



New Zealand

# Director Competency Framework

# Director Competency Framework

## Framework Overview

Professionalisation has been described as the social process by which a trade or occupation transforms itself into a true profession of the highest integrity and competency. The process involves the establishment of standards and group norms of conduct.

Qualification for entry requires applicants to demonstrate conformity to standards and norms that reflect general expectations of the profession. Shareholders, investors and the wider stakeholder community are focusing more and more on the standards and competencies of their elected and/or appointed directors.

Until now, directing has been an open access activity, (subject to certain basic exceptions). Under section 151 of the Companies Act 1993, directors must be people (not corporate entities), adults (not under 18), and free from legal encumbrances that would prohibit them from serving as a director. None of these exceptions, however, pertain to professional competency. Indeed, in the current environment, the only qualification directors can trade on is their reputation in business or a profession. For aspiring directors at the beginning of their career, this emphasis on known experience acts as a barrier to the boardroom. This emphasis on reputation may also inadvertently prevent boardroom entry by qualified persons that have relevant experience, but who are not well known or socially connected. How then can would-be directors show that they are ready for the challenges of board service?

The New Zealand Director Competency Framework (the Framework) will help directors and boards to understand how to measure their performance and brings clarity to governance roles and their functions in a range of organisations. The Framework underpins the Institute of Directors' drive towards the professionalisation of the New Zealand director community and will guide director career path guidance including the Chartered Membership pathway, qualifications and DirectorSearch services. In addition it will also be used to inform a broad range of development initiatives and tools for both boards and directors.

# Director Competency Framework

The Framework was created by directors for all directors via a four-stage process involving:

- a review of existing director competency literature
- an online survey to canvass a broad sample population of active directors to determine their necessary skills and knowledge and those of boards.

Followed by:

- qualitative focus groups to provide clarity to the draft competency statements and to identify which competency statements could be considered core and optional to directors and boards in New Zealand depending on their different organisational and sectoral contexts
- a review period for directors to undertake a more comprehensive look at the draft Framework and provide feedback
- The Framework is consistent, and should be referred to in conjunction with *The Four Pillars of Governance Best Practice*.

# Director Competency Framework

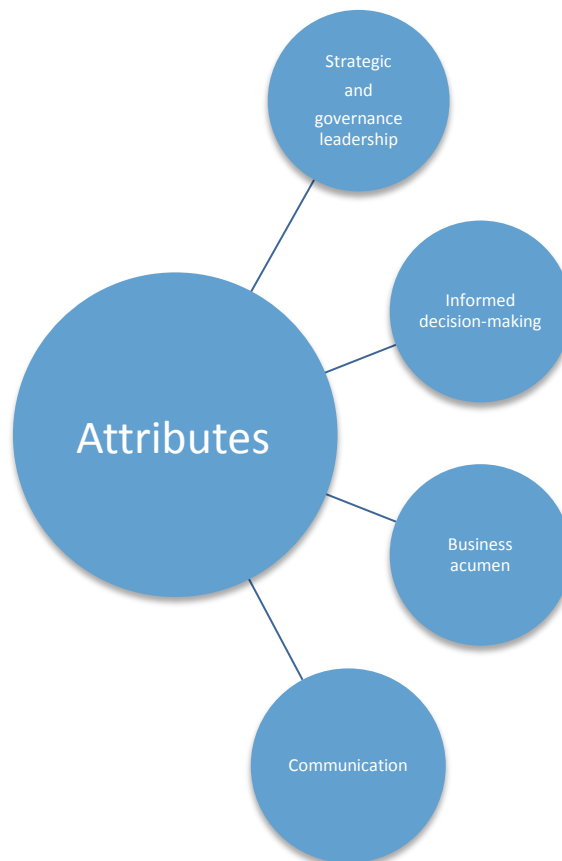
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# Director Competency Framework

## Framework structure

The Framework is structured into essential and desirable attributes that are applicable to competencies categorised into four areas. Separate sets of competency statements exist for directors and for boards.



# Director Competency Framework

## Director attributes

The attributes listed form an aspirational list of qualities the New Zealand director community considers to be most indispensable and desirable in directors. This list is not exhaustive as particular organisations may require specific attributes not listed here. Organisations are encouraged to customise this list accordingly. This list should also not be considered mandatory. Each board candidate or sitting director will have a unique combination of the attributes listed here. No director can be expected to have all of these attributes, however, this list enumerates the attributes that would most likely be sought in a director in the New Zealand context and should therefore be applied to all competencies in the Framework.

Attributes are acquired over time depending on the experiences that individuals have both in their personal and professional lives. A person who displays all of the essential attributes listed and a combination of the desirable attributes is likely to be a highly effective director in New Zealand.

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### Essential attributes

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|      |                                                                                                                       |
|------|-----------------------------------------------------------------------------------------------------------------------|
| EA1  | Is truthful, trustworthy and demonstrates absolute integrity.                                                         |
| EA2  | Upholds and lives by a strong personal standard of ethics.                                                            |
| EA3  | Is frank and open when communicating, willing to admit errors and is assured when dealing with others.                |
| EA4  | Shows reliability, commitment, enthusiasm, encouragement and support.                                                 |
| EA5  | Is aware of own strengths and weaknesses.                                                                             |
| EA6  | Is resilient and maintains composure and effectiveness in the face of adversity.                                      |
| EA7  | Acts with courage.                                                                                                    |
| EA8  | Shows energy, vitality and commitment to the organisation's values and culture and for his or her role as director.   |
| EA9  | Is alert and responsive to change.                                                                                    |
| EA10 | Fosters cooperation and effective teamwork, is participative, collaborative and collegial values the input of others. |

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# Director Competency Framework

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**Essential attributes, *continued***

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EA11 Inspires others to achieve by ensuring clear understanding of goals.

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EA12 Willingly provides personal support.

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EA13 Takes charge of a situation when appropriate.

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EA14 Is loyal to and works in the interest of the entity governed.

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EA15 Is comfortable with and tolerant of reasonable risk, ambiguity and uncertainty.

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EA16 Respects the law.

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EA17 Demonstrates a propensity for decision-making.

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EA18 Understands the value of the group and respects his or her role within it.

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**Desirable attributes**

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DA1 Is inventive and original when tackling issues and solving problems.

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DA2 Demonstrates a strong, positive first impression.

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DA3 Understands the feelings and needs of others and is compassionate and fair-minded.

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DA4 Encourages new initiatives.

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DA5 Is committed to professional development and lifelong learning.

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DA6 Is culturally astute.

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DA7 Is emotionally intelligent, self-motivated and respectful of others.

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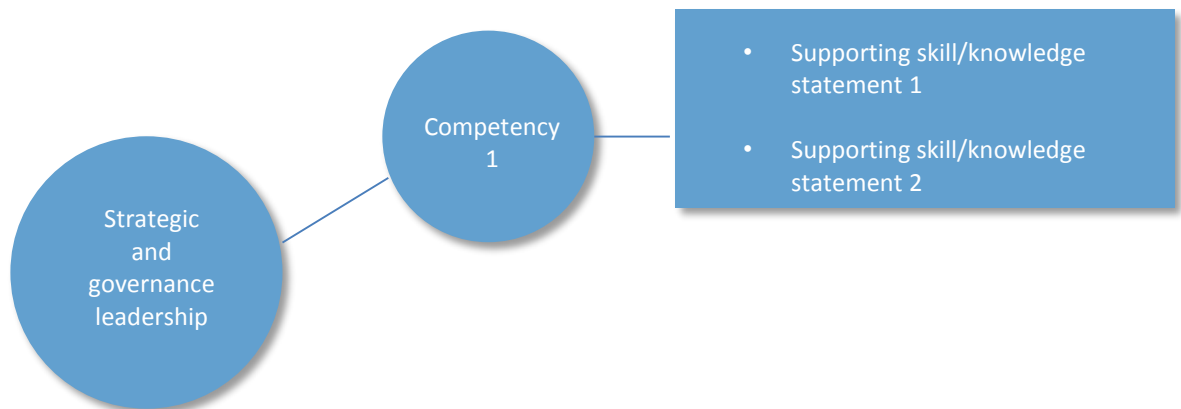
DA8 Is curious, inquisitive and intuitive.

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# Director Competency Framework

## Director competency structure

For individual directors, competency statements in each of the four areas are supported by detailed statements of skill and/or knowledge.





# Director Competency Framework

## Director competencies

The statements on the following pages describe the competencies important to all directors in New Zealand and are organised into four areas:

- strategic and governance leadership.
- informed decision-making.
- business acumen.
- communication.

More than ever, directors require a substantial knowledge base whether they are starting out in their governance career or progressing through their development pathway. These competency statements recognise this knowledge base and ask directors to go beyond simply having that knowledge to actually applying it to all aspects of their governance roles.

### The chair

The director community in New Zealand advises that there should be no hierarchy of director roles on a board therefore dispelling the commonly-held perception that the role of chair commands a greater level of proficiency. It is accurate, however to suggest that the role of chair commands some different skills. The IoD has endeavoured to include these as separate statements of skill and knowledge in the area of strategic and governance leadership, for example driving strategy formulation as well as contributing to it.

It is also feasible that the chair might acquire responsibility for the evaluation or achievement of certain competencies required of individual directors on the board they are chairing.

# Director Competency Framework

## How to refer to director competency statements and supporting statements of skill/knowledge

The following competency statements are considered important to all directors, therefore they should all be referred to in the recruitment of directors and in the evaluation of incumbent director capability. As with attributes, this list should be viewed as flexible enough to be able to address specific contexts, organisational purposes and various stages of an entity's life cycle. This may involve adding competency statements or adjusting the wording of existing statements but not pigeon-holing or stereotyping director competencies to specific organisation types. It is also important to recognise that many competencies are interlinked with others in the Framework and it may not be possible to achieve one without the others.

New Zealand directors cite the essential and desirable attributes identified in this document as being of critical importance in avoiding board dysfunction. Therefore these director competency statements must be referred to in conjunction with the essential and desirable director attributes. The competency statements in each of the four areas are supported by a number of detailed statements of skill and/or knowledge which should be referred to as a list of potential evaluative criteria.

### Example

If a director demonstrates competency in statement 1 detailed in the table below then this director would be doing some or all of the things listed in skill and knowledge statements SGL01 to SGL07.

| Strategic and governance leadership |                                                                                                                                                                                        | Competency statement |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Ref                                 | Competencies and Supporting Statements                                                                                                                                                 |                      |
|                                     | 1. Governance orientation.                                                                                                                                                             |                      |
|                                     | <i>Distinguishes governance from management, understands and performs governance functions and engages with shareholders, management and employees as a governance representative.</i> |                      |
| SGL01                               | Comprehends the purpose for being on a particular board by asking 'why am I here'                                                                                                      | Reference            |
| SGL02                               | Applies understanding of governance and maintains a governance focus.                                                                                                                  |                      |
| SGL03                               | Applies understanding of the role and responsibilities of directors and the principles of governance.                                                                                  |                      |
| SGL04                               | Applies understanding of the role of management and distinguishes governance functions from those of management.                                                                       |                      |

# Director Competency Framework

## Strategic and governance leadership

| Ref   | Competencies and supporting statements                                                                                                                                                                                                                                                                                            |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | <p>1. Governance orientation</p> <p><i>Distinguishes governance from management, understands and performs governance functions and engages with shareholders, management and employees as a governance representative.</i></p>                                                                                                    |
| SGL01 | Comprehends their specific purpose for being on a particular board by asking ‘why am I here as a director?’                                                                                                                                                                                                                       |
| SGL02 | Applies understanding of governance and maintains a governance focus.                                                                                                                                                                                                                                                             |
| SGL03 | Applies understanding of the role and responsibilities of directors and the principles of governance.                                                                                                                                                                                                                             |
| SGL04 | Applies understanding of the role of management and distinguishes governance functions from those of management.                                                                                                                                                                                                                  |
| SGL05 | Provides qualified guidance and support to management/executives of the organisation at appropriate times.                                                                                                                                                                                                                        |
| SGL06 | Represents in a professional manner, the collective (one) voice of the board when interacting with shareholders, management and employees.                                                                                                                                                                                        |
| SGL07 | Follows and adheres to agreed boardroom and meeting protocols.                                                                                                                                                                                                                                                                    |
|       | <p>2. Big picture thinking</p> <p><i>Demonstrates strategic/big picture thinking.</i></p>                                                                                                                                                                                                                                         |
| SGL08 | Comprehends and articulates the ‘big picture’ and maintains a strategic outlook.                                                                                                                                                                                                                                                  |
| SGL09 | <p>Understands the purpose of each of the following financial reports and its intended audience:</p> <ul style="list-style-type: none"> <li>• statement of financial performance – income statement</li> <li>• statement of financial position – balance sheet</li> <li>• cashflow statement</li> <li>• annual report.</li> </ul> |
| SGL10 | Encourages and proactively seeks diversity of thought in the boardroom.                                                                                                                                                                                                                                                           |
| SGL11 | Comprehends technology demands and progress, research and development and the future direction of the sector/industry as a whole.                                                                                                                                                                                                 |
| SGL12 | Comprehends the world-wide context and the economic, sustainability, social and political impacts on the organisation.                                                                                                                                                                                                            |

# Director Competency Framework

| Ref   | Competencies and supporting statements                                                                                                                                                                                   |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | <p>3. Constructive change management</p> <p><i>Contributes constructively to strategic change management.</i></p>                                                                                                        |
| SGL13 | Responds to and influences constructively, future-focused strategic change management within an organisation.                                                                                                            |
|       | <p>4. Political awareness</p> <p><i>Understands and adapts to the political context of the day and actively maintains interactions and political awareness at a strategic level.</i></p>                                 |
| SGL14 | Comprehends the needs and strategic/political context(s) of the sector the organisation operates within domestically and internationally.                                                                                |
| SGL15 | Understands and where appropriate, interacts with strategic government processes to represent the organisation and forge relationships across/between the public and private sectors.                                    |
| SGL16 | Adapts governance approach to reflect the government environment (local/central) and/or the context the organisation operates within.                                                                                    |
| SGL17 | Applies political instinct and knowledge of the political context to relevant situations.                                                                                                                                |
|       | <p>5. Strategy and culture</p> <p><i>Contributes to/drives strategy formulation, direction, implementation and communication and the (re)development of organisational culture based on the vision and strategy.</i></p> |
| SGL18 | Applies understanding of the strategy formulation and planning process.                                                                                                                                                  |
| SGL19 | Challenges board thinking to consider what is outside the box and encourage innovation.                                                                                                                                  |
| SGL20 | Contributes actively to strategic planning, formulation, debate, direction setting, implementation, monitoring and review.                                                                                               |
| SGL21 | Drives strategic planning, formulation, debate, direction setting, implementation, monitoring and review.                                                                                                                |
| SGL22 | Contributes actively to the achievement of strategic goals, objectives and priorities.                                                                                                                                   |
| SGL23 | Drives the achievement of strategic goals, objectives and priorities.                                                                                                                                                    |
| SGL24 | Develops, articulates and champions the organisation's strategic vision and values.                                                                                                                                      |

# Director Competency Framework

| Ref                                                                                                                                                  | Competencies and supporting statements                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SGL25                                                                                                                                                | Demonstrates leadership through strategic decision-making, questions strategic options and assesses strategic proposals.                                                   |
| SGL26                                                                                                                                                | Aligns actions and behaviours in the boardroom to the organisations vision, direction, and values.                                                                         |
| SGL27                                                                                                                                                | Understands and contributes to the (re)development of culture based on the vision and strategy.                                                                            |
| SGL28                                                                                                                                                | Draws on the experience and judgment of self and fellow directors to develop sound strategy.                                                                               |
| SGL29                                                                                                                                                | Applies understanding of the different effects of strategies on the business.                                                                                              |
| SGL30                                                                                                                                                | Provides strategic guidance and support to the CEO and management team to achieve outcomes.                                                                                |
| <p><b>6. Specific sector knowledge</b></p> <p><i>Establishes and maintains specific sector knowledge and applies it at the governance level.</i></p> |                                                                                                                                                                            |
| SGL31                                                                                                                                                | Seeks continuously to develop and maintain a comprehensive understanding of the business/sector/industry.                                                                  |
| SGL32                                                                                                                                                | Applies knowledge of business operations to inform a governance perspective.                                                                                               |
| SGL33                                                                                                                                                | Recognises differences in organisation types and adapts governance approach and strategic leadership style accordingly.                                                    |
| <p><b>7. Fiduciary compliance</b></p> <p><i>Understands and complies with fiduciary responsibilities and legal frameworks.</i></p>                   |                                                                                                                                                                            |
| SGL34                                                                                                                                                | Understands and complies with fiduciary responsibilities and legal/regulatory frameworks/requirements that apply to directors and the organisation they are a director of. |
| SGL35                                                                                                                                                | Applies knowledge of the Companies Act (1993) and company law and knows when to seek advice.                                                                               |
| SGL36                                                                                                                                                | Recognises perceived and real conflict of interest situations, when to declare an interest and acts accordingly and appropriately.                                         |

# Director Competency Framework

## Informed decision-making

| Ref   | Competencies and supporting statements                                                                                                                                            |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | <b>1. Critical thinking</b><br><i>Applies critical thinking to analyse, assess, evaluate, distil and question information.</i>                                                    |
| IDM01 | Identifies the key issues and opportunities within information in a structured manner.                                                                                            |
| IDM02 | Evaluates and assesses the adequacy and relevance of information provided and seeks further information or clarification when information is insufficient, missing or inadequate. |
| IDM03 | Questions and challenges assumptions and bias behind information to gain a high level of understanding of specific risks.                                                         |
| IDM04 | Understands the data analysis process in use and uses this understanding to ascertain the validity of information provided.                                                       |
| IDM05 | Synthesises own critical-thinking in order to evaluate complex situations and options.                                                                                            |
| IDM06 | Retains a governance level focus when analysing information for decision-making.                                                                                                  |
| IDM07 | Adapts thinking for ambiguous situations.                                                                                                                                         |
|       | <b>2. Conceptual reasoning</b><br><i>Uses conceptual reasoning to recognise trends and exceptions, interpret data and provide relevant commentary.</i>                            |
| IDM08 | Interprets a range of data and develops own commentary to explain interpretations.                                                                                                |
| IDM09 | Dissents confidently in the boardroom if something feels “wrong”.                                                                                                                 |
| IDM10 | Recognises and explains the trends and patterns, exceptions and anomalies in provided information and identifies areas of risk.                                                   |
| IDM11 | Identifies the options from within the information provided and articulates the pitfalls and prospects.                                                                           |
| IDM12 | Contributes strategic input and conceptual reasoning to solve problems and improve decision making at a governance level.                                                         |
| IDM13 | Infers and extrapolates conclusions from limited information.                                                                                                                     |

# Director Competency Framework

| Ref   | Competencies and supporting statements                                                                                                                                                                                                                                                                                      |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | <p>3. Cause and effect</p> <p><i>Applies decision-making criteria and understands consequences, cause, and effect.</i></p>                                                                                                                                                                                                  |
| IDM14 | Balances decision-making to align with strategic intent and to reflect the interests of all parties even when the situation may be ambiguous.                                                                                                                                                                               |
| IDM15 | Contributes to the development of, understands and applies robust and transparent criteria to the decision-making process.                                                                                                                                                                                                  |
| IDM16 | Evaluates a range of options and alternatives to contribute to rational decision-making.                                                                                                                                                                                                                                    |
| IDM17 | Recognises and articulates decision cause and effect, and takes responsibility for the decision consequences and implications.                                                                                                                                                                                              |
|       | <p>4. Performance indicators</p> <p><i>Maintains a strategic focus and applies understanding of strategic key performance indicators to the decision making process.</i></p>                                                                                                                                                |
| IDM18 | Reflects on strategic goals and objectives when monitoring achievement and variances of strategic key performance indicators.                                                                                                                                                                                               |
| IDM19 | Applies understanding of the organisation's strategic key performance indicators to the decision-making process.                                                                                                                                                                                                            |
|       | <p>5. Strategic reporting</p> <p><i>Sets reporting requirements by specifying what information is required for decision-making and commits to analysis and informed decision making by pre-reading board papers, seeking further information when required and digesting information in preparation for discussion.</i></p> |
| IDM20 | Recognises what information is critical for strategic decision-making.                                                                                                                                                                                                                                                      |
| IDM21 | Contributes to the setting of congruent strategic reporting requirements in order to inform decision making and articulates these requirements to management.                                                                                                                                                               |
| IDM22 | Contributes to the strategic analysis of reports by digesting information and formulating questions to proactively prepare for and participate in meaningful discussions during board meetings.                                                                                                                             |
| IDM23 | Conducts own research and seeks further information and clarification when required.                                                                                                                                                                                                                                        |

# Director Competency Framework

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|       |                                                                                                                                                                     |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IDM24 | Draws on own sector/industry and commercial knowledge to identify gaps in information, challenge assumptions, present logical arguments and provide perspective.    |
| IDM25 | Applies fluency with financial concepts to the review of internal financial reports.                                                                                |
| IDM26 | Understands strategically the broader implications of decision-making and participates in collaborative decision making.                                            |
| IDM27 | Makes decisions.                                                                                                                                                    |
| IDM28 | Uses information communications technology securely to support director activities (communication, information gathering, etc) inside and outside of the boardroom. |

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# Director Competency Framework

## Business acumen

| Ref  | Competencies and supporting statements                                                                                                                      |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | <b>1 Growing the business</b><br><i>Applies business/commercial knowledge to influence business growth.</i>                                                 |
| BA01 | Focuses on extending the business and improving performance.                                                                                                |
| BA02 | Maximises commercial/competitive advantage.                                                                                                                 |
| BA03 | Determines a realistic approach to growth according to the size and scale of the organisation.                                                              |
| BA04 | Appreciates the key determinants and measurements of success for the organisation.                                                                          |
| BA05 | Maintains oversight of organisational culture, depth of management and awareness of competition.                                                            |
| BA06 | Recognises what makes a critical difference for both the business and the particular market.                                                                |
| BA07 | Deduces action(s) required to improve business performance and mitigate risk.                                                                               |
|      | <b>2. Performance monitoring</b><br><i>Focuses on results, monitors and evaluates strategic performance in order to achieve outcomes.</i>                   |
| BA08 | Discerns strengths and weaknesses in arguments and recommends a course of action based on facts over ambition.                                              |
| BA09 | Contributes to the development of stretching but achievable goals, objectives and key performance indicators.                                               |
| BA10 | Implements and monitors performance against key performance indicators in order to achieve outcomes and respond to changes in market and economic dynamics. |
| BA11 | Tracks actions in relation to the achievement of goals and objectives.                                                                                      |
| BA12 | Increases board and own understanding of the sector, the market and its influences.                                                                         |
| BA13 | Evaluates business performance against strategy to maintain understanding of business position and identify where flexibility or agility is required.       |

# Director Competency Framework

| Ref  | Competencies and supporting statements                                                                                                                                                                                                                         |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | <p>3. Own business performance</p> <p><i>Draws and continuously builds on own proven business performance.</i></p>                                                                                                                                             |
| BA14 | Demonstrates commercial savvy through evidence-based examples of proven business performance.                                                                                                                                                                  |
| BA15 | Anticipates changes in market and economic dynamics.                                                                                                                                                                                                           |
|      | <p>4. Business principles</p> <p><i>Applies knowledge of business principles.</i></p>                                                                                                                                                                          |
| BA16 | Understands business principles and theories and applies this knowledge in practice at a governance level.                                                                                                                                                     |
| BA17 | Uses sector/industry/market specific knowledge to adapt thinking and actions to address the agreed performance requirements of specific organisation types (eg service performance as opposed to financial performance), and identify industry specific risks. |
|      | <p>5. Trends and opportunities</p> <p><i>Recognises trends and opportunities, increases own awareness of market dynamics and the business operating environment and contributes to competitive organisational positioning.</i></p>                             |
| BA18 | Recognises and analyses strategic trends, risks and opportunities within the environment the organisation operates.                                                                                                                                            |
| BA19 | Investigates and grows own awareness of market dynamics and sector/industry developments.                                                                                                                                                                      |
| BA20 | Comprehends and articulates the local impact of global trends.                                                                                                                                                                                                 |
| BA21 | Contributes to an organisational position of competitive advantage.                                                                                                                                                                                            |
| BA22 | Converts challenges into sustainable growth opportunities.                                                                                                                                                                                                     |
|      | <p>6. Driving business</p> <p><i>Understands the business drivers and establishes and maintains own market awareness and industry specific knowledge.</i></p>                                                                                                  |
| BA23 | Establishes and maintains a sufficient level of industry/sector specific knowledge, market awareness and the environment the business operates in.                                                                                                             |
| BA24 | Understands what drives the business and draws on this knowledge in decision making.                                                                                                                                                                           |

# Director Competency Framework

| Ref  | Competencies and supporting statements                                                                           |                 |                         |
|------|------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|
|      | <b>7. Financial fluency</b>                                                                                      |                 |                         |
|      | <i>Demonstrates fluency with a range of financial concepts.</i>                                                  |                 |                         |
| BA25 | Describes and applies the following financial concepts in considering organisation financial performance:        |                 |                         |
|      | Earnings before the deduction of interest, tax and amortisation                                                  | Pricing         | Ratios                  |
|      | Solvency                                                                                                         | Margin analysis | Equity                  |
|      | Resource allocation                                                                                              | Investing       | Budgeting               |
|      | Metrics                                                                                                          | Funding         | Forecasting             |
|      |                                                                                                                  | Depreciation    | Variances               |
|      |                                                                                                                  |                 | Trends                  |
|      |                                                                                                                  |                 | Expected industry norms |
|      |                                                                                                                  |                 | Capital investment      |
|      | <b>8. Managing risk</b>                                                                                          |                 |                         |
|      | <i>Identifies, assesses and manages risk.</i>                                                                    |                 |                         |
| BA26 | Identifies financial, operating, market, health and safety, and legal risks.                                     |                 |                         |
| BA27 | Understands and uses appropriate risk assessment tools.                                                          |                 |                         |
| BA28 | Uses risk-management tools to best effect.                                                                       |                 |                         |
| BA29 | Interprets and assesses expert advice on how to manage certain risks.                                            |                 |                         |
| BA30 | Challenges current risk-management-practices to ensure best risk-management is in place for the time.            |                 |                         |
| BA31 | Assists with the high level development of contingency and disaster recovery plans.                              |                 |                         |
|      | <b>9. Organisation brand</b>                                                                                     |                 |                         |
|      | <i>Understands brand equity, what the brand represents, is customer focused and has a marketing orientation.</i> |                 |                         |
| BA32 | Understands and applies knowledge of brand equity.                                                               |                 |                         |
| BA33 | Understands and articulates what the organisation's brand represents.                                            |                 |                         |
| BA34 | Maintains a customer focus and marketing orientation.                                                            |                 |                         |

# Director Competency Framework

## Communication

| Ref | Competencies and supporting statements                                                                                                                                               |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     | <b>1. Stakeholder engagement</b><br><i>Identifies and engages with co-directors, management, key individuals and stakeholders to establish and maintain effective relationships.</i> |
| C01 | Identifies purpose and objectives for communication and tailors messages and communication style for the audience in focus.                                                          |
| C02 | Understands the information needs of a range of audiences and adapts content accordingly.                                                                                            |
| C03 | Prepares and presents confidently in the boardroom and where necessary, in public forums and is accessible and approachable.                                                         |
| C04 | Leads consultation in the boardroom and between governance and management and governance and key individuals and stakeholders.                                                       |
| C05 | Engages sustainably at all levels of the organisation to enhance information flow and develop functional relationships.                                                              |
| C06 | Creates and maintains professional networks within and externally of the organisation.                                                                                               |
| C07 | Compels audiences to listen and establishes rapport quickly.                                                                                                                         |
|     | <b>2. Messaging</b><br><i>Utilises verbal and non-verbal communication techniques to structure concise and articulate messages that are delivered and received completely.</i>       |
| C08 | Listens actively.                                                                                                                                                                    |
| C09 | Delivers messages in a range of settings in a manner that gains support, commitment and agreement.                                                                                   |
| C10 | Expresses ideas and messages in clear, simple terms to individuals and groups inside and outside of the boardroom.                                                                   |
| C11 | Seeks and responds constructively to feedback.                                                                                                                                       |
| C12 | Applies emotional intelligence when participating in the boardroom, argues cogently and de-personalises views before expressing them.                                                |
| C13 | Displays interpersonal agility and professionalism in the face of dissent.                                                                                                           |

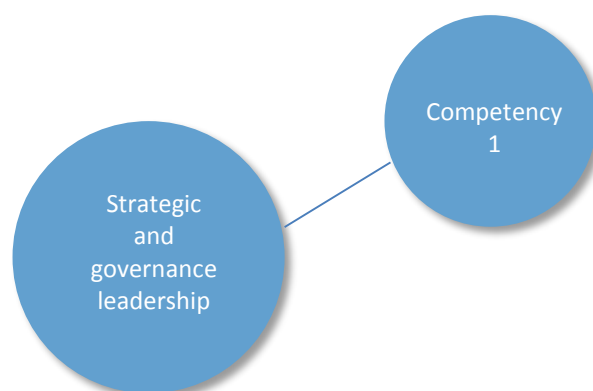
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|            |                                                                                                                                                              |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C14        | Accentuates messages with positive and constructive tones, is honest, transparent and professional at all times.                                             |
| C15        | Summarises and structures information clearly and concisely, whether verbal or written and confirms accurate and complete receipt.                           |
| <b>Ref</b> | <b>Competencies and supporting statements</b>                                                                                                                |
|            | <b>3. Channels, strategies and policies</b>                                                                                                                  |
|            | <i>Uses relevant communication channels and strategies and adheres to associated policies and protocols.</i>                                                 |
| C16        | Actively participates in boardroom discussions.                                                                                                              |
| C17        | Adheres to agreed boardroom communication and meeting protocols and respects the confidentiality of information inwards and outwards.                        |
| C18        | Facilitates collegial discussion in the boardroom in order to constructively consider and debate ideas and viewpoints.                                       |
| C19        | Implements governance communications strategies in accordance with organisational protocols.                                                                 |
| C20        | Represents the organisation in a way which maintains authority, credibility, and that is consistent with the vision, mission and values of the organisation. |
| C21        | Uses relevant communication channels (including social media and email) at appropriate times to support message delivery and receipt.                        |
| C22        | Demonstrates understanding of disclosure requirements, media priorities and the organisation's media protocols.                                              |

# Director Competency Framework

## Board competency structure

For boards, high level competency statements are detailed under each of the four areas of competency and are applicable to the board as a collective group of people. Board competency statements **do not** include detailed supporting skill/knowledge statements.



# Director Competency Framework

The following statements describe the competencies that all boards must have and demonstrate collectively to be effective. These competency statements only apply to boards as a collective group of people as opposed to individual directors on a board. Typically, these competency statements would be referred to in a board performance appraisal and where gaps are identified in the board's collective competency set, recruitment of directors to fill those gaps occurs thereafter.

## Important note

Unlike individual director competency statements, board competency statements **do not** have supporting detailed skill and knowledge statements.

## How to refer to board competency statements

The New Zealand director community considers that all of the following competency statements are important to all boards. Therefore they should all be considered in the evaluation of board capability. However, this list should be viewed as flexible enough to be able to address specific contexts, organisational purposes and various stages of an entity's life cycle. This may involve adding competency statements or adjusting the wording of existing statements but not pigeon-holing or stereotyping board competencies to specific organisation types.

It is recommended that these competency statements are used in an integrative fashion as in most cases statements are co-dependent on at least one other competency statement in the board competency set. New Zealand directors cite the essential and desirable attributes identified in this document as being of critical importance in avoiding board dysfunction. Therefore, these board competency statements must be referred to in conjunction with the essential and desirable director attributes.

# Director Competency Framework

## Example

If a board was to demonstrate competency in the area of strategic and governance leadership, as detailed in the table below then this board collectively would be doing all of the things listed in competency statements B01 to B07.

| Ref  | Statement                                                                                                                                                                                                  |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AREA | Strategic and governance leadership                                                                                                                                                                        |
| B01  | Shares stewardship for the compliant, flexible, adaptable and responsive organisation.                                                                                                                     |
| B02  | Leads commitment to implementing the shared organisation vision.                                                                                                                                           |
| B03  | Works as a united team to nurture stakeholder confidence; growing the business and increasing stakeholder value.                                                                                           |
| B04  | Develops a cohesive view of the board's purpose and the organisation's future, sets clear boundaries and takes a unified approach to managing the present. Asks the question 'why are we here as a board?' |
| B05  | Engages and builds relationships with management and stakeholders.                                                                                                                                         |
| B06  | Represents the strategic organisation consistently to stakeholders, shareholders and management.                                                                                                           |
| B07  | Recognises the collective knowledge of key business functions around the board table.                                                                                                                      |

Competency area

Reference

Competency statements



# Director Competency Framework

## Strategic and governance leadership

| Ref  | Competency statement                                                                                                                                                                                       |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AREA | Strategic and governance leadership                                                                                                                                                                        |
| B01  | Shares responsibility for the compliant, flexible, adaptable and responsive stewardship of an organisation.                                                                                                |
| B02  | Leads commitment to implementing the shared organisation vision.                                                                                                                                           |
| B03  | Works as a united team to nurture stakeholder confidence and for the purpose of growing the business and increasing stakeholder value.                                                                     |
| B04  | Develops a cohesive view of the board's purpose and the organisation's future, sets clear boundaries and takes a unified approach to managing the present. Asks the question "why are we here as a board?" |
| B05  | Engages and builds relationships with management and stakeholders.                                                                                                                                         |
| B06  | Represents the strategic organisation consistently to stakeholders, shareholders, and management.                                                                                                          |
| B07  | Recognises the collective knowledge of key business functions around the board table.                                                                                                                      |

## Informed for decision-making

| Ref  | Competency statement                                                                                                        |
|------|-----------------------------------------------------------------------------------------------------------------------------|
| AREA | Informed decision-making                                                                                                    |
| B08  | Demonstrates a collective understanding of risk and policy.                                                                 |
| B09  | Achieves consensus (where appropriate) when identifying and mitigating business risk.                                       |
| B10  | Draws on and applies collective wisdom when making decisions.                                                               |
| B11  | Collaborates to achieve a collective understanding of the organisation's strengths, weaknesses, opportunities, and threats. |

# Director Competency Framework

## Business acumen

| Ref  | Competency statement                                                                                                        |
|------|-----------------------------------------------------------------------------------------------------------------------------|
| AREA | Business acumen and achieving results                                                                                       |
| B12  | Adds value collectively to organisation performance.                                                                        |
| B13  | Recognises, recruits and retains a balanced and high performing team (governance and management).                           |
| B14  | Monitors, motivates and evaluates management performance and remuneration diligently, and holds management to account.      |
| B15  | Monitors and evaluates own performance diligently.                                                                          |
| B16  | Collectively understands the financial/commercial/risk position of the organisation and the environment it operates within. |

## Communication

| Ref  | Competency statement                                                 |
|------|----------------------------------------------------------------------|
| AREA | Communication                                                        |
| B17  | Listens, debates and demonstrates the use of independent thought.    |
| B18  | Commits and adheres to agreed meeting protocols.                     |
| B19  | Presents a united front when communicating outside of the boardroom. |