

Magazine of the Institute of Directors in New Zealand

boardroom

DEC/JAN 2016-17

BREAKING THE MOULD

Diane Smith-Gander on fighting for gender equality and learning to be yourself

DIRECTOR SENTIMENT SURVEY 2016

BOARDROOM BATTLES: AN INTERVIEW WITH JEFF GRAMM

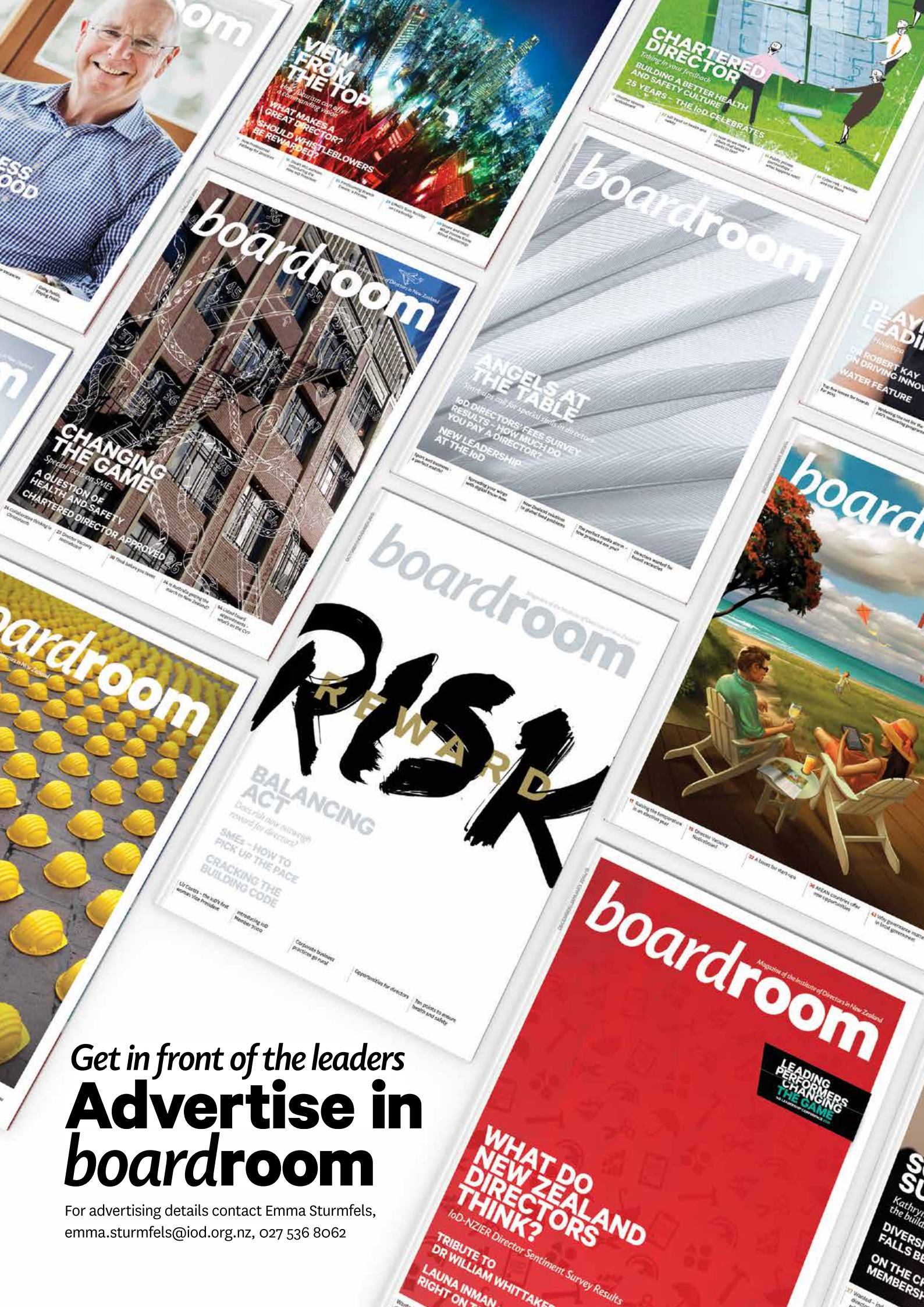
Top issues for 2017

Whistleblowers and culture

The release of King IV

Is your business next to be hacked?

Advice for aspiring directors



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Magazine of the Institute of Directors in New Zealand

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A note from the editor

This time of year leads both to looking back on what has gone and ahead to what is next. The 2016 Director Sentiment Survey gives insight into the issues that will be top of mind in the year to come and high on that list is concern around digital disruption. We know this will significantly affect business and society so directors need to think about how to lead in this area. Accordingly, our first issue for 2017 will look at the digital landscape in more depth.

Ahead of speaking at the IoD Leadership Conference next year, Jeff Gramm shared his insights into shareholder activism and the battles that can take place when the board and shareholders don't see eye to eye. These battles highlight the complex nature of governance and the dedication required to take on the role.

We look to bring you stories from those who are truly passionate about the work they do. John Perham is one of these people. He shares his experience from Crimestoppers New Zealand to explain why whistleblowing is important for business and society (page 40).

Finally, wishing you and your families a restful Christmas and New Year.

Emma Sturmfels
boardroom Editor



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Institute of Directors (IoD)

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A note from interim CEO Glenn Snelgrove

The IoD accepted the resignation of its CEO, Simon Arcus, early November due to personal reasons. Simon, who was Chief Executive Officer since July 2015 but had acted in the role since November 2014, was known for his governance experience, advocacy and knowledge having established the IoD's Governance Leadership Centre and re-authored the *Four Pillars of Governance Best Practice*. During his time as CEO Simon increased the profile of the IoD and the importance of governance.

I have stepped into the role of interim Chief Executive, as we take on the challenge of appointing a new Chief Executive. I have had many years' involvement with the Institute of Directors; currently as a member of Council, Chair of the HR Committee and the Bay of Plenty Branch Committee. I am also Chair of the South Waikato District Council Risk and Audit Committee, and Lake Tarawera Wastewater Steering Committee and a member of the Lake Rotorua Rotoiti Sewage Steering Committee. Formerly I have held CEO positions for more than 30 years for local authorities in the Bay of Plenty.

In taking on this interim role, I firmly believe in pushing ahead the great work this organisation has been doing. Good governance matters and we have made some significant progress for the director profession in New Zealand. What is good

for governance has positive impacts on society so we must hold on to the gains that have been made over the past year and set the bar higher for next year.

The Institute of Directors has focused on growing our reputation and capacity to support our members. Part of that involves working closely with our excellent partners and building strong relationships with business and government. The partnerships we have built with Worksafe and the Business Leaders' Health and Safety Forum are highlighted in this issue; we have done a lot together over the past few years and look forward to continuing this work.

This year we partnered with our national partner, ASB, to produce the 2016 Director Sentiment Survey report. Key challenges for directors include labour shortage, red tape and technological disruption, with nearly half of respondents expecting to be impacted by disruptive change. Technology can work for or against your business and directors need to take a leading role to guide their organisation through such change. We are here to support our members and will bring you much more in the digital space in the coming year.

Our cover story, an interview with Diane Smith-Gander, took place while Diane was here to speak at our Leading Directors'

Forum in October. Diane has had a varied career and is a strong advocate for women in leadership positions. We have done a lot of work on diversity this year, but it is important to continue the conversation and understand the challenges to be overcome to get more women and other diverse voices into leadership positions.

We have some excellent and thought-provoking speakers lined up to for the 2017 IoD Leadership Conference: Shaping the Future. One of those is Jeff Gramm, author of *'Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism'*. Jeff spoke with our **boardroom** editor for this issue of the magazine. Shareholder activism is an issue well worth exploring in further detail and I look forward to hearing more from Jeff at the conference in May.

Next year will see change in the leadership of the IoD. The focus will be on improving our services, training and support for members. We will be looking at how all these services are delivered in a digital world and what a modern organisation looks like.

On behalf of all the IoD staff from Auckland to Southland, we wish you a very happy Christmas and a safe new year. This is a time to unite with family and friends and recharge the batteries for the challenges of 2017.

Upfront

APPOINTMENTS

The IoD congratulates the following members on these board appointments:

Chartered Fellow Susan Huria and Member Brian Steele have been appointed to the board of Connexis

Chartered Member Sarah Ottrey has been appointed as an independent director to the board of Skyline Enterprises

Chartered Member Mary-Jane Daly has been appointed as an independent director to the board of Cigna New Zealand

Meg Matthews has been appointed to the board of the Cawthron Institute, following a one year placement as an emerging director

Chartered Member Andy Coupe has been appointed independent non-executive director for Briscoe Group Limited

Ainsley McLaren has been appointed to the Financial Markets Authority board

Chartered Member John Bishop has been appointed to the board of Corbel Construction

Len Ward has been appointed chairman of the board of OM Financial Limited

Chartered Member Peter Springford has been appointed to the board of Infratil

Judy Kirk has been appointed chair of Airways New Zealand

Chartered Member Clare Kearney has been appointed to the board of South Port

Les Stephenson has been appointed to the board of Christian Blind Mission NZ

Chartered Member Jane Lancaster has been appointed to the board of Food Standards Australia New Zealand (FSANZ)

Kiriwaitangi Rei has been appointed to the board of Auckland Airport for one year as part of the Future Directors programme



In sympathy

The IoD would like to offer its sincerest condolences to the family and friends of Distinguished Fellow, past President and business leader Denham Shale who died suddenly on 24 October 2016 in Auckland.

Involved in corporate governance since the mid-1980s, and an IoD member since 1989, Denham was active in the IoD's own governance structure. As IoD President from 2011 to 2013, he led the IoD through a major transformation as it began widening its connections, developing new partnerships and embracing diversity.

Denham had extensive experience across a range of industries, starting at Les Mills Corporation, and he was soon appointed to chair Kensington Swan. He was, among many other directorships, chair of The Farmers' Trading Company, Otter Gold, Dunedin City Holdings Ltd, the Japan New Zealand Business Council, and Mercy Hospice Auckland Foundation, and sat on a multitude of boards including Carlaw Heritage Trust, Consortium Ltd, Wrightson Ltd, ZESPRI, Power New Zealand, Owens Group, Turners Group NZ and on the Piha Surf Life Saving Club board.

In 2014 he said serving as the sole Kiwi on two international boards – Munich Reinsurance of Australasia and OceanaGold (Canada) – was a highlight of his governance career.

Described by colleagues as having a style of directorship and chairmanship consistently 'Denham' – wise, kindly, astute, calm, collegial and courteous, IoD President Michael Stiasny says of Denham: "He exemplified a consultative approach, where his considered demeanour and ability to manage debate led to good consensus and buy in."



A Distinguished Fellow

Stan Duncan (QSO) has been made a Distinguished Fellow of the New Zealand Institute of Directors.

The Institute of Directors' highest accolade, the award recognises Stan's distinguished governance career, during which he has contributed locally and nationally in a variety of governance roles including with Air New Zealand Ltd, Dunedin College of Education, Fulton Hogan Ltd, and Gardner Motors Ltd.

Committed to ensuring good governance in New Zealand, Stan was one of the first New Zealand members of the IoD UK and joined the New Zealand Institute of Directors early in its formation. Stan mentioned recently that he will achieve 50-years' membership of the IoD (UK and NZ) next year.

An extract from the Otago Southland Branch History (written by Ian Farquhar, Distinguished Fellow), reads:

"A few directors had associations with national companies and became members of the Institute of Directors in the United Kingdom...Leading New Zealand businessmen such as Sir Clifford Plimmer, Sir Geoffrey Roberts, Alan Simm and Ron Greenwood...began promoting

membership of the U.K. body. Dunedin directors who were initially members were A.W. Baylis, W.G. Christie, E.M. Friedlander, and S.W.B. Duncan....

"Stan Duncan met Lord Erroll of Hale, the President of the Institute of Directors in the United Kingdom, at an International Labour Organisation in Geneva when Stan was President of the New Zealand Employers Association. At the time Stan was a director of eight companies in New Zealand, as well as being National President of the Association of Colleges of Education, the Motor Trade Association and the Employers' Association. He was elected a Fellow of the Institute of Directors UK on 6 February 1981 – the second New Zealander to be so honoured".

Stan was presented with this award in front of his peers during the Otago Southland Branch Fellow's Dinner. During his acceptance speech Stan passed on some thoughtful advice for other directors – to learn something every day.

Congratulations Stan.

Do you have a plan?

Ensure your board has an annual work plan and reap the benefits of being an engaged board focused on being the best it can be.

- **Succession planning:** Have you budgeted to replace a director who leaves unexpectedly? Ensure that you have a director search budget so that you can find the person with the right skills and experience for your board.
- **Fees review:** The remuneration of directors should be transparent, fair and reasonable. Have you included a fee review in your 2017 board plan?
- **Evaluation of the board:** Systematic review of the board as a whole and of the performance of individual directors helps identify strengths, weaknesses and determine opportunities to become better at what they do.

To get your 2017 off to a great start call our board services team on 0800 846 369.

IoD BY NUMBERS*

7983

members as at
30 November 2016

130

dates available
for 2017 director
development courses

883

members participated
in the 2016 Director
Sentiment Survey

* Correct at time of publication

Summer break

IoD National Office will be closed over the Christmas break from midday on 23 December and will reopen again on Wednesday 4 January 2017.

Chartered Members

Congratulations to our newest Chartered Members

Erica Amon (*Waikato*)

Dave Binnie (*Wellington*)

Andrew Bowman (*Auckland*)

Amanda Butler (*Auckland*)

Simon Clarke (*Bay of Plenty*)

Pete Dryden (*Taranaki*)

Simon Eddy (*Otago Southland*)

Adam Feeley (*Otago Southland*)

Elaine Ford (*Auckland*)

Daryn Govender (*Auckland*)

Tim Grafton (*Wellington*)

Joe Halapua (*Auckland*)

Nailasikau Halatuituia (*Auckland*)

Doug Harvie (*Otago Southland*)

Bob Henderson (*Auckland*)

Andrew Hill (*Auckland*)

Keiran Horne (*Canterbury*)

Hazel Jennings (*Auckland*)

Martyn Levy (*Auckland*)

Douglas McCaulay (*Auckland*)

Brian McCulloch (*Wellington*)

Alison O'Connell (*Canterbury*)

Renae Smart (*Waikato*)

Roy Thompson (*Auckland*)

Wayne Tollemache (*Auckland*)

Chris Walbran (*Nelson Marlborough*)

2016 Chartered Members

(became Chartered between January - April 2016)

Hans Buwalda (*Auckland*)

Deion Campbell (*Bay of Plenty*)

Vanessa Donald (*Bay of Plenty*)

Jeff Field (*Canterbury*)

Agnieszka Grudzinska (*Nelson Marlborough*)

Susan Hitchiner (*Wellington*)

Michelle Hollands (*Waikato*)

Gavin Ion (*Waikato*)

Shane McMahon (*Auckland*)

Alison O'Connell (*Canterbury*)

Matt Phillips (*Wellington*)

Nigel Pollock (*Canterbury*)

Vivien Scott (*Bay of Plenty*)

Alex Skinner (*Canterbury*)

Aaron Snodgrass (*Auckland*)

Malcolm Sutherland (*Taranaki*)

Hamish Walker (*Otago Southland*)

Roy Weaver (*Taranaki*)

Glenn Williams (*Bay of Plenty*)

Driving excellence in governance.

CHARTERED MEMBERSHIP PATHWAY

Professionalism is central to the IoD's mission to inspire and equip people in governance and add value across New Zealand business and society. A commitment to lifelong learning is a fundamental tenet of a profession and an essential part of IoD membership.

Membership provides you with a pathway from Associate or Member, through Chartered Member, Chartered Fellow to Distinguished Fellow.

Continuing Professional Development (CPD) is a requirement for the membership categories – Member, Chartered Member and Chartered Fellow. CPD ensures that directors stay current by continuing to undertake training and learning opportunities to improve their skills and board competencies.

You can become a Chartered Member if:

- you are a member of a governing body of a qualifying organisation (one that has a meaningful separation between management and governance)
- and have completed the IoD's Company Directors' Course
- and passed the Chartered Member Assessment (or equivalent).

To move to Chartered Fellow you will need to have been a director or equivalent of at least two organisations of substance. Other criteria also apply.

Director sentiment: Taking the pulse of the director community



Business confidence

74% expect their business to improve in the next 12 months, up from 67% in 2015



Conduct risk

37% of boards receive comprehensive reports on ethical matters and conduct incidents

Nearly half of directors (47%) expect their organisation to be impacted by a major disruptive change, with barely a third (35%) saying they have the right capability to deal with their organisation's digital future.

This year the IoD partnered with ASB to produce its annual 2016 Director Sentiment Survey, designed to take the pulse of the director community. Technological disruption, labour shortage and red tape were the key challenges identified by directors.

The Manager of the IoD's Governance Leadership Centre Felicity Caird says digital leadership is critical in a disruptive world.

"Technology continues to be a strong theme when it comes to internal risks so developing board and organisational capability must be areas of focus for directors to ensure organisations are resilient," Ms Caird says. "In 2015 just 27% of boards regularly discussed cyber-risk and were confident about their company's capacity to respond to an attack. Although this increased to 32% this is still very low and remains a concern."

Directors are more optimistic about economic performance than a year ago and remain buoyant about business performance.

"Increased confidence comes on the back of a strong economic performance – one that most directors feel can be sustained or improved on," ASB Bank Chief Economist Nick Tuffley says.

"As a result of this economic strength, the labour market has tightened. The effects of this are evident to directors, with almost half seeing a lack of labour capability as the biggest risk to their own company's performance and a risk to New Zealand's economic performance."

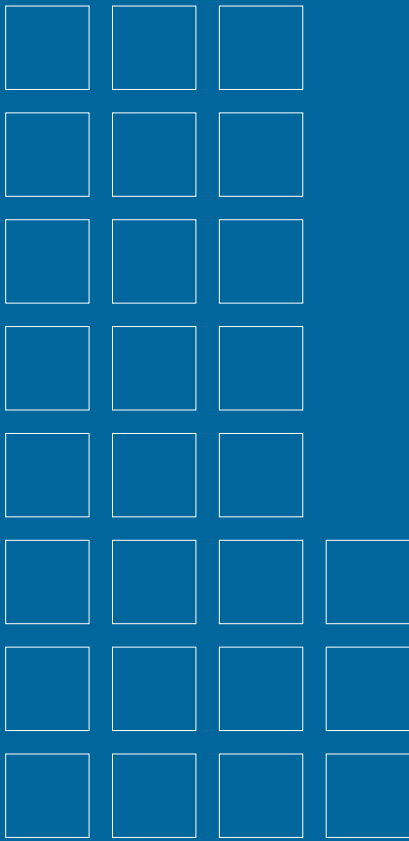
Directors see red tape as the second-highest concern in relation to both economy (33%) and business performance (34%).

An overwhelming majority of boards (86%) said stakeholder interests are very important to their business, including almost all (97%) of publicly listed companies.

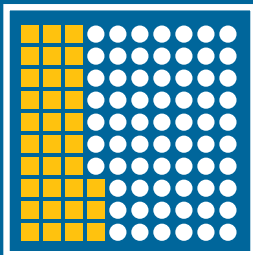
"The importance of stakeholder interests is a key global theme in corporate governance as businesses increasingly focus on long-term sustainability, including the impact this has on society and the environment," Ms Caird says.

"It was pleasing to see diversity remains a key consideration when making board appointments at 70%, up from 60% last year. While the number of boards with the capability to comply with the new Health and Safety at Work Act has also increased to 68% from 60% last year and 51% in 2014."

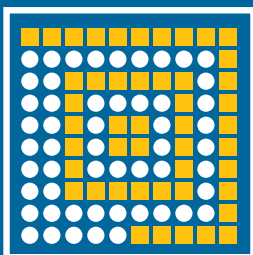
This is the third annual Director Sentiment Survey, and the first year the IoD partnered with ASB. The survey was conducted in October 2016, and involved 883 IoD members, our highest response rate yet. You can find the full report at www.iod.org.nz



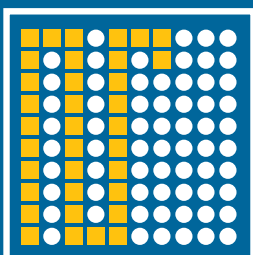
Digital leadership



33% see **technological disruption** as a risk to business



47% expect to be impacted by **major or disruptive change**

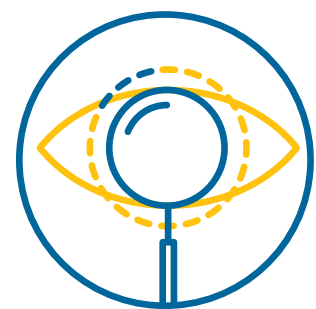


Only **35%** have the **right capability** to lead digital future



Economic performance

50% expect **economic performance** to **improve** in the next 12 months, up from 35% in 2015



Stakeholder interests

86% said **stakeholder interests** are **very important** to business



1 DIGITAL LEADERSHIP

Develop board capability to enable success

The digital age is transforming business and consumer experiences – think Uber, Airbnb, drone deliveries, Apple Pay and driverless cars. Although change in itself is not new, what's different now is the exponential speed of change. Blockchain, Fintech innovations, mobile apps, the Internet of Things, Big Data and the rise of Artificial Intelligence pose great opportunities and risks.

Nearly half (47%) of directors expect to be impacted by major or disruptive change but only 35% of boards have the right capability (skills and experience) to lead their organisation's digital future, according to our 2016 Director Sentiment Survey. Also less than a third (32%) of boards are regularly discussing cyber-risk and are confident about their capacity to respond to a cyber-attack or incident.

It's important that boards develop digital capability to stay on top of risks and opportunities and hold management to account. The diversity of skills, experience and thinking around the board table needs to include technology know-how so that there can be robust discussion and challenge to enable the board to add value. Directors don't need to be digital experts but they do need to develop digital literacy to suit their business needs.

Tips for directors:

- Ensure the board has the right digital skills and experience for current and future needs and so that it can hold management to account on implementing digital strategies.
- Think about business and technology in an integrated context – in terms of strategy, opportunities and risks.
- Prioritise building cyber resilience.



2 LABOUR CAPABILITY AND THE FUTURE OF WORK

Think about disruption and future skills needs

Labour quality and capability was identified in the Director Sentiment Survey for the third year running as the top risk for businesses, and a major impediment to economic performance. Challenges include labour shortages and changing skills needs.

We are in the Fourth Industrial Revolution as technology fundamentally changes how we live, work and relate to one another. Advancements in computing technologies, nanotechnology, connectedness, digital innovation, 3D printing, data analytics and Artificial Intelligence can result in radical and fast system-wide change.

The challenge for boards is ensuring they have the right skills and people for future success and business sustainability. Boards across society and business need to think about technological and business disruption and the human resource implications for their organisations, and be proactive about adapting to the future.

Tips for directors:

- Prioritise strategic discussions about disruption, innovation and future workforce and skills needs.
- Ensure that the organisational approach to learning and development is aligned to strategic objectives.
- Lead and monitor organisational culture to retain and grow employee talent.



3 RISK INTELLIGENCE

Integrate risk, strategy and sustainability

Greater business complexity, technology, disruption and uncertainty mean boards are spending increasingly more time on compliance and risk; it can inundate the board agenda.

The 2016 Director Sentiment Survey shows that 80% of directors were spending more time on compliance and 74% are spending more time on risk oversight, than they were a year ago. However only half of boards prioritised strategic discussions at every board meeting.

Risk intelligence means thinking holistically about uncertainty - integrating risk, strategy and sustainability. The board needs to determine its appetite for risk, and its appetite for innovation and for failure along the journey of value creation. In an increasingly complex and fast paced world some boards may need to rebalance the amount of time they spend on performance and conformance to ensure they don't get swamped in risk and compliance.

We are also seeing increasing demand from stakeholders, including consumers and institutional investors, for businesses to give greater consideration to environmental, social and corporate governance (ESG) issues and risks. Global trends in driving the ESG agenda forward are also gaining greater traction in New Zealand, for example the new NZX Corporate Governance Code due out in 2017 is expected to include commentary about ESG.

Tips for directors:

- Assess the time spent on compliance and risk management compared to performance and strategy - rebalance if needed.
- Ensure board committees are structured effectively to support risk oversight and strategic objectives.
- Integrate risk intelligence into strategic discussions and assess what ESG issues are important to your business.



4 ETHICAL BUSINESS AND CULTURE

Address conduct risk

Ethical business and a healthy corporate culture are critical to long-term business success. Conduct risk, including fraud, corruption, bribery and unethical behaviours can cause substantial financial and reputational damage.

Corporate governance failures and scandals around the world, including those of Volkswagen and Wells Fargo, have shone the spotlight on corporate culture and conduct risk. Business impacts can be devastating, for example the emissions scandal at Volkswagen is expected to cost more than US\$18 billion.

Boards have a key leadership role to foster high ethical standards and 'set the tone' for a healthy organisational culture. It means leading from the top as well as supporting management and holding them to account on achieving and maintaining a healthy culture and ethical practices. However only 37% of boards receive comprehensive reporting from management about ethical matters and conduct incidents and the actions taken to address them.

Culture and conduct are also key strategic priorities for the Financial Markets Authority (FMA). A new guide sets out the FMA's view on conduct and how it will examine what financial services providers do and how they do it.

Tips for directors:

- Be clear about purpose, values and the behaviours required to achieve strategic goals and business sustainability.
- Lead from the top – inspire, promote and embody organisational values and expected behaviours.
- Ensure management are reporting comprehensively and regularly to the board on ethical matters and conducts risks.



5 EXECUTIVE PAY AND INCOME DISPARITY

Expect more scrutiny and transparency

Executive pay increasingly features in the headlines here and overseas. A report by the UK Financial Reporting Council (FRC) in July said that continuing inconsistent alignment between executive remuneration and company performance, and between the remuneration of senior executives and employees was undermining public trust and confidence in corporates. The current UK parliamentary inquiry into corporate governance is looking at executive pay and what the government should do to influence or control executive pay.

The US Economic Policy Institute reported in 2015 that top CEOs make 300 times more than typical workers (compared to 20-to-1 in 1965). An Australian commentator has called for public companies to disclose how much CEOs make each year compared with how much their average employee makes (similar to the pay ratio disclosure requirements in the UK and those soon to be in force in the US).

In South Africa, King IV increases disclosure requirements around remuneration and ensuring executive remuneration is fair and responsible in terms of overall employee remuneration (to close the pay gap) and takes into account performance of economic, social and environmental matters (and not financial performance only).

If New Zealand follows international trends we can expect greater scrutiny and debate about executive pay and income disparities. The upcoming NZX *Corporate Governance Code* says that remuneration should be 'transparent, fair and reasonable' and recommends publishing a remuneration policy in relation to directors and senior executives.

Tips for directors:

- Ensure the board understands the relationship between executive and worker remuneration and that it fits the organisation's business needs and strategic objectives.
- Be proactive in disclosing remuneration policies to aid transparency and trust.
- Monitor global, national and industry trends to stay ahead of the game.

GOVERNANCE LEADERSHIP CENTRE

The IoD drives excellence in governance in all areas of New Zealand business and society. The GLC's focus is to keep members up to date on emerging issues and trends, and to promote awareness and foster discussion on governance issues and best practice.

For more articles, resources, directorsbriefs on topical issues and IoD submissions on legislative and regulatory matters visit Governance Resources at www.iod.org.nz.

GLC Update

Keeping members up-to-date on governance developments, highlighting the board's role in governing intangible assets and making submissions on several director-related matters have been a focus for the GLC.

FMA CONDUCT GUIDE

Conduct is central to the Financial Markets Conduct Act and *governance and culture* is one of the FMA's seven strategic priorities. As part of its remit, the FMA sought feedback on *A guide to FMA's view on conduct*:

- setting out what it will focus on when examining how financial services providers demonstrate good conduct
- providing the conduct 'lens' (*capability, conflict, culture, controls and communication*) it will use to examine what providers do and how they do it.

The IoD, in its submission, supports the conduct guide as a resource to help providers understand FMA's focus on, and expectations about, good conduct. We agree with the FMA that it does not, and should not, prescribe culture and the guide should not be seen as a checklist or manual.

INTRODUCING DIRECTOR IDENTIFICATION NUMBERS

A review of New Zealand's corporate insolvency law proposes introducing unique director identification numbers. Having director identification numbers would make it easier for directors to

update their details on the Companies Register and would also help the public searching directors (giving them a more accurate picture of a person's directorships). The IoD supports this proposal in its submission on the review.

ALTERNATIVES TO PUBLISHING DIRECTORS' RESIDENTIAL ADDRESSES

Directors must disclose their residential address to the Companies Office under the Companies Act 1993. The Register makes this address available to the public and this can cause problems, for example, directors and their families being put at risk from customers, staff, and other stakeholders approaching them at home.

Although directors are required to register a residential address with the Companies Office, the IoD considers that directors should be able to publish on the Register a service address that is not their residential address. This would allow directors to protect their privacy while ensuring they can still be contacted. We advocated for this through our submission on the review of corporate insolvency law. The IoD also raised this with the Minister of Commerce and Consumer Affairs.

NZX CORPORATE GOVERNANCE CODE

In the last issue of *boardroom* we provided an overview of the proposed new NZX Corporate Governance Code (the Code). In October we made our submission to NZX which is available on our website. The Code is due to be released in Q1 of 2017 and we will provide further guidance then.

KEEPING YOU UPDATED

Our third *governanceUpdate* for 2016 was sent to members in November. It covers legislative changes, court decisions, and other governance developments and recent thinking on governance best practice.

GOVERNING INTANGIBLE ASSETS

Intangible assets now account for over 80% of corporate value in many companies. Our final directorsbrief for 2016 unpacks intangible assets and directors' responsibilities. We also provide insights and advice from Paul Adams, a leading IP strategist and the chair and CEO of EverEdge IP.

IoD submissions, guides, directorsbriefs and other governance resources are available at www.iod.org.nz.



Data Governance

As a Company Director how do you -

- Ensure your company data and information can be trusted
- Introduce accountability for ensuring that data and information assets are fit for purpose
 - Fully realise the real value of the data and information

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Breaking the mould: Diane Smith-Gander on fighting for gender equality and learning to be yourself

Diane Smith-Gander visited New Zealand in October to speak at the Institute of Directors' Leading Directors' Forum. During the visit she took the time to speak with the boardroom editor about her career, working towards gender equity and speaking up in the boardroom.

Diane Smith-Gander's Twitter profile is telling. Her personal summary reads: *Woman, West Australian, Grape Grower, Company Director, CEWAus President.* Having written the list herself, putting woman first was important.

"I think it sums up my approach to gender equity. I do believe it is a social justice issue. I don't think we want to legislate for equality of outcome, but we certainly need to have equality of opportunity and I have never ever stepped back from saying that 50/50 is the answer. I think 30% and 40/40/20 are merely waypoints on the journey to proper parity.

"I've come to the view that it is the single most important contribution I can make if I can get some traction on this agenda."

Last year Smith-Gander was listed at number six of the 50 most powerful women in business in Australia. Asked about that ranking, Smith-Gander says it was unexpected.

"I think that you get on and do what it is that you're doing and don't think in terms of leader boards. I was obviously delighted to be named in the list and I'm particularly interested to think about how I might be able to use that to the advantage of the issues for which I'm an advocate."

"I've come to the view that it is the single most important contribution I can make if I can get some traction on this agenda."

Those issues include improvement in social settings in Australia, indigenous rights and income equality, and equal representation of women in leadership and governance positions. As president of Chief Executive Women (CEW) Australia, Smith-Gander has become well-known for her work on the latter issue.

“While I certainly accept the biological differences between men and women, I believe that the supply of well-qualified, experienced women who want to have leadership roles is enough to supply the leadership roles available in all settings of our life be it political, corporate, community, education, wherever. That’s my approach to the world.”

Smith-Gander’s approach to world has seen her take on many challenging roles and move herself first across Australia, and then across the ocean to seek out opportunities for growth.

BREAKING THE MOULD

Smith-Gander’s governance career began in an unexpected fashion. While an executive with Westpac, Smith-Gander was asked to write her name down for a gender-based list of potential directors of government boards. The list later made its way to Canberra. With a background in sport (Smith-Gander was a competitive basketball player for many years) and banking, the Australian Sports Drug Agency thought Smith-Gander would be a valuable member of the board.

“Completely out of the blue I was rung up by someone at the agency seeing whether I was interested. I certainly learned a lot about drugs in sport, but I also learned a lot about a government board and that gave me the confidence later in my career to do things like to be on the board of NBN Co.”

When a promotion within Westpac didn’t come about, Smith-Gander packed up and moved to the United States, taking up a position at McKinsey and Company where she was made partner after only a few years. The experience proved hugely valuable for Smith-Gander’s future ventures back in Australia.

Smith-Gander has taken on some challenging roles: NBN Co, the company responsible for Australia’s broadband network, and Broadspectrum who run, amongst other things, the detention centre on Manus Island. Smith-Gander currently sits on the boards of Wesfarmers

Limited, AGL Energy Limited, law firm Henry Davis York (the first woman and non-partner appointed), Keystart Loans Limited, the Committee for Economic Development of Australia, and is Chairman of Safe Work Australia.

“I moved a lot in my career, 17 times, to many different countries. Whenever I bumped into the glass ceiling I just zigged and zagged and went off to the next thing; I never really said no to an opportunity but certainly was told no quite a few times. It builds resilience in you, makes you understand some of these issues that you are going to face.”

Among those issues: the challenges women face in gaining leadership positions.

Smith-Gander recognises that not all women will reach a position where they can really make a difference for the issue and says that women of her age and generation have an obligation to move the conversation forward.

“Holly Kramer [a CEW member and Telstra director] talks about women going through four stages when they’re thinking about advocacy for gender equity. In the first three stages you’re not really in a position to be a strong advocate.”

“In stage one you don’t really understand that there is gender discrimination going on; bright young things who think ‘that’s all the past it’s not going to be the same for me’; but I remember being in that stage when I was in my early twenties embarking on my career.”

Stage two brings a suspicion that something might be “a bit not quite right,” Smith-Gander says, and by stage three “you know there is something going on, but also that there is the double bind; women are expected to have a certain style and they’re expected to behave in certain ways and be in certain roles. By pushing back you are seen as someone who is aggressive, pushy, bitchy and so forth.”

That type of attitude towards how women are expected to behave means women get what Smith-Gander refers to as ‘style-

related feedback' and it is neither helpful nor based on fact.

"Style-related feedback is always opinion based. So when given style-based feedback I always ask for clarification and always push to get some fact-base around it, why was that bad, and why would it be different if I did something different?"

Learning to push back in such a way comes with experience. It is not until stage four, when positions are solidified and experience respected, that Smith-Gander sees women are finally able to speak out for change.

"You understand the space but you're successful enough that you are able to raise these issues and push them in a way that doesn't hurt you and hopefully has some really positive impact for others."

So how does a woman, or a member of a minority or young director who is not getting their voice heard, learn to push back without damaging their own career and reputation along the way?

"I think you learn with time. How can you learn faster? Well you learn faster by getting yourself mentors".

MENTORS AND MERIT

"I had a fantastic mentor early on in my career at Westpac, a woman named Helen Lynch."

Smith-Gander now passes on her own experiences and knowledge to a number of different people; including a young man in his twenties and another in his eighties.

"I don't regard my mentoring relationships like marriages; I don't have to check in with them every week. If I feel I have something I can give to those people I reach out.

"Mentoring is, if you are taking it from people who have done things you haven't, highly unlikely to be a reciprocal path. So I say to people that it's a pay it forward situation; I'll mentor you and expect you go and do it for somebody else."

More than mentoring, Smith-Gander says what directors and emerging directors need is support.

"What a supporter does is de-risk a selection decision that someone else is going to make about you. It's someone who can point to you and say yes that person can do that job."

Support makes a big difference for new directors or those going for roles in spaces where they are not well-known. Chairmen often pick up the phone and call a mutual contact to find out more about a director before an appointment, so having some support from those contacts is powerful.

"At the end of the day it's a very important thing to put somebody on a board. If you make poor decisions you're going to have your chairman's stock drop pretty quickly. So you're going to want to pick up that phone and ring the person you know who also knows that person to you can get a real sense of how much gas they've got in them."

As president of CEW, Smith-Gander looks at the issues that impact on appointment decisions of women in leadership roles. The push for diversity on boards has tipped conversation towards merit-based appointment, a concept Smith-Gander doesn't think is quite having the intended effect.

A recent CEW report on the issue highlighted the 'merit-trap'; decision-makers thinking they are appointing the best person for the job when they are actually favouring those who look or think like they do.

"Merit is a really difficult concept. People who try to stick a quick label on it like 'best person for the job' and suggest that it's something that you can innately recognise are really devaluing the concept of merit and indeed the concept best director for the board. I think we just have to accept that it's a difficult, complex thing that we are dealing with, try not to overcomplicate it, but it requires you to think about the future."

Smith-Gander says instead boards need to have a future focus when appointing directors and be very clear about the future context of the organisation. For

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potential directors, it’s very important to be able to clearly explain what you bring to a board and understand the core skills your experience gives you.

“You need to think about synthesis: what is it that all of the things you have done have pulled together?”

“I know when Wesfarmers were considering me it wasn’t because I had been at McKinsey or at Westpac in retail banking. It was because my experiences had taken me globally across many industries, where I had to quickly get across what was going on to help management make quick decisions for execution.

“That ability is really valuable to a conglomerate that’s constantly considering whether its portfolio is appropriate or not. My responsibility was to synthesise my experiences and point that out through the selection process.”

DEALING WITH BEING ‘THE ONLY ONE’

Once successfully appointed to a board, the next challenge for any director is making a meaningful contribution. Smith-Gander is no stranger to the obstacles one might face when on a board if you find yourself the ‘only one’ of a certain group.

“Being ‘the only one’ has some upsides and downsides. It certainly means when I open my mouth people turn around to see what it is I’m going to say.”

Earlier in her career, Smith-Gander says it could feel as if some assumed her presence at the board table was as the ‘token’ female voice. Being the only one of a particular voice makes it both difficult to be heard, and can lead to an expectation to represent the entire group you are a part of.

“I like to say the rule of three needs to apply because boards are generally eight to ten people so three is getting you to the thirty percent. It starts to feel more normal and you are able to interact in a much more normal way with the rest of the board.”

“It’s really important to understand what builds confidence. What drives a lack of confidence is a lack of inclusion; that’s the dynamic women need to understand.”

When asked whether the lack of women in leadership roles might mean women need a bit more confidence than men when going for or taking on these roles, Smith-Gander argues that it is not an inherent lack of confidence that holds women back.

“It’s really important to understand what builds confidence. What drives a lack of confidence is a lack of inclusion; that’s the dynamic women need to understand.”

“If you feel excluded you will be trying to think about the right way to get into the conversation, rather than thinking about making the right contribution. You’re going to appear hesitant and less confident. It does require you to have a bit of intestinal fortitude to step up.”

Another area that requires ‘intestinal fortitude’ is taking ownership of your ideas. Smith-Gander says testing your ideas with others allows the opportunity to build support before it is presented to a wider group.

“I cannot count the times in my career where I’ve sort of felt ‘that’s my idea’ and someone has said, ‘look Diane it really doesn’t matter whose idea it was it just matters if the right thing is done,’ and that is actually not at all true.

“It does matter whose idea it was, because the person who has the good idea is the one who gets the opportunity to do the big project, work on the big transactions, the one that gets recognition, the promotion. You can’t allow others to co-opt your ideas.”

What happens outside of the boardroom matters for performance just as

much, Smith-Gander believes. Getting out and understanding the business, interacting with executives in the right way adds to the contribution a director makes, as does knowing the type of director you want to be.

“I found it really useful to have a really solid relationship with the chairman to make sure I’m incredibly well prepared and to put in place some interaction rules so that I would never be a ‘gotcha’ director,” Smith-Gander says.

“I don’t think it is smart to find the typo, find the mistake, find the bit of insight and snap it out in the boardroom setting. I would always give my chairman the courtesy, if I have seen something that I think is a major issue, of discussing that with them before I brought it into the boardroom.”

LESSONS IN PERSONAL STYLE

Advocating for gender equity is not done simply because it is the right thing to do. Smith-Gander says those who can’t understand the social justice argument for equal gender opportunity should think of the business case.

“Knowing that workforce participation is the thing that truly drives economies we need to have everyone working to their full potential. We can’t let people sit at home just because they’re the wrong sex. We

can’t have people come into the workforce, get training and development and then leave that investment on the table because we can’t find a way to navigate through the personal timeline with the career timeline.”

While her two year term at the helm of CEW Australia finished in November this year, Smith-Gander will surely continue to champion the causes she believes in.

“What I need to do now is focus on a fantastic transition to a new president, and be able to work out what should the immediate past president be doing.”

Smith-Gander recalls a comment from her mentor, Helen Lynch, when thinking about the tools for women in the workforce to forge ahead into leadership roles. There is only so much advice that can be taken from others; ultimately leaders should know who they are and what they bring to the table.

“Helen said to me ‘look Diane, having your own style feels to me a basic human right’.

“Oscar Wilde said it as well, but in perhaps a more memorable fashion: Be yourself because everyone else is taken.”

“Oscar Wilde said it as well, but in perhaps a more memorable fashion: Be yourself because everyone else is taken.”



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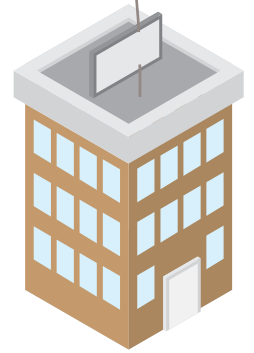
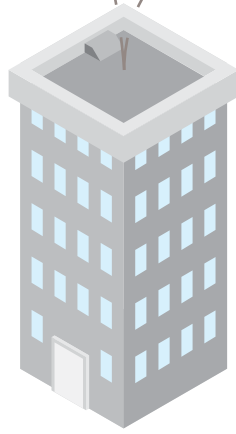
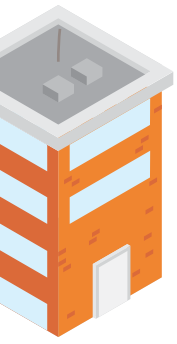
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Can your organisation help to end world poverty and hunger? Or help to find a peaceful solution to global conflict?

Yes, absolutely. That's the view of Lord Michael Hastings, KPMG International's Global Head of Citizenship.

Best-practice corporate citizenship is about being willing to tackle the big issues. All it requires is a decision to act.





During his visit to New Zealand in August, Lord Dr Hastings (CBE) delivered an inspiring message to a number of corporate audiences; including the Institute of Directors, and supporters of Champions for Change (championsforchange.nz).

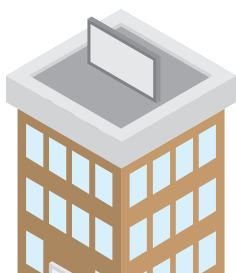
He began by reflecting on why KPMG International is supporting the United Nations' 17 Sustainable Development Goals. In signing up to the goals in 2015, KPMG has joined 193 member governments, NGOs and other corporations; including the likes of General Electric, Bank of America, and the International Chinese Bank.

Each goal has specific targets to be achieved by 2030; with a view to collectively ending poverty, protecting the planet and ensuring prosperity for all. Lord Hastings acknowledges it is an ambitious and aspiration-fuelled journey – but that's just the point.

“There are no shortage of cynics who tell me it's impossible, it can't be achieved, it feels like too much, it's going to be a long fight. But when I come out of the House of Lords and look directly across the road, I see a white building. It's where Wilbur Wilberforce lived in the last few years of his life. He was the man who made up his mind, at age 20, that he would fight for the African slaves who he'd never met.

“It took him 18 years and nine passages of legislation before the UK Parliament finally passed the laws to end the slave trade. But then it took a further 22 years for the eradication of slavery itself. So he spent a total of 45 years on that arduous journey.”

Lord Hastings says we need to look beyond the short-term thinking – the electorally-driven time-spans of modern politicians, or the six to 12-monthly agendas of businesses. He believes the legacy of people like Wilberforce is that: “change is something we have to be prepared to dedicate the marathon of our years to...rather than just the moment of enthusiasm.”



COPORATE AGENTS FOR CHANGE

Those sentiments have been echoed recently by Larry Fink, chairman and CEO of Blackrock, the world's biggest investment firm. Earlier this year, Fink sent a letter to the CEOs of the companies in which Blackrock invests.

He wrote that “today's culture of quarterly earnings hysteria is totally contrary to the long-term approach we need”. He asked the CEOs to incorporate long-term environmental, social and governance (ESG) issues into their core business strategies – or risk losing his firm's support.

Lord Hasting says there are numerous examples of corporations that have changed the world.

“Remember in the apartheid years, when companies led by Unilever – against the will of the then-South African government – employed black executives. They did so deliberately. They basically challenged the government to shut them down.”

He also gave the example of Jes Staley, the current CEO of Barclays Bank (which is a KPMG audit client). During his time with JP Morgan, he was instrumental in helping the company become a pioneer in LGBT rights.

Jes credits his brother Peter, a leading HIV activist, for helping him see “firsthand the greatest human courage that I've personally ever witnessed.”

START WITH THE FIRST STEP

Through their client work, KPMG's member firms around the world are all working to contribute to the UN's 17 Global Goals for Sustainable Development. They're achieving a range of actionable, measurable outcomes – with a particular focus on Goal 4, Quality Education and Lifelong Learning, as well as a foundation in Goal 13, Climate Action.

According to Lord Hastings: “Our business is about producing reports and analysis, but we also consume huge amounts of energy. Since we started to measure our carbon impact in 2008, we've cut our total carbon emissions by 37% across our firms around the world. We can legitimately join the carbon commitment claims of the Paris Accord...because we're actually doing it.”



Lord Michael Hastings

In another example, KPMG's member firms have collectively invested over \$2m in a Millennium Village in Tanzania, which includes a maternity clinic where women can give birth in safety.

“We're ensuring, through institutional births, that not a single child died this year or last year in childbirth...when they used to die on a regular basis.”

KPMG's Family for Literacy programme has distributed three million books across the United States, and is now operating in eight other countries. KPMG New Zealand will be implementing the programme here in early 2017.

In concluding his speech, Lord Hasting urged other New Zealand companies to join KPMG in committing to the Global Goals for Sustainable Development.

“Any company can decide to do these things. You can do it in your local communities, you can do it in your national communities; and you can do it for the global community.”

• A message from KPMG New Zealand.

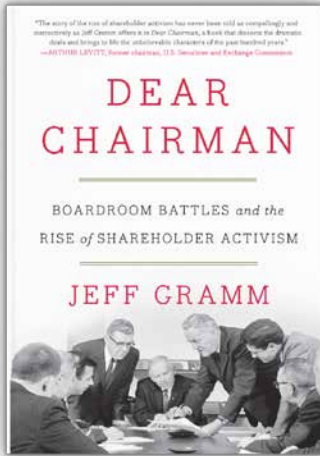
We encourage you to join us in committing to the United Nations' Sustainable Development Goals. To find out more, and to see how KPMG is taking action, email: citizenship@kpmg.co.nz to request a copy of our Global Goals 'Boardroom Questions'.



Boardroom battles

*Ahead of appearing at the 2017 IoD Leadership Conference, Jeff Gramm spoke with our boardroom editor about good governance and his book *Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism*.*





Gramm both runs a hedge fund and teaches at Columbia Business School. As part of his investing classes he often gives students examples of activist shareholder letters – 13D letters as they are known in the United States. Thinking that a book must exist somewhere for these types of letters to be collected, Gramm set out to find it; it didn't exist. So, he decided to write one himself.

The result, *Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism*, forms a history of shareholder activism in the United States: the Proxyteers of '50s, corporate raider of the '80s and the hedge fund activism of the '90s and early '00s.

The book includes original letters from names such as Ross Perot, who took on General Motors, Warren Buffett, and his teacher Benjamin Graham. With a rich history of activism in the States, letter selection was important to ensure the book was readable. Gramm wanted to take the technical topics of governance and shareholder activism and lighten it up a bit.

“Originally it was just going to be a collection of letters. Once it became clear I was going to write a narrative history, there were certain movements I had to portray, like the 1980s corporate raiders, and some stories that were historically important and had to be told – like Ross Perot versus General Motors.”

These ‘angry letters’ are compelling and illustrate the challenges of governance. The battle between Karla Scherer and the board of her father’s company, of which her husband was CEO, shows a board failing to look critically at management decisions. Questions of board independence, conflict of interest and the relationship between board and CEO abound.

“That chapter is about how boards of directors work. Karla Scherer was a housewife with no business experience battling a board of directors that looked excellent on paper. You would think Karla would be on the wrong side of the argument but she’s not. It’s a pretty fascinating education in how boards can be captured by the CEO,” Gramm says.

An overarching theme of the book, and perhaps shareholder activism through the ages, is who knows best? The board and management or a shareholder with vested interest?

“I think shareholder activism is valuable because it puts accountability into the system,” Gramm suggests.

“If you’re on a board in the US, you know there are people looking over your shoulder. Activism can be misguided and sometimes it does drive some bad decisions, but you need to have that accountability in the system.”

However does this mean that a financial stake in the company is needed for directors to truly feel accountable?

“There are multiple cases in the book where you have directors with a big stake in the business they are fighting with,” Gramm notes.

“They’re diligent – you see it in the Ross Perot case and the Karla Scherer case – they own a lot more shares than anyone else on the board and, in those cases, they are more engaged than the other directors.”

But it cuts both ways, Gramm argues. In the case of Robert Young versus New York Central, Young puts forward a case for a

I think shareholder activism is valuable because it puts accountability into the system.



“I think a result is that these Dear Chairman letters are a lot more politic now; it’s in everyone’s interest to have a constructive dialogue.”



new board made up of owner-directors, arguing that they will be more accountable than the bankers currently running the show. Really, it’s a political device used to curry favour with the voters, Gramm says.

Certainly having ‘skin in the game’ can lead to greater accountability in some cases, but being a shareholder isn’t the catchall for being a more engaged director.

“I’ve served on a lot of boards with really great directors who don’t own a single share and I’ve served on boards with weak directors who own a lot. It’s not a solution in and of itself. I think it can help drive your focus and help you be more diligent, but it’s not necessary.”

Selecting the right directors is a complex task; even selection based on skills and experience doesn’t guarantee success or shield a company from challenges from external parties. What the battle between board and shareholder activist demonstrates is the importance of directors being engaged.

“To be a good director, you have to put the time in. The problem with this job is you meet four or six times a year and the extent to which you engage is up to you. You can have a lot of skills or own a lot of shares but if you don’t engage you’re going to be a bad director.

“Throughout my book you see examples of boards that look very good on paper but underperform. But you also meet a lot of engaged directors that ask the right questions.”

The type of ‘Dear Chairman’ letter received these days is changing and in many ways it’s time has now passed. Many activists will take their cause to an AGM or work behind the scenes to make their concerns heard.

“The history of shareholder activism in the US is really a history of how public company ownership has evolved. I don’t know how much this is true in New Zealand but in the US the big institutions are a lot more engaged now and supportive of activism. This has really enabled this explosion of hedge fund activism that we see today.”

Those big institutions have a lot more at play in the world of shareholder activism than many realise Gramm says.

“The recent growth of shareholder activism has little to do with the activists themselves. They are just economic actors out to seek a buck for themselves, and they are little changed from activists in my book from the 1920s or 1950s. What has changed in the evolution of activism is the makeup of passive investors behind the scenes.

“Passive institutional investors are more accepting of activists. They know that governance is a problem and a lot of boards underperform, so they have power through these activists to put pressure on the board without being the bad guy themselves.

“They’re a lot more engaged than many people understand. Sometimes the big passive institutions behind the scenes will

even recruit activist investors to target particular companies.”

The type of concerns activists are raising has also changed, moving away from historical activism focused on capital allocation, to operational issues and in recent years issues such as sustainability.

Gramm mentions a shareholder resolution challenging the Virginia-based Dominion Resources Inc to turn to renewable energy sources. The most recent vote saw \$7 billion in shareholder value, or around 22%, vote in favour of the resolution. Whilst not enough to pass, it represents a much larger proportion than when the resolution was first taken to the board in 2008 (where it gained 4% of votes, or \$820 million in shares).

“Historically social activism got media attention but didn’t get much institutional support. But today we’re seeing huge support for sustainability initiatives. Institutional investors have clearly decided that it’s in their interest to push energy companies on sustainability and we’re seeing a lot more of it. It makes sense, they are the ultimate long-term investors with very long time horizons. They have decided that sustainability will impact their returns over time.”

Gramm explains the move towards indexation in the US (Vanguard and BlackRock have significant sections of the market) also means that these institutions, as long-term investors, have a vested interest in the integrity of the market and therefore in pushing for good corporate governance.

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SHAPING THE FUTURE

Direct²⁰¹⁷
IoD Leadership Conference

2-3 May 2017
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Institute of
Directors

Direct 2017 is the fifth annual IoD Leadership Conference, and features a strong international line-up of leading governance and business minds who will share with you the latest insights to help you be informed, and make smart decisions to shape the future.

The theme, **Shaping the Future**, will explore the emerging global trends we are facing in this extraordinary time of rapid change.

This year's speakers include:

- **Seth Goldman**, TeaEO Emeritus and Innovation Catalyst for Coca-Cola's Venturing & Emerging Brands who will draw on his experience around building a sustainable business empire
- **Toby Heap**, Founding Partner of H2 Ventures, who will answer the question – what can established organisations learn from startups?
- **Jeff Gramm**, author of Dear Chairman and manager of Bandera Partners, discusses the history of shareholder activism and its role internationally and in New Zealand

Interactive workshop sessions will cover a range of topics and specialist areas.

This event reached capacity in 2016, so we encourage you to make time in your diary and register early.

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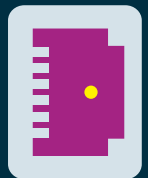
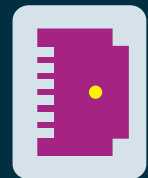


POWERED
BY KORDIA



Cyber security: Why your business is next to be hacked

Want to know how easy it is to find examples of businesses which have been hacked lately? It's simple.



Whether it's the major, headline-grabbing ones like the recent compromise of a high profile charity in Australia which leaked personal data of over 500,000 donors, or the emergence of hacked emails in the United States Presidential Race, the evidence is just a Google search away.

But what you probably don't know is the number of far smaller-scale hacks which happen every day, right here in New Zealand, to businesses just like yours.

Whenever I prepare a presentation for delivery, it includes the details of ten or fifteen recent hacks of small companies which you will never read about in the news; and if the presentations I give are a week, or two weeks apart, the list of hacked businesses is always different.

The point is that far from media interest, which tends to focus on the large, complex or noteworthy compromises of organisational information, there is a constant barrage of attacks happening. To rugby clubs. To schools. To town councils.

While the reasons and motivations for those hacks can vary wildly – from so-

called 'script kiddies' amusing themselves or showing off, to terrorists seeking to market themselves through mischief, to the (these days more commonplace) pursuit of illicit financial gain, to hardened hackers looking to grow their prestige – the results generally have something in common for the targeted organisation. They are disruptive, potentially embarrassing, and cost time and money to set right.

ANYBODY IS A TARGET

Back in the old days, being a hacker typically required having detailed knowledge and advanced computing skills; a secure basement from which to operate didn't hurt either. Today, anyone can be a hacker. By accessing freely available tools, or by logging on to 'the dark web' (a somewhat 'hidden' version of the internet, generally accessed by an anonymous browser such as TOR, The Onion Router), the means to get to work as a hacker are made available to those who wish to do so.

Moreover, it is possible to hire a hacker to do the dirty work for you. Again, on the dark web, you can find mercenary hackers willing to unleash mischief on the world

in exchange for payment, often in Bitcoin and facilitated anonymously through TOR. At a price, you can procure a hack, such as a 'brute force' of a password to access a target's email (brute force software automatically attempts to 'guess' logins using millions of combinations), you can buy credit card details and you can buy privileged information.

That puts the destructive power of hacking into the hands of anyone who seeks it.

Then there is automation. Just as automated software tools make a range of activities faster and more convenient, automated hacking tools do the dull stuff for the hacker. The tools never sleep, constantly probing the internet for weak points, only alerting the hacker if something promising shows up – and then, under his or her direction, the more complex aspects can be addressed.

The 'insecurity' of software and even new systems is further cause for vigilance; just recently, a new type of attack called 'atom bombing' has caught the public imagination. Atom bombing is a technique which exploits certain mechanisms in one



particular operating system. It is possible to use atom tables to bypass security protocols. This exploit is notable because it doesn't rely on broken or flawed code, but the design of the operating system itself.

The Internet of Things is a relatively new concept, but already hackers have demonstrated how 'things' which could be toasters or fridges which are connected to the internet, can be leveraged to carry out an attack. In September, a Distributed Denial of Service attack, in which massive volumes of spurious data is sent to target websites to overwhelm them (and interrupt service to legitimate users) took place in the United States.

Even the latest innovations, therefore, can be insecure and can be exploited. The attentions of hackers are relentless and the potential for compromise is great.

WHAT YOU SHOULD DO ABOUT IT

The Pareto Principle states roughly 80 per cent of the effects come from 20 per cent of the causes. In cyber security, focusing on the basics is likely to remove above 90 per cent of the risk you face (bear in mind

that a sufficiently determined attacker will get in; locking the window, so to speak, will have the burglar move on to the target with open ones).

As a small or medium business, your risk of attack is no more or less as that of any other company – hackers don't discriminate based on size. What they do discriminate on is the basis of 'hardness'. By taking basic, yet essential, steps, you can make sure that your company is highly unlikely to make the list of 'compromised' businesses which will appear in my next presentation. You can take care of that above 90 per cent of the risk.

Doing that requires nothing more than putting in place the basics. That means unified threat management. It means updating and patching systems. It means identifying and disabling unused services. This can be accomplished in two or three easy steps.

Beyond that, the specifics of your cyber security posture and plan will rest, to a large extent, on the type of business you're in. For that, you may well require the services of an expert.



**Paul W. Poteete, principal consultant,
Aura Information Security**



POWERED
BY KORDIA

Advice for aspiring directors

There is no blueprint for successfully gaining a board position. It takes time to find the right role, but there are things you can do to boost your confidence, increase the chances of hearing about positions and become a more desirable candidate.

IoD member Jane Davel recently gained her first board role with Lake House Trust and talks about some of the most useful pieces of advice received, and the steps she took to move into governance.



USE THE RESOURCES AVAILABLE TO YOU

So much great communication comes out of the IoD about workshops that are coming up, bodies of work being updated, legislation and *director Vacancies* – there are emails, it's on the website and really easy to find. Just be aware of all of the resources.

I found it challenging to put together a governance CV. It is important and it takes a bit of time to get your head around, but there is plenty of advice and good information out there. I found courses extremely helpful when they touched on that and the IoD website has really good guidance on the makings of a governance CV and the importance of it being separate from your executive CV.

UNDERSTAND WHY YOU WANT TO DO IT

I've been influenced very much by the types of role models that the Institute of Directors profiles – Joan Withers and Elizabeth Proust. It's given me a real sense of 'yes, I think I can do it'.

I think what appeals to me is the challenge of governance and the strategic side of things. Also with a not-for-profit it's an opportunity to give back.

BE AWARE OF WHAT IS OUT THERE AND WHAT MIGHT BE RIGHT FOR YOU

Initially I was only really aware of the listed companies so hadn't thought beyond that. Then I read about Kathryn Wilson and realised that start-ups have advisory boards, and during the Company Directors' Course (CDC) one of the presenters specialised on being on small to medium size businesses' boards.

It's about widening your awareness of what's available and the different types of structures that exist.

I think it's important for aspiring directors to determine what value they'll bring to a board, but also try and assess if they really believe in the purpose of the organisation and if they have a passion for it.

SEEK OUT HELP AND SUPPORT

It's really fantastic to have mentors who can give you a boost and support that you might not otherwise have; even if it's moral support, that goes an awfully long way. They are in a position to give you great advice based on their own experience and the opportunity to learn.

I've sought out mentors and I've been privileged to have some who have encouraged me in that direction in my corporate career. I got a lot of advice from my mentors and a strong recommendation from them to join the IoD and do the Company Directors' Course and other courses.

IT TAKES TIME

Sometimes you think you're not making much headway but you are, and it's building on that and getting your confidence up.

Something my mentor said to me is you need to be patient; it doesn't happen overnight. I think people who are in senior management positions are highly motivated and expect things to happen quickly and that can be pretty frustrating, so take small steps and persevere.

TAKE THE OPPORTUNITY TO LEARN FROM OTHERS

I got far more out of IoD courses than I expected, particularly the Company Directors' Course. All of the presenters had a great deal of their own experience to draw upon and a lot of examples which I as a participant benefited from.

There was a fantastic opportunity to learn from other participants on the course including a number of very experienced directors and chairs. I felt really fortunate and privileged.

You can't underestimate the value of the professional standards the IoD upholds and the great level of tutelage you get from the courses. You understand the theory even if you don't have a lot of experience. It may give you a bit of an edge.

COMMIT TO CONTINUOUS LEARNING

It is really important to keep up that continuous learning. Every time the IoD issues guides on particular issues I look at those, go to the seminars, and look at trying to fill the gaps.

I would definitely consider the Chartered Member Assessment as my next step as well as adding to my governance roles.

I was at an IoD breakfast event recently and two people I spoke to at the table were talking about the importance of continuously learning, and I think that's key. Very experienced directors say it's so important to always keep on learning and always stay current and relevant.

DON'T BE AFRAID TO PUT YOURSELF OUT THERE

It can be a bit daunting; however I really encourage people to push through that.

Attending one of the lunchtime seminars for aspiring and new directors gave me a lot more confidence. The advice given by those facilitators was extremely relevant, very practical and encouraged me to take the next step.

DO YOUR DUE DILIGENCE

Before I had my interview with the chair of the board for the role that I succeeded in getting, I went right back through all of the notes I had taken at that seminar for aspiring and new directors. The advice in particular about the due diligence that you need to complete on the board and the company was absolutely fundamental.



**Rob Dawson, Client Advisor,
Financial and Professional
Services, Marsh Ltd.**

Captives as an alternative insurance channel

Captives are regarded as one of the premier alternative risk finance solutions—one enjoyed by many Fortune 1000 companies and increasingly by smaller companies. Air New Zealand has operated its own captive – Teal Insurance – for more than 10 years.

The notion of a company self-insuring through a ‘captive’ is long established and dates back to the 1950s when a US steel company decided to insure its own mining operations through a captive based in Bermuda.

Though originally conceived as a solution to counter rising premium costs, captives offer many potential benefits that are difficult to match and explain their continued growth, irrespective of how the open insurance market is faring. The ability to write unrelated risk and account for emerging risks has fuelled their growing popularity.

Larger New Zealand companies are now appreciating the benefits that captives can bring, which include:

- The ability to design your coverage as you need it, not as outlined by a commercial insurer. Your coverage can be broader, policies simpler, and risks more manageable. A captive also helps to facilitate the most effective claims-handling methods and loss control programmes.
- An enhanced ability to manage the retentions and deductibles associated with traditional risk transfer programmes. By forming your own

subsidiary insurer to handle much or all of your own risk – your company is freed from the control and restrictions of the commercial insurance market.

- The flexibility to fund not only traditional coverages – such as general liability, workers’ compensation, auto liability, property, insurance, employee benefits – but also difficult-to-insure exposures – such as environmental risks, cyber-risks, and employment practice liabilities.
- A significant and beneficial impact on your economic security and profitability by providing greater control and reduced costs.
- Significant revenue benefits. Premium payments are made directly to your captive, allowing reserves for unpaid claims and unearned premiums to be invested, offering you the ability to establish reserves from pre-tax income otherwise unavailable to a non-insurance entity. These revenues further strengthen the captive itself, eventually positioning the entity for more favourable reinsurance opportunities.
- The ability to quickly respond in the event of a catastrophic loss, helping to lower cash flow volatility and provide budget stability.

There are some downsides though and these include:

- The set-up of a captive is administratively onerous and can take a lot of internal focus and resource to establish in a robust manner – external advice and counsel will be required.
- The capital requirements for set-up of a captive are sizeable and directors need to understand the short and longer-term implications on the financials.
- The company size at which a captive should be considered is significant and generally requires revenues in excess of \$500 million.

ESTABLISH THE RISK TO UNDERSTAND THE REWARDS

Analytics play a vital role in helping identify risk retention opportunities and making the best use of a captive, which often brings significant strategic and economic benefits. A good risk analytics team can work with captive clients to help them answer questions such as:

- How much risk can your company retain without significantly impacting its financials?
- Is your company appropriately protected against risk within its corporate risk tolerance?
- Is your company getting a fair price for insurance?
- Can your company leverage a captive to gain strategic advantage and minimise the cost of risk?

Keeping in mind that political upheaval, economic duress, social unrest, and other large-scale calamities can quickly unfold in any part of the world, captive

owners need to think outside of the box and consider writing non-traditional risks, especially if a good portion of their business is domiciled outside New Zealand or reliant on offshore suppliers.

EMERGING RISKS AND COVERAGES

Outside of New Zealand's most obvious environmental risks from earthquake and weather-related events, cyber terrorism could be the most impactful risk for many companies. A cyber-attack can be tremendously devastating to your reputation and financial position. While virtual risk and cyber activism is a relatively new concept, it is increasingly being used as a non-violent tactic to protest and/or attack businesses and will inevitably increase as technology develops. Businesses must view cyber risk as an enterprise-wide concern.

This year, Marsh benchmarked 1,139 captives globally, many with new and emerging exposures ranging from cyber and political risk to terrorism. The top reasons cited by companies for establishing captives fall into three broad, value-driver categories:

1. Increased discipline and control purposes (54%).
2. Reinsurance accessibility (38%).
3. Writing unrelated risk (17%).

Globally, financial institutions account for nearly a quarter of the companies using captives, followed by healthcare then manufacturing. New industry sectors more seriously engaging in captives, identified in the Marsh survey, include energy; real estate; education; and sports, entertainment and events.

Captives can be one of the most effective ways to properly manage cyber risk. In the Marsh global survey, cyber programmes initiated by captive owners grew by 30% in 2015 and, in the past four years, the amount of captives writing cyber has increased by 160%.

NOT A 'SET AND FORGET' PROGRAMME

Unless captives are set up in a robust manner, and continually monitored and benchmarked against the market, they may not serve the best interests of your company, or be administered in the most efficient manner.

When exploring the merits, or otherwise, of a captive, you should consider the following:

- Having robust analytics behind your feasibility study, informed by industry experts
- How the captive will be administered through every step of policy, billing and claims
- Your investment strategy – answering the most commonly asked question of 'will my cash be trapped?'
- Consideration of an exit strategy, in the event it is required.
- Where the captive will be domiciled.

It is highly desirable to have external advisors work with you every step of the way, from the incorporation of your captive through its active day-to-day management – including accounting, insurance, claims, personnel, and management information services.

A HEALTH AND SAFETY COLLABORATION

Having good partners makes a big difference. boardroom looks at how the Institute of Directors, Business Leaders' Health and Safety Forum and WorkSafe have worked together to support members with health and safety reforms.

While it makes good business sense for health and safety to be part of everyday business, the Health and Safety at Work Act 2015 upped the game for directors. The Act requires directors to have greater oversight of and responsibility for the health and safety processes in their organisations.

The big picture for New Zealand is improved health and safety practices and IoD members actively contributing to the important goals set by the Government to reduce poor health and safety statistics in this country. As the recent incident at Dreamworld demonstrates, when health and safety goes wrong it can have tragic consequences.

“Our partnerships with WorkSafe and the Business Leaders’ Health and Safety Forum are incredibly important to us,” says IoD Governance Leadership Centre Manager Felicity Caird.

“We have taken a collaborative approach to produce the best possible resources for our members and the wider community. WorkSafe and the Forum are important government and business partners for the IoD and teaming up with them means our members benefit from the experience they bring to the table.

“Directors set the overall tone of the organisations they govern. Health and safety should be high on the agenda.

We see good health and safety practices as not just complying with law; this is about getting people home from work safe and well at the end of the day.

“This has been a successful partnership that we look forward to continuing. The IoD would particularly like to express appreciation to Gordon MacDonald, who leaves his post as head of WorkSafe at the end of this year. Nicole Rosie is stepping into the role and we very much look forward to working with Nicole to grow the excellent relationship we have built with Worksafe.”

“We are proud of the quality resources we have produced with our partners and can see that our members feel better prepared to address the requirements of the Act.”

In the 2016 Director Sentiment Survey, 68% of respondents said they feel their board has the capability to comply with obligations under the Health and Safety at Work Act 2015; an improvement from 60% last year and 51% in 2014.

WHAT HAVE WE DONE?

Worksafe and the IoD worked closely together to produce the *Health and Safety Guide: Good Governance for Directors*, released in March this year. A guide specifically for small to medium business owners and company directors followed. The Forum’s ‘Monitoring What Matters’ guide for CEOs was launched in May.

A country-wide Monitoring What Matters roadshow hosted by IoD branches in conjunction with the Forum took place during June and July; drawing nearly 700 attendees in total. The roadshow gave attendees the opportunity to speak with experts, including the Forum’s executive director Francois Barton and a number of business leaders.

While the roadshow has wrapped up, branch events still offer the opportunity to hear from health and safety experts. Port Nelson and the Forum recently teamed up to bring Australian health and

safety expert Dr Kirstin Ferguson to speak at an event hosted by the IoD Nelson Marlborough branch.

WHAT IS HAPPENING NEXT?

“This is an ongoing issue. Health and safety is not just the hot topic of the day,” Caird explains. “It needs to be a fundamental part of what you do. As a director, an organisation’s health and safety risk is just as important as its financial performance and reputational risk. It should receive the same focus.

“It’s about cultural change and making sure that your organisation understands its risks. Safety risks are clear, but health is part of the picture and needs to be given just as much attention.”

In the August/September issue of *boardroom* Gordon MacDonald and Francois Barton discussed the increased focus on health in the coming year. In early August the Minister for Workplace Relations and Safety, Hon. Michael Woodhouse, announced a 10-year plan to address health risks in New Zealand’s workplaces.

“Beyond the high human cost to individuals, their families, whanau and communities, work-related diseases cost this country an estimated \$2.4 billion per year. The human and financial costs are simply unacceptable,” Woodhouse stated.

Health-related work risks kill 600-900 people every year and lead to 30,000 New Zealand workers developing serious, but non-fatal, work-related health conditions.

“Each one of those figures is a real person who has died or has become unwell as a result of their work,” Woodhouse said. “We can’t fix the issues arising from past exposures, but with strong leadership from across the health and safety system, and everyone demonstrating greater accountability for managing work-related health risks, we can significantly improve health outcomes in our workplaces for the future.”

Internationally, health and safety focus is also shifting towards health, with Safe Work Australia placing high priority on addressing psychosocial risks in the workplace. According to their statistics, approximately one in five Australian workers is likely to be experiencing a mental health condition such as depression or anxiety at any given time, at an estimated cost of \$10.9 billion per year in absenteeism, presenteeism (at work but not fully productive) and compensation claims.

In Europe, the difficulties in dealing with psychosocial risks are highlighted in the European Union strategic framework on health and safety at work 2014-2020.

Recognising that more will be needed to address health risks in New Zealand, the IoD, Health and Safety Business Forum and Worksafe have begun to discuss how we can support business leaders in this space. The focus will be on education, so look out for resources in the coming year.

RESOURCES AND TRAINING

Advanced Health and Safety Governance
Check your Director Development brochure or head to our website to find out more about this course, led by experienced director George Adams and experienced health and safety consultant Mike Cosman.

Health and Safety Guides

All resources mentioned in this article are available on our website.

www.iod.org.nz

Also check WorkSafe and the Business Leaders’ Health and Safety Forum for further guides and resources that are applicable for your organisation
www.worksafe.govt.nz
www.zeroharm.org.nz



King IV Report on Corporate Governance for South Africa

The Institute of Directors in South Africa recently launched the much-awaited King IV Report on Corporate Governance. Selwyn Eathorne, GLC executive, discusses key concepts in King IV that may influence corporate governance globally.

BACKGROUND TO KING IV

The first King Report, named after governance expert and former judge Mervyn King, was published in 1994. The report included a comprehensive code of corporate practices and conduct used by listed companies and large public and private organisations. The code was the first of its kind in South Africa and ground breaking in advocating an integrated approach to good governance in the interests of stakeholders (having regard to the principles of good financial, social, ethical and environmental practice). This new inclusive approach to corporate governance, necessary in post-Apartheid South Africa, spread around the world.

King II (2002) and King III (2009) built on this approach and recognised that there were increasing expectations for organisations to operate as good corporate citizens. King III was world leading in encouraging organisations to provide integrated reports on governance, strategy and sustainability.

“The overarching objective of King IV is to make corporate governance more accessible and relevant to a wider range of organisations, and to be the catalyst for a shift from a compliance-based mindset to one that sees corporate governance as a lever for value creation”

KING IV AT A HIGH-LEVEL

King IV is promoted as the first *outcomes-based* governance code in the world. It contains both principles and recommended practices aimed at achieving governance outcomes (such as creating an ethical culture).

King IV employs an ‘apply **and** explain’ approach, in contrast to ‘apply or explain’ in King III. This means the

application of all the code principles is assumed and organisations should explain the practices that demonstrate the application of each principle.

The focus of King IV is on value creation and qualitative governance, moving away from tick-box compliance. Chair of the King Committee responsible for King IV, Mervyn King says:

“The overarching objective of King IV is to make corporate governance more accessible and relevant to a wider range of organisations, and to be the catalyst for a shift from a compliance-based mindset to one that sees corporate governance as a lever for value creation”.

King IV is voluntary in South Africa, unless it is prescribed by law or stock exchange listing requirements. It is intended that King IV be accessible to all types of organisations, rather than just listed companies. There are 5 sector supplements for SMEs, NFPs, public sector organisations, municipalities and pension funds. Organisations may scale down the recommended practices to suit their size (turnover and workforce), resources, and complexity provided they meet the good governance principles.

Philosophy and ethical leadership

The philosophy of King IV is based around ethical leadership, the organisation in society, good corporate citizenship, sustainable development, stakeholder inclusivity and integrated thinking and integrated reporting. It takes into account three paradigm shifts in the corporate world:

1. From financial capitalism to inclusive capitalism (essentially about organisations positively impacting society and environments and in turn improving their own prospects).
2. From short termism to long term sustainability.
3. From silo reporting to integrated reporting.

Stakeholder-inclusive model

Rather than prioritising the interests of shareholders, King IV, like its predecessors, utilises a stakeholder-

inclusive approach to corporate governance. Under this approach, King IV provides that boards should take into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of their duties and the best interests of organisations over time. The board, in approving strategy, should also consider stakeholders (among other things).

Social and ethics committee

It is a statutory requirement for some South African companies to have a social and ethics committee. King IV suggests that other organisations consider establishing such committees to monitor and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships (or adding these responsibilities to another board committee).

Technology and information

King III sets out the board’s role in information technology governance. King IV deliberately splits technology governance from information governance. This recognises technology and information can be distinct corporate assets and that they pose individual risks and opportunities. Boards are responsible for protecting, monitoring and enhancing these assets.

Remuneration

The disclosure requirements around remuneration have significantly increased. Key reforms include ensuring executive remuneration is fair and responsible in terms of overall employee remuneration (to close the pay gap) and takes into account performance of economic, social and environmental matters (and not financial performance only).

Many countries around the world, including New Zealand and the United Kingdom, are considering corporate governance changes. It remains to be seen what impact King IV may have, but if the influence of Kings I-III is anything to go by, it is a good bet that, over time, King IV will significantly shift governance thinking around the globe.

King IV is effective from 1 April 2017.



Oak trees from acorns

Whistleblowing and growing stronger businesses and communities

John Perham is chair of Crimestoppers Trust, the independent service allowing anyone in New Zealand to provide information about crime anonymously. Perham established the Trust in 2009 and was this year made an Officer of the New Zealand Order of Merit for services to philanthropy and the community. Perham spoke to boardroom about the importance of whistleblowing in New Zealand, and the value it holds for business and all members of society.



As a director, how do you know what is going on within the organisation you lead? How do you know if something is amiss? In situations where wrongdoing is suspected, what internal processes and cultural norms exist in your organisation to support someone to come forward?

For serious cases, law supports the disclosure of information under the Protected Disclosures Act. The Act exists to encourage those who have information about serious wrongdoing to come forward, and provides some protection to employees who ‘blow the whistle’ on employers. Serious wrongdoing is defined as:

- unlawful, corrupt or irregular use of public money or resources
- conduct that poses a serious risk to public health, safety, the environment or the maintenance of the law
- any criminal offence
- gross negligence or mismanagement by public officials.

“Let’s get to the guts of it: whistleblowing is important in all aspects of both commercial and public sector life.”

Whistleblowing history in New Zealand highlights protection of whistleblowers as an issue. When the ‘Whistleblowers Protection Bill’ was introduced in 1994 it was suggested it should be called the ‘Neil Pugmire Bill’. Pugmire, a psychiatric nurse at Lake Alice Hospital, won public and political support for his actions to raise concerns about the release of certain patients back into the community. The concerns Pugmire held proved legitimate, however, in releasing confidential information that supported the concerns, Pugmire lost his job. Though later reinstated, the message for many continues to be that whistleblowers put themselves at risk.

This year the Tertiary Education Commission came under fire to better protect whistleblowers after the Western Institute of Technology discovered the identity of an ex-employee and sought to view the disclosure she had made against the organisation.

Commentators on this issues say the risk of retribution is one of the key reasons many will not come forward when they are aware of wrongdoing. Supporting and encouraging the reporting of wrongdoing so that appropriate action can be taken without this fear is an issue that business leaders should take seriously within their own organisations.

YOU DON’T DOB IN YOUR MATES

“Let’s get to the guts of it: whistleblowing is important in all aspects of both commercial and public sector life. It provides a protected opportunity for individuals who know or believe they know something about wrongdoing to provide that information to a relevant authority AND be guaranteed anonymity.”

So how important is anonymity?

“It’s not just important,” Perham says, “it’s vital.”

“Whistleblowing and anonymity are explicitly intertwined. It just isn’t credible to have effective whistleblowing of any kind and some form of knowledge as to who the complainant or information provider might be.”

Not all disclosures will be covered by the Protected Disclosures Act; where an organisation has internal processes for disclosure those must be followed, barring exceptional circumstances. Can an employee be sure their identity will be protected in a situation where they must make a disclosure internally? Would they risk blowing the whistle if they fear their job is at stake?

In other jurisdictions some financial reward may entice whistleblowers to come

forward, perhaps protecting them from the financial losses that may come from loss of employment after such action takes place. In the United States the Securities and Exchange Commission enforces the Foreign Corrupt Practices Act, under which payments can be made to whistleblowers depending on the size of any illegally gained finances the SEC recovers. This offer isn’t on the table in New Zealand.

Perham says it is the inability of law in this country to protect the identity of whistleblowers that underpins why it doesn’t work.

As chair of Crimestoppers, Perham has seen what can happen when anonymity is guaranteed: people are more willing to come forward. And this is despite the attitude against ‘telling tales’ that Perham sees as a hindrance to the overall integrity of our communities.

“Responsible senior executives want to know. Responsible senior executives don’t want to turn away.”

“When I said I was going to start Crimestoppers a number of people said ‘don’t be silly this will never work, Kiwis don’t dob each other in’. I know that is a mantra which is widely used, and indeed widely believed by some people, it’s rather like ‘you don’t nark on your mates’.

“The reality is not narking on your mates means you become complicit in knowing what is happening and not doing anything about it. You become a bystander and not a participant in improving the integrity of the community.”

The New Zealand Crimestoppers service was modelled closely on the United Kingdom’s model, and Perham made it very clear that anonymity would underpin the



service. Anonymity is key to its success says Perham: since 2009 the service has received more than 100,000 phone calls.

Crimestoppers shows it is possible to break through the niggling discomfort many feel about reporting wrongdoing. So what can be learned at an organisational level, where it may not be possible to offer anonymity of reporting, to encourage people to speak up?

LANGUAGE MATTERS

How we talk about and label ‘wrongdoing’ makes a difference to a person’s willingness to report it.

“The use of the words becomes very important: you only whistleblow if you think the issue is very serious but your definition of serious and mine will be very different,” Perham argues.

The Protected Disclosures Act kicks in for instances of ‘serious’ wrongdoing but in reality Perham says, designating whistleblowing as related only to ‘serious’ issues means a lot of other wrongdoing is brushed aside.

“Whistleblowing in my opinion doesn’t differentiate. Whistleblowing is a legitimate activity where individuals can make a contribution to improving the stability, integrity and robustness of their community.

“We are inclined to excuse certain behaviours as not being serious enough to worry about, not really any of my business, someone probably knows more about it than I do; that sort of stuff. You don’t have to be very bright to realise that if everybody does that nobody does anything.

“We have a long history of turning partly away from wrongdoing because we’ve called it something else,” says Perham.

“That makes no sense. You’re either right or you’re not. You’re either in or you’re out,

and that comes from the top. We don’t have enough senior leaders in this country who recognise that reality.”

“The purpose of whistleblowing is to protect one another. It’s about seeing something wrong and doing something about it, it’s ‘we’re all in this together’.”

Perham believes more can be done to support and encourage people to speak up when they suspect or encounter wrongdoing. And that doesn’t mean waiting until the action seems serious enough to report. This relies on organisations having robust processes in place and a culture led from the top that supports providing information when something is not quite right.

Some may feel uncomfortable with the suggestion that passing on information about the actions of others (the opposite of the classic ‘mind your own business’ ethos) be encouraged. But, Perham argues, the action of blowing the whistle and speaking up is really about building trust and integrity.

“The purpose of whistleblowing is to protect one another,” Perham says.

“It’s about seeing something wrong and doing something about it, it’s ‘we’re all in this together’. How you do your job is a function of and a contribution to how robust our business is. How robust our business is means ‘do I have a job? Do our children have jobs? Are we going to be able to live in a decent society?’

“So we’re actually looking after one another, not snitching on one another.”

IT COMES BACK TO CULTURE

The culture of an organisation needs to support people to come forward with issues without fearing retribution.

“It’s important to recognise that whistle blowing is not just a public act. We provide a service to a number of services and private sector agencies on exactly the same terms (as Crimestoppers) because responsible senior executives want to know. Responsible senior executives don’t want to turn away.

“There’s lots of people who think they don’t need whistleblowing: ‘my organisation is in a good shape, we walk the talk and lead by example.’ But, as we speak, there is a man in the dock in Rodney being charged with a little less than a million dollars corrupt purchasing activity, and suggesting to the court that this is ‘normal industry procedure!’”

Perham is clear one of the first things we should do to build organisations with integrity is to stop considering compliance as a tick in the box exercise.

“Compliance isn’t just legal. Compliance is about how we do things around here, how we act and respond to one another, how we talk to each other – are we abusive, do we bully one another, is that a characteristic of our organisation?

“Culture is the totality of what the organisation does and why they do it and why they believe they are doing the right thing.

“In that sense when people talk about the culture it’s got to be a total consideration of the word. What are all the elements we’re bringing in here rather than ‘do we comply with the law’ and ‘do we have a code of conduct’. Those are trivial manifestations of an issue that is actually about faith and trust and those are hard things to define, but they’re not hard things to feel. All of these things are emblematic of the indefinable.

Considering what a leader who is able to do these things looks like, Perham speaks of Air New Zealand's Christopher Luxon, who he says is "walking the talk."

"Culture is the totality of what the organisation does and why they do it and why they believe they are doing the right thing."

The story of building a culture with integrity is a gradual one that happens over time as many people work away at it.

"It's those who see the failings and, without ramming it down people's throats, shift behaviour. It's not Rome built in a day stuff; every one of us who is participating in a process of lifting the game becomes enrolled as a participant rather than being continually enrolled as a bystander."

As a tangible example Perham explains what might happen if someone in an organisation is stealing. How do you deal with it?

"There may well be a reason for it. It won't be a good reason, but there may be a reason they've justified in their minds. They may have a gambling addiction. So let's get together and work out how to deal with these things. It can't be dealt with unless everyone in the group has the confidence that they can provide information which may be of some value to be analysed and become intelligence from which action can be taken.

"The action might be 'this person needs some gambling counselling'. It's not 'let's put him away' or 'let's leave it for a while until they've actually stolen a million dollars and then it's a big issue and we can deal with it'. It's not like that. It's oak trees from acorns."

"If we don't get the chairmen, the chief executives and the board directors talking about the value of integrity, not just in their own organisations but the community as a whole, and how it's all of our responsibility to contribute, change will take place even slower.

"It's about lifting the integrity of the whole community. It's a lofty goal but absent a lofty goal what are you shooting for?"

To find out more about Crimestoppers, including their integrity lines for organisations, visit www.crimestoppers-nz.org



director Vacancies

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

DUNEDIN PRISON TRUST

Role: Trustees (3)

Location: Dunedin

Closes: 16 Dec 2016

THE FOLLOWING POSITIONS ARE OPEN UNTIL FILLED:

GIRL GUIDING NEW ZEALAND

Role: National Board Member

Location: No requirement to reside in a particular geographic area, internet access essential.

ALZHEIMERS CANTERBURY INC

Role: Executive Committee/ Board Chair

Location: Christchurch, Canterbury

WAIKATO SPCA

Role: Committee/Board positions (2)

Location: Hamilton (Te Rapa)

BARRIER FREE NZ TRUST

Role: Trustee

Location: Wellington

INVERLOCHY ART SCHOOL

Role: Board member

Location: Wellington

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

Out&about



NATIONAL

The Institute of Directors was represented in South Africa at the Global Network of Director Institutes conference in November.



WAIKATO

In a joint function with the Waikato Chamber of Commerce, the branch hosted Wayne Thompson who discussed the Ports of Auckland supply chain strategy and Waikato Inland Port development. Simon Perry spoke at the Avantidrome about the evolution of high performance sport in Waipa.



AUCKLAND

Early in October a branch event was held in West Auckland for the first time - a breakfast panel discussion on governance in family and private companies, and later that month Chorus CEO Mark Ratcliffe spoke to members about employee engagement. During the end-of-month cocktail evening to welcome new members, Douglas McCaulay, Elaine Ford and Professor Andrew Hill were acknowledged for becoming Chartered Members, and the Auckland Branch 2016 Emerging Director Award was presented to Rachel Hopkins.



WELLINGTON

The branch hosted an annual dinner with Mark Gilbert, United States Ambassador to New Zealand and heard from Head of State Services and State Services Commissioner Peter Hughes on the important role effective leadership and governance is playing in improving the performance of the State services.

- 1 | Panel discussion at GNDI conference
- 2 | Malcolm Mcatherton, Elizabeth MacPherson (Waikato)
- 3 | Martin Thomas and Chamber members (Waikato)
- 4 | Douglas McCaulay, Elaine Ford, Prof Andrew Hill, Michael Stiassny (Auckland)
- 5 | Rachel Hopkins, Michael Stiassny (Auckland)
- 6 | Ted van Arkel, Simon Haddock (Auckland)
- 7 | Simon Walker (IoD UK), Dr Helen Anderson, US Ambassador Mark Gilbert, Rt Hon Jim Bolger

- 8 | Anushiya Ponniah (Bay of Plenty)
- 9 | David Wright and Peter Withers (Bay of Plenty)
- 10 | John McCliskie, Dr Kirstin Ferguson, Annette Milligan (Nelson Marlborough)
- 11 | Paul Bell, Sarah-Jane Weir (Nelson Marlborough)
- 12 | Tracy Johnston, Joe Ferraby (Nelson Marlborough)
- 13 | Paul Poteete and Bjorn Edh (Otago Southland)
- 14 | Bill Baylis, Trish May, Sir Eion Edgar (Otago Southland)

- 15 | Dave Bylett and Craig McGregor (Otago Southland)
- 16 | Peter Cox, Peter Boswell, Sinead Horgan, Mary Devine (Canterbury)
- 17 | Helen Shorthouse, Vincent Pooch (Canterbury)
- 18 | Sarah Smith, Graham Kennedy, Brian Wood (Canterbury)



BAY OF PLENTY

David Wright, director with WEL Networks discussed why Fraud Vigilance is needed by every business and board. The branch also held its annual awards dinner with guest speaker TVNZ presenter, Peter Williams. Anushiya Ponniah was announced as the 2016 Bay of Plenty Branch Emerging Director Award winner.



NELSON MARLBOROUGH

The branch hosted a number of speakers, including Dr Kirstin Ferguson at a function sponsored by Port Nelson and the Business Leaders' Health and Safety Forum, Paul Poteete from Aura for a talk on cyber risk, and Paul Bell about one of the emerging trends for directors: talent and people management.

OTAGO SOUTHLAND

During October and November the branch hosted Paul Poteete (Aura) and Steve Walsh (Marsh) who discussed information security, Steffan Crausaz looked at culture and the delivery of value, and Tony Carter spoke to attendees in Queenstown about the board's role in setting organisational culture.

CANTERBURY

During October the branch heard from Craig McIntosh, CEO of PharmaZen, regarding research and development in New Zealand. Over 90 attendees gathered for a panel discussion on succession planning hosted by branch sponsor Duncan Cotterill and Helen Shorthouse was announced as the Canterbury Branch Emerging Director Award winner.

Company Directors' Course – non-residential

AUCKLAND, 17 OCTOBER 2016

Front row: Greg Batkin, Suren Surendran, Kate Jorgensen, Melissa Firth, Clair Connor, Mark Conelly, Mayurie Gunatilaka, Mario Brazzale
Middle row: Jo Doolan, John Atkinson, Martin Smith, Gareth James, Alison Gill, Gregg Behrens, John Payne, Jason Everett, Suzanne McNamara, Miri Rawiri, Darrin Hughes
Back row: Jon Adams, Simon Gillespie, Alesha Keeler, Peter Reidy, Trevor McGlinchey, Bruce Nicholson, Elizabeth Collins



IoD Events Diary

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

Auckland

14 FEBRUARY

Breakfast event with Joan Withers and panel

15 FEBRUARY

Finance Essentials

19 FEBRUARY

Company Directors' Course

07 MARCH

Breakfast event with Graeme Wheeler

07 MARCH

Governance Essentials

08 MARCH

Finance Essentials

09 MARCH

Strategy Essentials

21 MARCH

Governance Essentials

22 MARCH

Audit and Risk Committees

Bay of Plenty

22 FEBRUARY

Key issues for directors in 2017

Waikato

28 FEBRUARY

Rural Governance Essentials, Hamilton

8 FEBRUARY

Waikato branch AGM function with Ross Buckley, KPMG

Wellington

25 JANUARY

Welcome event with Wellington Mayor Justin Lester

16 FEBRUARY

Wellington branch AGM

01 MARCH

Governance Essentials

02 MARCH

Finance Essentials

16 MARCH

Breakfast event with Wayne Norrie

Nelson Marlborough

09 MARCH

Finance Essentials, Nelson

Canterbury

22 MARCH

Governance Essentials

23 MARCH

Strategy Essentials

Otago Southland

8 FEBRUARY

Digital director event with David Kerr

17 FEBRUARY

New member event with Tony Allison and Geoff Thomas

15 MARCH

Otago Southland AGM

Self-paced study

Online modules can be completed anytime, anywhere and at your own pace.

- Directors' and Officers' Insurance
- Ethics – How directors do business
- Health and Safety Governance
- Not-for-Profit Finance Fundamentals

Webinars

22 FEBRUARY

Chairing Fundamentals

28 MARCH

Risk Trends

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Finders keepers

Take the luck out of finding the right board member with the IoD's DirectorSearch and keep them with DirectorRem.

*director*Search

Find the best director to fit your board's needs. The IoD's DirectorSearch service:

- ✔ will help you find the right person for your board, achieving the optimal skills balance for the board as a whole
- ✔ has New Zealand's largest database of director talent who are actively looking for board positions
- ✔ is robust, objective and in line with governance best practice.

*director*Rem

Set your fees at the right level to attract, motivate, and retain top directors. The IoD's DirectorRem:

- ✔ helps you set the right fees for your directors
- ✔ offers a range of services suited to your needs and budget
- ✔ uses a combination of fee trends, good governance advice and the latest fee survey data.

Every organisation with

AMBITION

needs strong governance
and leadership.

Talk to ASB about how we can help you
with governance for your business.

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