing the learning experience with others not only deepens the learning process but widens networks.

The IoD offers a portfolio of courses designed to suit directors at all stages of their careers. For more details and to register, visit www.iod.org.nz

MoU recognised with special rate for Governance Essentials

The IoD is pleased to offer members of Chartered Accountants Australia and New Zealand a special discounted rate for the one-day Governance Essentials course. Undertaking this course will also earn points under their continuing professional development programme.

This offer is part of the memorandum of understanding signed between the IoD and the Chartered Accountants Australia and New Zealand aimed at fostering a closer relationship and benefits for members of both organisations.

“We share a number of common interests, including financial reporting, financial literacy, corporate governance and financial management, and these offer fertile ground for collaboration,” says IoD CEO Dr William Whittaker.

“Financial acumen is a critical skill in governance and a large proportion of New Zealand directors bring a background in chartered accounting to the board table. Approximately one quarter

of our membership also belong to Chartered Accountants Australia and New Zealand, so it makes sense to work together for the benefit of both professions. Given the IoD’s expertise in governance, it is logical that we assist members of Chartered Accountants Australia and New Zealand to develop their governance skills.”

Governance Essentials is designed to equip senior executives and new or aspiring directors with an understanding of the role and responsibilities of a board and its directors. The one-day course covers board composition, competencies and protocols, and examines a board’s relationship with management and its role in providing strategic guidance.

The partnership is ongoing, with further initiatives in the wings.

For more information on Governance Essentials, visit www.iod.org.nz

Giving generously

We are proud of the fact that over 50 per cent of IoD members sit on the board of one or more not-for-profits. This includes senior directors who want to give something back to the community as well as emerging directors who are learning the fundamentals of governance.

There are notable differences in the not-for-profit (NFP) sector which impact on the governance of these organisations. If you are new to governance, we recommend that you look at doing the one-day course, Not-for-Profit Governance Essentials. It offers an overview of the fundamentals of governance, while pinpointing those areas you need to know on a not-for-profit.

Wellington: 2 October

Hamilton: 11 November

Boards in Action – Advanced Health and Safety

With the Health and Safety Reform Bill scheduled to be enacted in 2015, health and safety is currently very much in the minds of directors. This one-day workshop focusing on the emerging due diligence duties contained in the bill offers a rare chance for senior directors to sit down together, and explore the issues, in an atmosphere of trust. Discussions are expected to be lively, insightful and informative.

As with all Director Development courses, the Chatham House Rule applies.



Warren Larsen

Warren Larsen, chairman of CentrePort Ltd, and Mike Cosman, one of New Zealand's most experienced health and safety practitioners, will be jointly facilitating the Advanced Health and Safety workshop.

Wellington: 12 November

Health and Safety Module – now online

Eighty people have already registered for the online training module focusing on health and safety. Designed to familiarise directors and senior executives with best practice in this crucial area, the interactive module allows you to absorb information at your own pace.

Areas covered include the importance of health and safety governance, changing legislation, duties and due diligence, liabilities and penalties, and the role of the director in establishing and monitoring best practice. To register, visit www.iod.org.nz

Company Directors' Course

The Company Directors' Course is a week-long residential course that has been the bedrock of governance training for New Zealand directors for some years.

It covers governance best practice, strategy, understanding finance, risk, a director's legal obligations and board dynamics. One of the hallmarks of the course is its relevance to governance today as it draws on the talent and experience of facilitators who are currently practising directors.

We proudly show graduates of recent courses.



Wellington, June 2014

FRONT ROW: (Left to right) Anne Scragg, Zheng Li, Eileen Basher, George Tatham, David Rae, Robin Gunston, Kate Wareham

SECOND ROW: Charles Duke, Martin Kirk, Donna Cooper, Brian Moriarty, Stephen Nicholas

THIRD ROW: Dean Spicer, Andrew Clayton, Andrew Morrison, Zane Fulljames

BACK ROW: Jamie Fitzgerald, Greg O'Byrne, Dean Galt, Chris Herlihy



Christchurch, July 2014

FRONT ROW: (Left to right) Reuben Tucker, David Penrose, Catherine Torrance, Fiona Kingsford, Richard Braae, Steph O'Sullivan, Dave Braddock, Leigh Harris

BACK ROW: Stephen Ambler, Paul Durdin, Richard Moore, John Benn, Nathan Clarke, David Benham, Scott Thomson

Board Services



Angela Francis



Ian Town

A breath of fresh air

Improving the respiratory health of New Zealanders is the mission of Asthma Foundation, a charity that takes a professional approach to achieving this goal

“Since the global financial crisis, like other charities, the greatest challenge has been achieving long-term sustainable funding,” says Angela Francis, Chief Executive of the Asthma Foundation.

“We don’t receive government funding for our work so it is challenging to determine an accurate budget from year to year,” she says.

Despite this, the foundation, which celebrated its 50th anniversary this year, offers a wide-range of services through their partner societies and trusts, for asthma sufferers and their families. This includes research, advocacy and education on best practice.

“We have a strong mandate from the community and the trust of health professionals around New Zealand,” says Chairman of the Asthma Foundation, Professor Ian Town.

“It’s very much a partnership. The community appreciates the level of expertise that we provide and we very much appreciate the support that we get from the community because if it means that one less child is admitted to hospital with an asthma attack, then we have done our job,” says Angela.

“People may not be aware that New Zealand has the second highest rate of asthma in

the world. And it can be fatal – around 50 New Zealanders die of the disease every year. As respiratory diseases are more likely to strike both the very young and the very old we are almost expecting a further rise in the numbers of people with chronic obstructive pulmonary disease in ten years when the largest cohort of baby boomers turn 65,” she says.

New Zealanders may be among the most generous in the world but funds are spread thinly between 25,000 charitable organisations.

“We are competing for every charity dollar and more is expected of us, because as a charity there has to be a high level of accountability and transparency regarding how donations are spent,” she says.

Over recent years, the Asthma Foundation has become more professional and strategic in its approach, and aligned its policies with national public health policies.

Angela, who has an extensive background in public health, has been chief executive for nearly four years. In that time, she counts raising the organisation’s profile, reaching fundraising targets, improving engagement with Maori, and forming an Expert Advisory Group that will develop a national respiratory strategy among the foundation’s successes.

She puts the foundation's success down to the backing of a committed board as well as a hardworking and efficient team in the office.

The ten-person board is drawn from around the country and includes directors with a diverse range of skills and backgrounds.

"They give tirelessly of their time and energy and I see it as my role and the team's role to make their job easier. We are committed to governance best practice and take a timely, no-surprises approach to reporting to the board," says Angela, who attended Director Development's Governance Essentials programme.

With the aim of ensuring optimum board performance, the Asthma Foundation undertook a BetterBoards board evaluation

last year. Regularly evaluating boards ensures that the board is performing to the best of its capabilities, much in the same way as performance appraisals of management or staff.

"The board appreciated the structured process and responded constructively to the areas identified for further work to improve the quality of governance provided," says Professor Town.

One of the positive outcomes of the evaluation was a refreshed strategic plan, aimed at achieving the foundation's goal of a 25 per cent reduction in respiratory admissions by 2025.

For more on the work of the Asthma Foundation, visit www.asthmafoundation.org.nz

BOARD EVALUATIONS

BetterBoards board evaluations are available as an online tool to assist in the development of directors and the CEO. An evaluation helps boards identify their strengths and weaknesses, assess their performance and determine opportunities for becoming better at what they do. The resulting reports are comprehensive, easy to follow, and can enable real change.

For more information visit www.iod.org.nz

New Director Search Appointments

The IoD maintains New Zealand's largest database of independent directors. We can help you recruit the best people by searching this database and matching individuals' skills and experience with just what you're looking for

Veronica Aris and Graeme Boyd have recently been appointed to the board of BLIS Technologies Ltd. Based in Dunedin, BLIS Technologies is listed on the New Zealand Stock Exchange and is an award-winning producer of probiotic

health products. Veronica brings to the board a wide range of skills developed through her career in creating and implementing dynamic marketing and sales strategies across Australasia. Graeme is an experienced director based



Veronica Aris



Graeme Boyd

in Tauranga and has been involved with exporting and international marketing in Western and Asian cultures, primarily in the manufacturing and natural remedy sectors. **For more information on BLIS Technologies Ltd, visit www.blis.co.nz**

branchnews



AUCKLAND

ANZ CEO David Hisco, “an Australian who has fallen in love with New Zealand”, spoke at a lunch function on 9 July, telling Auckland branch members that if Australia is the ‘Lucky Country’, then New Zealand is the ‘Plucky Country’. He spoke on what Australia can learn from New Zealand, discussed how governments can foster innovation, and called for an even closer trans-Tasman relationship in the next 50 years.

Xero CEO and 2013 Entrepreneur of the Year Rod Drury addressed a breakfast on 25 July, calling for a chief technology officer for New Zealand. He told attendees that as a small nation, we are well-positioned to transform our place in the world through technology.

Industry leaders heard Dr William Whittaker, Don Stock and Julian Hughes at the Contractor Initiative in Whangarei on July 28.

New directors attended a Next Generation Directors evening workshop on 29 July, with Sir Ron Carter, Sir Selwyn Cushing and Sir John Wells offering advice on how to get your first break.

TARANAKI

Directors from across the region attended the Contractor Initiative, which was held in conjunction with the Business Leaders’ Health and Safety Forum and aimed at reducing workplace deaths and injuries among New Zealand contractors.



WAIKATO

Grant Thornton consultant Trevor Thornton discussed the power of statutory management at a lunch event in Waikato, including issues faced as statutory manager for the failed Aorangi Finance.

British diplomat Patrick Reilly discussed the UK’s historic ties with



New Zealand and the challenges and opportunities his government faces.

Hamilton members heard from risk management experts Souella Cumming and Erica Miles on how to improve health and safety governance and performance.

NELSON MARLBOROUGH

The Contractor Initiative arrived in Nelson on 24 June, presenting local businesses with the challenge of leadership on health and safety.

Productivity Commission chair Murray Sherwin addressed Nelson members on 13 August, discussing New Zealand’s productivity conundrum and what can be done about it. This event was held in conjunction with Chartered Accountants ANZ.

- 1 | Brent Impey, Liz Coutts (Auckland)
- 2 | Rod Drury breakfast (Auckland)
- 3 | Trevor Thornton, Simon Lockwood (Waikato)
- 4 | Gary Osborn, Bruce Sheridan and Jason Cowan (Waikato)
- 5 | Bill McLeod, Tania Simpson, Margaret Devlin (Waikato)
- 6 | Paul Bennett, Peter Anderson (Waikato)
- 7 | Charlotte Isaac, Brian Squair (Waikato)
- 8 | Senga Allen, Di Halifax, Trisha Benge, Jeannine Walsh (Waikato)

- 9 | Patrick Reilly, Tim Heeley and Mark Hanlon (Waikato)
- 10 | Maria Stockman, Peter Tinholt (Bay of Plenty)
- 11 | Kevin Atkinson, Maria Stockman, Peter Tinholt and Glen Williams (Bay of Plenty)
- 12 | Tamati Coffey (Bay of Plenty)
- 13 | David Sandeman, James Beale, Reg Montgomery (Bay of Plenty)
- 14 | Christine Johnston, Liz Hirst, Dennis Parker, Bill Lee, Peter Harris, Melanie Coker (Canterbury)

- 15 | Dorenda Britten, Richard Christie, Philip Redmond, Geordie Hooft, Peter Young, Sue Wood (Canterbury)
- 16 | Clare Kearney (Otago Southland)
- 17 | Paul Moodie and Geoff Thomas (Otago Southland)
- 18 | Chris Hopkins receives his Fellow certificate from Geoff Thomas (Otago Southland)
- 19 | David Shaw, Norcombe Barker and Martin Dippie (Otago Southland)



BAY OF PLENTY

The Bay of Plenty Aspiring Director Award was announced at a cocktail function in Tauranga, with television personality Tamati Coffey as guest speaker. Congratulations to the winners, Maria Stockman and Peter Tinholt, and to our finalists Kevin Atkinson and Glen Williams.

New Zealand Superannuation Fund CEO Adrian Orr gave an engaging talk on leadership, telling Taupo members that a company's ability to articulate its values, vision and purpose is critical to its success.

Experienced PR practitioner Fiona Fenwick, an expert on reputation and personal brand, spoke on the importance of corporate reputation at the Tauranga Club.



WELLINGTON

Treasury deputy CEO Vicky Robertson spoke at a breakfast function on 24 June, telling Wellington members that Treasury intends to walk alongside boards in future.

Executive search specialist Liliias Bell offered her advice on writing an effective governance CV, emphasising the need for clarity in a cover letter.

Former Wellington mayor Kerry Prendergast spoke on dealing with conflict in the boardroom, telling East Coast members that regular communication between the chair and directors is an essential ingredient in unifying strategic direction and galvanising the board.

A brown bag luncheon was held on 30 July, with facilitator Jackie Lloyd leading the discussion on technology governance.

WorkSafe NZ chair Professor Gregor Coster spoke on the new agency's priorities, and discussed the implications of health and safety reform for directors.

Lawyer Alastair Hall and experienced director Dave Frow helped Palmerston North members prepare for health and safety reforms at a lunch function on 13 August.

CANTERBURY

Corporate governance adviser Richard Westlake presented the latest Directors' Dilemma workshop using material from his recent studies at the London Business School. Working through realistic board scenarios, attendees left with enhanced networks and a greater understanding of grey areas in governance.

Farmlands CEO Brent Esler shared his governance experience at an event in Ashburton, with particular emphasis on health and safety and the importance of ensuring a balance between work, life and risk.

Brisbane-based director Grant Murdoch offered his views on the governance scene in Australia and the challenges for New Zealand firms moving into the Australian market.



OTAGO SOUTHLAND

Mitre 10 chairman Martin Dippie spoke at the Otago Southland Aspiring Director Award on 23 July. We congratulate winner Clare Kearney, who was overseas at the time of the announcement, and runner-up Paul Moodie.



branch events

A preview of branch events to be held over the next two months.
For a full update check the branch section of www.iod.org.nz

AUCKLAND

Election 2014: Permutations, predictions and post-election negotiations

Political journalist Colin James offers his analysis of the election campaign and takes your questions.
7:30am - 9:00am, 25 August, The Northern Club, 19 Princes Street, Auckland



Colin James

Next Generation Directors

An evening workshop focused on building your governance capability.
4:30pm - 7:30pm, 16 September, BNZ Partners Business Centre, Deloitte Centre, Level 7, 80 Queen Street, Auckland

Welcome cocktails for new members

Meet the branch committee, local directors, and other new members at a cocktail evening on 29 September.
5:30pm - 7:30pm, 29 September, The Northern Club, 19 Princes Street, Auckland

BAY OF PLENTY

What's your corporate style?

Revive, refresh and recharge at a cocktail function with Bayfair stylist Angela Beatson and health expert Dr Anna Rolleston.
5:30pm - 7:30pm, 27 August, Elizabeth Café, 247 Cameron Road, Tauranga

Not-for-Profit Workshop

5:30pm - 7:30pm, 9 September, Tauranga Club, Level 5, Devonport Towers, Tauranga

WAIKATO

Creating and adding value as a director

Members and non-members are invited to a lunch function with guest speaker Dallas Fisher.
12:00pm - 2:00pm, 20 August, Waikato Stadium, Gate 5, 128 Seddon Road, Whitiara, Hamilton

New members' lunch

12.00pm - 2.00pm, 1 October, Gallagher Lounge, Waikato Stadium

Warren Larsen

7.00am - 9.00am, 15 October, Radio Sport Lounge, Waikato Stadium

WELLINGTON

Governance at the World Bank

John Whitehead, a former executive director at the World Bank, will offer lessons learnt working under the bank's unusual governance arrangements.
7:15am - 9:00am, 19 August, The Wellington Club, Level 5, 88 The Terrace, Wellington



John Whitehead

ASPIRING DIRECTOR DINNER SERIES

This four-part programme kicked off on 14 August with a dinner covering the basics of governance. The remainder of the series will be held as follows:

Dinner Two: What have I got to offer?

Recognising and developing competencies, and individual pathways to governance.
6:15pm - 9:00pm, 28 August, The Wellington Club, Level 6, 88 The Terrace, Wellington

Dinner Three: How can I get there?

Guest speakers discuss online marketing, networking and your curriculum vitae.
6:15pm - 9:00pm, 10 September, The Wellington Club, Level 6, 88 The Terrace, Wellington

The Director's Den

An after-work event to cap off the series.
5:30pm - 7:00pm, 18 September, The Wellington Club, Level 6, 88 The Terrace, Wellington

A call to arms

Financial Markets Authority CEO Rob Everett on new growth initiatives, opportunities in light of the new Financial Markets Conduct Act, and how directors can contribute to lifting confidence in financial markets.
7:15am - 9:00am, 4 September, The Wellington Club, Level 5, 88 The Terrace, Wellington

Director Dinner

Guest speaker Rob Cameron discusses the governance demands and the role of independent directors in high growth companies.
6:15pm - 9:00pm, 25 September, The Wellington Club, Level 6, 88 The Terrace, Wellington

NELSON MARLBOROUGH



Melissa Clark-Reynolds

When perseverance is not a virtue

Melissa Clark-Reynolds presents the Winners' Guide to Quitting at a lunch function on 3 September.

12:00pm - 1:30pm, 3 September, Trailways Hotel, 66 Trafalgar Street, Nelson



Deb Shepherd

Lunch function with Deb Shepherd

12:30pm - 1:30pm, 30 October, Quench Restaurant, Chateau Marlborough, corner High and Henry Streets, Blenheim

CANTERBURY

New members' lunch

A quarterly informal lunch hosted by our branch committee to welcome the branch's newest members.

12:00pm - 2:00pm, 5 September, 50 Park Terrace, The George, Christchurch



Adrian Orr

Christchurch function

Adrian Orr, CEO of the New Zealand Superannuation Fund, speaks on investing with careful hands and the role of the New Zealand Superannuation Fund in meeting future commitments, followed by a dinner for Fellows and Distinguished Fellows.

5:45pm - 7:45pm, 20 October, 50 Park Terrace, The George, Christchurch



Andy Borland

After-work event with Andy Borland

Scales Corporation managing director Andy Borland discusses the path to a public listing.

5:45pm - 7:45pm, 22 September, 50

Park Terrace, The George, Christchurch

Timaru function

Sara Lunam, Corporate Services Manager at the Port of Tauranga, will speak on how good boards add value for management.

5:30pm - 7:30pm, 13 October, The Grosvenor, 26 Cains Terrace, Timaru

OTAGO SOUTHLAND

Governance Wisdom Breakfast

Simon Arcus, manager of the IOD's Governance Leadership Centre, will join senior directors to offer new or aspiring directors their experience and advice.

7:00am - 8:30am, 20 August, The Dunedin Club, 33 Melville Street, Dunedin

Luncheon with Tina Symmans

12:00pm - 2:00pm, 24 September, The Dunedin Club, 33 Melville Street, Dunedin

Cocktail function with Peter Wardell

5:30pm - 7:30pm, 3 October, Queenstown Resort College, 7 Coronation Drive, Queenstown

AUCKLAND

Shirley Hastings

ph: 021 324 340

fax: 04 499 9488

email:

auckland.branch@

iod.org.nz

BAY OF PLENTY

Jo Perry

ph: 021 557 116

email:

bop.branch@iod.org.nz

CANTERBURY

Sharynn Johnson

ph: 03 355 6650

fax: 03 355 6850

email:

canterbury.branch@

iod.org.nz

NELSON MARLBOROUGH

Jane Peterson

ph: 021 270 2200

email:

nelson.branch@iod.org.nz

OTAGO SOUTHLAND

Vivienne Seaton

ph: 03 481 1308

fax: 04 499 9488

email: otago.branch@

iod.org.nz

TARANAKI

Julie Beck

ph: 021 632 709

email:

taranaki.branch@iod.org.nz

WAIKATO

Megan Beveridge

ph: 021 358 772

fax: 07 854 7429

email:

waikato.branch@iod.org.nz

WELLINGTON

Jeanette Wogan

ph: 021 545 013

fax: 04 499 9488

email:

wellington.branch@

iod.org.nz

New people, new places, new ways

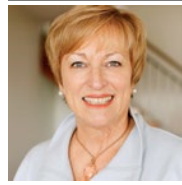
Research suggests the more one uses the internet and social media, the more diverse one's network is. New Zealand directors are making new connections and finding new ideas through their own online networks.

A typical person has hundreds of ties in their overall network. Users of technology such as social media have even larger networks. But not only is the internet increasing the size of one's social network, it's also increasing its diversity.

Facebook's own examination of network diversity found that a large proportion of the content a Facebook user sees comes from their weak ties. And "these distant contacts are more likely to share novel information, demonstrating that social networks can act as a powerful medium for sharing new ideas".

NEW ZEALAND DIRECTORS SHARE

The IoD reached out to directors on our LinkedIn group to ask if they had been introduced to new people or new ideas through social media.



Dr. Lee Mathias

Chairman at the Unitec Institute of Technology

500+
connections

Dr. Lee Mathias, Chair of Unitec and Counties Manukau District Health Board, says that social media has changed how she discovers information and contributes:

"On LinkedIn, I'm pretty active in the Boards & Advisors group led by Richard Leblanc. This group is made up of academics who talk about research. We have been known to drive pre-research ideas.

Through LinkedIn, I get approached by people from all over the world regarding my work, or the New Zealand health sector, or governance and healthcare services – my doctoral topic.

Older people aren't the most active on Twitter, but when we do tweet, it's usually something interesting or profound. Not about the hot topic of today, more about strategic change. Social media is about the sharing of new ideas. By email, networking would be much slower. I would have to email contacts to ask about their new research but with social media, I see what they post."



Wayne McNee

Chief Executive, Livestock Improvement Corporation (LIC)

500+
connections

Wayne McNee, CEO of Livestock Improvement Corporation and a director, also uses LinkedIn and Twitter.

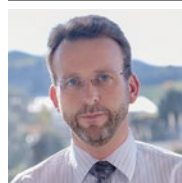
"From being a member of LinkedIn groups, I see posts from other members. Often interesting business or leadership articles are posted that I wouldn't otherwise be aware of.

Mostly I'm looking for things relating to leadership – things that other businesses and

chief executives are doing. I report to a board and sometimes there are posts that come from a governance perspective. I read the Harvard Business Review (HBR) each month, but when an HBR article is flagged on LinkedIn, that gives me a reason to give it a closer look."

I also use Twitter a bit, although not as much as LinkedIn, about two to three times a week. AgChat [a weekly moderated Twitter 'conversation'] is on every week...there's a Kiwi version and an international version.

I follow key people like ministers to see what they're up to. I follow a few companies as well."



Andy Fenton

Managing Director at Desktop Imaging Ltd and NZ Micrographic Services Ltd

500+
connections

Andy Fenton, who served on the National Digital Forum board from 2006 to 2013, primarily uses LinkedIn.

"I get a weekly digest from about 20 LinkedIn groups – I can contribute or I can pass threads on to those that might be interested. As a member of the IoD's LinkedIn group, I push governance articles around too.

Twitter is big for me because of the area that I'm in – digitisation. Through Twitter, I can access a new band of contacts, people in their twenties through to their forties. Once you get proficient at following, you get brave enough to participate.

I don't use Facebook for business. I avoid anyone I have worked with, or for, on Facebook. There's that quote – 'Facebook is the people you went to school with; Twitter is the people you wish you went to school with'.

I think those that surf or trawl only get a small portion of the benefit that those who actively interact do.

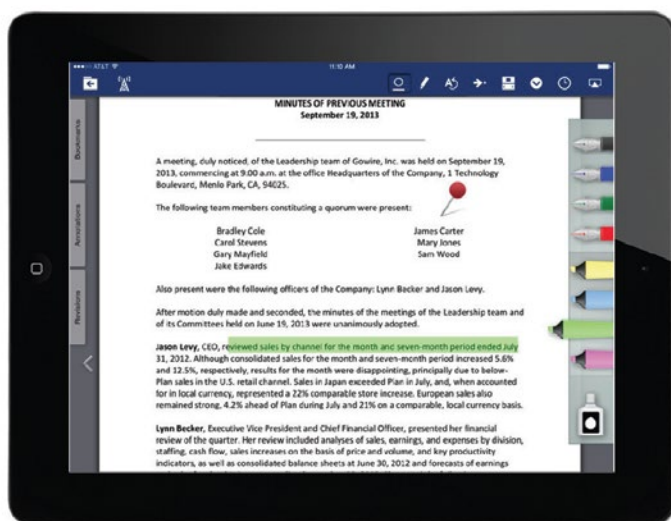
Sharing ideas on social media is a way to connect with others. On Twitter and LinkedIn, I can see what someone posts, get into their frame of mind, then put some valuable content in front of them. On Twitter, when I find something interesting, I flick it to someone I'm following. Having them find me interesting may lead to doing business with them, regardless, we all learn something!"

BoardVantage



- Secure portal with online & offline access
- Hosted service or installed on-premise
- Unlimited boards, meetings & committees

ACCESS YOUR BOARD MATERIALS ANYTIME ANYWHERE



FEATURES:

- Annotations
- eSignature
- Voting
- Surveys
- Calendar
- Messaging
- Repository
- Directory

SUPPORTED DEVICES



www.boardvantage.com

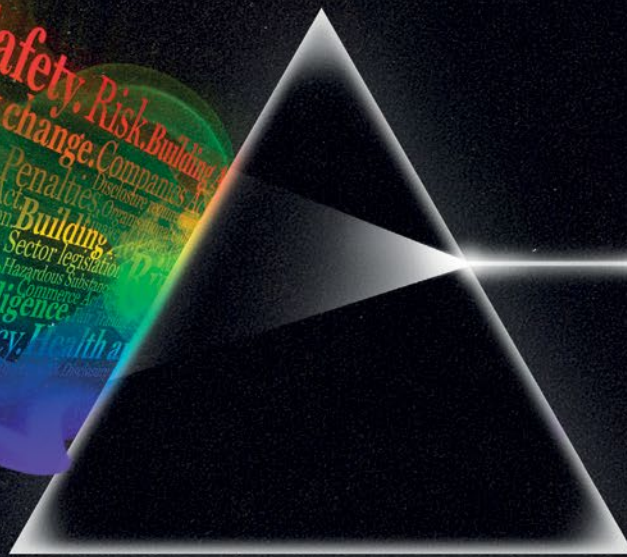
Australia

Level 4, Plaza Building
Australia Square
95 Pitt Street, Sydney NSW 2000

+61 2 8249 8233

+61 2 8079 2998

Health and Safety. Regulatory change. Risk. Building
Commerce Act. Reputation. Penalties. Companies Act
Legislation. Biosecurity Act. Disclosing performance
Directors' duties. Financial Markets Conduct Act. Sector legislation
Hazardous Substances Act. Privacy. Health and
Resource Management Act. Due diligence. Hazardous Substances Act. Commerce Act. Financial Markets Conduct Act. Technical regulations. Disclosing performance



Confidence

Confidence is a compliance program with the law on board

ComplyWith.co.nz