

Annual Report 2019

Celebrating our
past – embracing
our future



The IoD is New Zealand's pre-eminent organisation for directors and is at the heart of the governance community. We believe in the power of governance to create a strong, fair and sustainable future powered by best practice governance. Our role is to drive excellence and high standards in governance. We support and equip our members, and the broader governance community, who lead a range of organisations from listed companies, large private organisations, state and public sector entities, to small and medium enterprises, not-for-profit organisations and charities.

Our vision:

a strong, fair and sustainable future for New Zealand, powered by best practice governance

Our mission:

to support and enable directors to add value to their organisations and wider communities, and prepare them to positively transform the future

Our values:

- Courage to do the right thing
- Manaakitanga
- Kaitiakitanga
- Respect the value of each individual
- Learners for life

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Who we are



Our Council

The IoD Council is responsible for overall corporate governance and consists of 11 non-executive members. Each year branch committees elect members to represent them on the national council. The Council elects the president and vice president annually.

Council advances the purpose laid out in the IoD Rules (Constitution). Its purpose is to promote excellence in corporate governance, facilitate professional development and enhance the standard and effectiveness of directors through information and education on their legal, ethical, financial and general rights and responsibilities. As examples of the values that we hold

as an organisation, Council follows the guidelines on conduct outlined in our Charter and all Council and Committee members also commit to engaging in continuous professional development to improve their governance practice. This year, six meetings of the Council were held. Council positions are voluntary and are not remunerated.

Leadership Team

Kirsten Patterson
Chief Executive Officer

Felicity Caird
General Manager,
Governance Leadership
Centre

Sarah Deans
General Manager,
People and Culture

Chris Fox
General Manager,
Corporate Services

Nikki Franklin
General Manager, Members

Dr Michael Fraser
General Manager, Learning
and Commercial

Sophi Rose
General Manager,
Brand Marketing
and Communications

2019 Council



Alan Isaac
CFInstD | National Council
(President) and Commercial Board



Julia Hoare
CMInstD | National Council
(Vice President)



Dr Helen Anderson
QSO | CFInstD | National Council



Bryan Graham
MInstD | National Council
(elected 19 June 2019)



Craig Hattle
CMInstD | National Council
(elected 23 August 2019)



Jackie Lloyd
CMInstD | National Council



Simon Lockwood
CMInstD | National Council



Jonathan Mason
CFInstD | National Council
(elected 23 August 2019)



Trish Oakley
MInstD | National Council



Vincent Pooch
CFInstD | National Council
and Commercial Board



Clayton Wakefield
CMInstD | National Council



Sarah-Jane Weir
CMInstD | National Council

Councillors who stood down during 2019

Liz Coutts CFInstD
(President) (19 June)

Des Hammond CFInstD
(19 June)

Committees

Institute of Directors' Sub Committees

Audit & Risk Committee

Six meetings

Julia Hoare (Chair)
 Alan Isaac
 Jonathan Mason (*from 23 August*)
 Bryan Graham (*from 19 June*)
 Craig Hattle (*from 19 December*)

Policy & Practices Committee

Operates via email as required

Sarah-Jane Weir (Chair)
 Alan Isaac
 Julia Hoare
 Simon Lockwood (*from 2 October*)
 Liz Coutts (*until 19 June*)
 Dr Helen Anderson (*until 23 August*)

Health & Safety Committee

Three meetings

Dr Helen Anderson (Chair)
 Jackie Lloyd
 Trish Oakley
 Vincent Pooch
 Clayton Wakefield
 Vincent Pooch

Human Resources Committee

Two meetings

Jackie Lloyd (Chair)
 Julia Hoare (*from 19 June*)
 Alan Isaac
 Liz Coutts (*until 19 June*)

Digital Project Committee

Eleven meetings

Clayton Wakefield (Chair)
 Alison Harrison (Indep.)
 Sarah-Jane Weir
 Trish Oakley
 Dr Helen Anderson

IoD Commercial Board

Four meetings

The IoD has a separate Commercial Board to oversee commercial performance.

Independent director of the Commercial Board is remunerated.

Kirsten Patterson (Chair)
 Liz Coutts (*until 28 February*)
 Alan Isaac
 Julia Hoare (*from 19 June*)
 Alison Harrison
 Vincent Pooch (*from 1 February*)

Our branch network

9217

up **1.6%** from the previous year

members

8

Up **25%** over 2018

Branches hosted
268 events

82

members are overseas



Our members

By age

18-29	1%
30-39	10%
40-49	26%
50-59	35%
60-69	21%
70+	7%

By membership type

Associate	10%
Member	71%
Chartered Member	12%
Chartered Fellow	3%
Distinguished Fellow	1%
Retired	2%
Retired Fellow	1%

By gender

Male 69%

Female 31%

Diverse or undisclosed gender **12** members



FROM THE PRESIDENT

As we present our 2019 Annual Report we are in the midst of extraordinary times in 2020 facing the impacts of COVID-19 on our businesses, organisations and communities. While Annual Reports look back – looking forward there is a big job to be done to get New Zealand on track. Good governance and directors will play a vital role in leading the charge. The IoD remains passionate in its cause to help directors feel supported and prepared to do their important work.

I am very pleased to present our Annual Report for 2019, a year of significant progress on a number of key projects for the IoD. We continued to see growth in our Chartered Member numbers and started discussions and planning around reviewing our Rules.

Our members are at the heart of everything we do. In 2019 we continued to invest in, and strengthen, the organisation. Our focus has been on continuing to explore new and innovative ways to broaden our support for our member community and their varied governance roles.

The governance landscape

Each year we run our Director Sentiment Survey which informs our key focus areas of thought leadership. In 2019, our top five focus areas were culture and conduct, climate change, the future of work, mental health and wellbeing in the workplace, and compliance that matters. We saw good engagement, discussion and debate generated via a number of activities, papers and thought-leadership pieces.

During the year we saw a number of significant matters arising that no doubt challenged, tested and influenced boards. These included the continued rise of the #MeToo movement, an increasing focus on mental health and wellbeing in the workplace, the Hayne report, escalating director responsibilities, and the publication in October of The Sustainable Finance Forum's Interim Report on how the financial system in New Zealand may be redesigned to meet sustainability challenges.

Another matter of note in 2019 was increasing director responsibility and moves by regulators to increase personal liability. This is an emerging and troubling trend. It has the potential to negatively impact the director community and deter future directors from taking up roles. This at a time when I believe that directors will be needed more than ever to help our organisations, communities and country to stay strong and sustainable. Accountability is critical, but we need to be clear about what directors are, and should be, responsible for. As the

professional body for directors we were focused on this, and will continue to be a prominent voice on behalf of members.

The Hayne report in Australia sent seismic tremors through the financial sector – and wider governance community, including here in New Zealand. The implications extend far beyond the banking sector. The Hayne report put the issue of the power of strong effective governance firmly in the spotlight and highlighted the importance, to boards, of prioritising culture and conduct.

The Climate Change Response (Zero Carbon) Amendment Bill passed into law in November amending the Climate Change Response Act 2002. A new long-term 2050 emissions reduction target is set out in the legislation. In 2019 we saw an upward trend in relation to board engagement on climate change-related matters and we hope to see this continue.

Global view

A key focus for IoD is how our changing world will transform governance and revolutionise the way boards need to operate, connect and make decisions. In October, CEO Kirsten Patterson and I attended the National Association of Corporate Directors (NACD) Global Board Leaders' Summit in Washington. There were many high-calibre speakers and we heard thought-provoking presentations – many of

which have helped inform our thinking and planning for 2020.

I was particularly interested in the insights into disruptive risks such as deep fake technology. Technological threats are growing in sophistication and volume and this has huge implications for the director community, particularly in terms of being cyber literate. Awareness and vigilance are essential to protect our organisations and people from cyber-crime. In 2019 our Director Sentiment Survey reported 50% of boards are discussing cyber risk we hope to see this increase. The NACD summit also provided a timely reminder that global trends can have a very real impact here in New Zealand. Our geographic isolation and dependence on exports makes us particularly susceptible to geo-political risks. At the NACD summit, Admiral James Stavridis, former head of NATO, outlined how US-China relations will continue to impact us. He also cited the challenges of violent extremism, volatility in the Middle East, Russia drawing closer to China, the rise of China in the Pacific and the political forces pulling at Europe could impact the US and the world. To quote Admiral Stavridis, "while you need to understand the internal world of your company, boards all need to understand the global world as well". These are wise words indeed and have particular resonance as we deal with the global fallout from the pandemic crisis and the impact here at home.

For 2020

We continue to be committed to developing professional directors who demonstrate world-class standards of governance. Our role in education, development and networking – together with research and thought leadership – are important platforms on which we seek to build our support for members.

2020 has brought massive disruption to business and communities all around the world. Strong leadership, good governance, courage, innovation and determination are some of the powerful drivers I have witnessed – and I set great store by. Kiwis have pulled together and I believe that the governance community is strong and will be an important contributor to getting New Zealand through these challenging times.

The IoD is itself having to innovate and pivot to ensure we can support our members and the broader governance community. Our focus will continue to be on building standards and shoring up our organisation and building our own strength and resilience – as we support our members to do the same.

Along with many of you we will be reviewing our immediate priorities but there is no doubt that in our future we will still remain focused on important projects that will continue to drive us forward and continue to help directors excel in their roles. We have made some great progress on building recognition and understanding of our Chartered Membership pathway. There is still work to do and our goal is to encourage more organisations to stipulate Chartered Membership as a primary consideration when appointing directors. We have also made some progress on the review of the IoD Rules (our Constitution), which is an important piece of work and look forward to engaging further with members when appropriate.

In a world that is data driven boards need to understand how their organisations are setting up their frameworks and processes to manage data. Data and technology are some of the most valuable assets many organisations have. And it is vital that boards are asking the right questions about people, processes and technology and have the “digital literacy” to hold management to account on technology and data performance.

Understanding emerging technology should be seen as a strategic imperative. It has too much potential to disrupt an existing business model – or launch a new and successful business model to be considered an operational issue.

At the NACD conference last October, presenters stressed the important role boards have in ensuring digital or technological innovation actually links to, and supports, the company strategy.

Technology governance should include competitive analysis and taking what others are doing seriously.

Climate change continues to be in the limelight with the Government considering adopting mandatory climate-related disclosures for listed issuers, banks, general insurers, asset owners and asset managers, and reporting will be required in annual reports.

Public questioning of the effectiveness and value of capital and corporate governance has brought the importance of governing for purpose to the fore. Purpose beyond profit is critical to remaining competitive and sustainable.

All these factors, along with board leadership, nourish the trust that underpins brand and reputation, and this should feature high on every board’s risk register.

Thanks and appreciation

I would like to extend very warm thanks to our members for their continued support and enthusiastic participation in our events, courses and development programmes.

I want to thank previous President Liz Coutts for her work in 2019. It was a real pleasure to work alongside Liz as Vice President and to be elected to succeed her, after her two-year term. A very big thank you to Chief Executive Kirsten Patterson and her team, to Vice President Julia Hoare and to our Council and our Branch committees. I’m looking forward to our achievements together for governance as we move forward.

Warmest congratulations to our members who gained Chartered Membership, were awarded Chartered or Distinguished Fellowship or received national honours in 2019. Congratulations also to all those named as IoD Emerging Directors.

I am proud of all that was achieved in 2019 and look forward to continuing to deliver results to our members. As we take on disruption and build resilience together we are strong. I am proud to be part of the IoD and for the work that directors are doing each day to transform New Zealand’s future.

Alan Isaac CFInstD
President



FROM THE CEO

2019 was a big year for the Institute of Directors as we forged ahead with some key projects to help us provide even better support for our members. It was very much a year to deliver some big pieces of work and to look forward at what they will help us to achieve for the organisation, for the director community and for strong governance that will help to build New Zealand's future.

As we have hit COVID-19 head on in 2020 we are living with almost daily disruption to many aspects of our lives. While there are great challenges afoot for organisations and our country I'm optimistic that New Zealand's governance community has the ingenuity, courage and sound leadership skills to steer us to a positive future.

In 2019 the IoD delivered some of our key projects which included the roll-out of our new brand and significant progress on our digital transformation

programme. These are important projects and we invested in getting them right. We had a lot of focus on creating our new digital platform as we see this as integral to providing a significantly improved service to members. I was impressed with how the project ran and the care and attention to detail as our cross-organisation team worked together to deliver this large and complex project.

With our new systems up and running we will be providing our members with a more personalised experience

and information that is more tailored and relevant to your specific needs. Over time we will continue to build our digital delivery and streamline our communications improving your experience with us and creating more opportunities for you to connect with us and with the governance community.

As we worked on implementing our new website we were challenged with the defacement of our old website on the morning of 5 August 2019. This incident was part of a series of actions worldwide targeting a particular website platform. We take security of our system very seriously and I'm happy to say that our security patches and system updates were current at the time of the cyber-attack. Unfortunately though, it is the nature of hackers to put concerted effort into exploiting vulnerabilities. We had a good crisis approach in place. We immediately took the website offline and stopped all access to data within minutes of being alerted of the incident. We appreciate that there was some inconvenience to our members and customers during this time but our focus was on ensuring no information was compromised. We had great support from our members and I had some great positive feedback on our approach to communicating and managing the issue. We will be sharing our learnings with members in the near future as sadly these kinds of incidents can affect anyone, however diligent you are to maintaining security.

We were delighted to launch our new brand, define our values and be able to acknowledge our past – and define our future during 2019. Our reputation is strong and we are committed to upholding the value and importance of governance in the future. As part of our focus on the IoD brand we will continue to drive

awareness for the importance of the roles directors play in shaping the future of our companies, communities and country. We were very grateful and delighted to feature our first wave of 'brand ambassadors' who feature on our website. We will continue to refresh these faces throughout the years as we acknowledge the many faces of governance in New Zealand today and in the future. We have also profiled many members during 2019 to celebrate our 30 year anniversary as a New Zealand organisation in our own right. While we have been at the heart of governance for a lot longer we feel that becoming more than a branch of the UK was a significant move – and one that meant we focused on New Zealand governance. There is more to do and we will continue to raise awareness about the value of good governance and directors in the future.

We finished our year with 9217 members compared to 9071 in 2018 an increase of nearly 2%. While our focus is on driving quality rather than member numbers it is still encouraging to see our member numbers tracking steadily over the years.

In 2019 our branches hosted 268 events. This is an increase of 25% over 2018. There was very good uptake of the extensive programme of branch activities, offering opportunities for members to network and hear from experts across many aspects of governance including cyber security, board diversity, climate change, data privacy, the future of money, and governance fit for the future. Mindful of reaching our members wherever they may be we are committed to building our 'distance' offering.

In 2019 we ran four webcasts on topics including the future of work, globalisation and the future of trade, the future of governance and not for

profit governance, accessed by 1397 members. During 2020, we will be working with branches to achieve further engagement across our diverse membership and help those in regions to connect more.

2019 also saw a range of IoD programmes and initiatives aimed at increasing diversity of thought and capability in the boardroom and organisations. We continued to see new directors successfully engage with our long-standing Mentoring for Diversity and Future Directors programmes. Together with the Financial Markets Authority (FMA), we also released a te reo Māori translation of our [The essentials of being a director \(Ngā mea waiwai o te tūranga whakataka\) guide](#). We also launched a Facebook group for participants of our Ngā Pae Hihiri programme which we ran in partnership with Te Puni Kokiri. It is great to see members discussing governance topics with a Māori cultural lens.

We made 15 submissions in 2019 on a wide range of legislation and reviews. These included the Reserve Bank Act Review, Climate Change Response (Zero Carbon) Amendment Bill, Capital Markets Review, submission on climate related disclosures, the New Zealand Productivity Commission's issues paper on technological changes, and the discussion paper for modernising the Charities Act.

We supported moves to build capability of small business and reduce their compliance burden, working with the Ministry of Business, Innovation and Employment (MBIE) and the Companies Office to help produce a new suite of online governance resources promoting better business practices. We also collaborated with Royal Society Te Apārangi, to look at the skill-sets

scientists bring to the boardroom and how boards can improve decision-making through greater use of evidence.

We continued to provide regular insights and governance tips from expert providers to update our members on national and international issues to support them in best practice governance. Across the year, these topics ranged from cyber security to mental health and wellbeing, culture and conduct, inclusion and modern slavery.

There was very good participation in our *2019 Director Sentiment Survey*, undertaken in association with ASB Bank. Each year our *Director Sentiment Survey* takes the pulse of the New Zealand governance community and provides vital information for feeding into governance policy and submissions and sets our top five focus areas for the year. It also helps us to understand the landscape, challenges and opportunities that directors see for themselves and the profession.

In 2019 the survey showed that directors are becoming more reticent to take up roles in the current climate of mounting responsibilities and personal liability. But this comes at a time when the complexity of the business landscape means we need directors and boards who can help navigate the challenges – and uncover the future opportunities for New Zealand. Our role is to provide all the support and insight we can to enable successful outcomes. In 2019, our five focus areas were culture and conduct, climate change, the future of work, mental health and wellbeing at work and compliance that matters. We ran a number of events, guides and articles to help directors deal with these areas.

Our surplus at 31 December 2019 was a small surplus of \$15k before income tax expense. Revenue from services for 2019 was \$12.3m, a decrease of 6.5% over 2018; subscription revenue was up 3.5% and director development training revenue was down 11.9% (largely as a consequence of one of our government contracts concluding). This surplus before income tax expense was just behind our small budgeted surplus of \$51k but ahead of earlier forecasts after management reviewed expenditure to offset some revenue decline.

I would like to thank all our people for their great contribution to IoD successes in 2019, and for their passion for the power of good governance practice and the great value it brings to New Zealand.

Thank you also, to our valued national partners ASB and Marsh, sponsors Aura, KPMG and MinterEllisonRuddWatts and to all the organisations who support our branches at a local level.

I would also like to thank outgoing President Liz Coutts, incoming President Alan Isaac, incoming Vice President Julia Hoare and our Council for their ongoing support to me and the team at IoD.

And of course a heartfelt thank you to our members and particularly to our branch volunteers whose support and commitment are essential in continuing to build a strong and sustainable organisation for the future.

Noho ora mai.

Kirsten Patterson MInstD
Chief Executive Officer

Snapshot of our year

Good governance is crucial to building a strong and vibrant New Zealand. The IoD is committed to improving governance best-practice and to providing our members with tools and information that will help them succeed in their roles. Some of our key achievements for 2019 included:

Our members

Members	9217	↑ 1.6% growth Up from 9071
Chartered categories	7%	growth in Chartered Member and Chartered Fellow categories
NZX Top 50 company chairs members (NZ Based)	86%	of NZX Top 50 Company Chairs are members (NZ based)
Whole Board membership	15	new Whole board members, for a total of 83

Creating profile for governance and directors

Media mentions

\$1.5 Million

the advertising value of our 560 media mentions

LinkedIn

12,000 an 80% growth on 2018

LinkedIn followers

IoD

\$15k

surplus before income tax expense

Brand health – reputation score

79 (Within top 20% of organisations worldwide)

our index score for reputation.

Driving good governance

Branch events

268 ↑ up from 215

branch events were delivered

Building a diverse pipeline

38

members participated in the Future Directors' or Mentoring programme, helping to build a diverse pipeline of talent

Governance services

139

organisations were provided with governance advisory services

Governance Leadership Centre resources

16

Publications produced by the Governance Leadership Centre

Our achievements in 2019



Building influence and driving best practice governance

We seek to be a strong voice on issues that affect New Zealand directors, their businesses and their communities and to consistently advocate for a professional, standards-based approach to governance including delivering learning and development opportunities that help us influence good governance.

While our focus is on retaining our existing members by providing value and remaining relevant, we were pleased to see our membership grow to 9,217 in 2019, up 1.6% from the previous year. This suggests that New Zealand directors – and aspiring directors – value the support that a professional body provides and that they are committed to best-practice governance.

We have grown significantly over the years and we have become New Zealand's pre-eminent professional body for directors based on the strength and quality of our members, our heritage in governance and our commitment to promoting best-practice governance.

Whole of Board memberships continue to increase with boards demonstrating their commitment to best practice governance and recognising the importance of all board members being members of the IoD. During 2019 Whole of Board memberships increased by 15 taking the total number to 83.

Advocating on governance issues

An important part of the IoD's work is to provide robust input on the development of regulations and policies relevant to the work of boards. We are a non-partisan advocate of excellence in governance, and provide a practical perspective on the impact of proposed developments.

During 2019 there were a number of policy and legislative reform proposals with the potential to impact on directors. We made 15 submissions to government including:

- two submissions on the Reserve Bank of New Zealand Act (RBNZ) review
- on the Reform of Vocational Education (ROVE) and Tomorrow Schools (many of our members serve on school boards and, as part of our submission, we surveyed members for their views)
- on both the Climate Change (Zero Carbon) Amendment Bill in July, and on climate-related financial disclosures.

A full list of our submissions can be found at iod.org.nz

New Whole Board members for 2019

- Ngai Tukairangi Trust
- Allen and Clarke Policy and Regulatory Specialists Limited
- Equitas Care Limited
- National Building Financial Capability Charitable Trust
- Savage Papakainga Land Trust
- Te Tāwharau o Ngāti Pūkenga Charitable Trust
- Whakarewarewa Thermal Village Tours Limited
- Tinline Limited
- Auckland Cricket Association
- Hamilton Multicultural Services Trust
- Oceania Healthcare Limited
- The Guildford Timber Company Limited
- Youth Hostels Association of New Zealand Incorporated
- Manawhenua ki Waitaha Charitable Trust
- Marlborough Grape Growers Cooperative Limited

Helping our members stay at the leading edge of governance

In our aim to power New Zealand through good governance we continually review and develop our offerings in terms of development opportunities and services that ensure our members and the director community can access what they need to excel.

At the end of 2018 we refreshed our Company Directors Course and we continued to review, refine and refresh our offering throughout 2019. We are an organisation that values continual improvement and while our work continues we took time during the last year to ensure our strategy would deliver the right opportunities for boards and directors and ensure we continue to influence and promote best practice. Our members and customers will start to see some new courses and revamped courses during 2020. These courses move beyond mere transfer of information to ensure those in or aspiring to governance positions have the experiences and capabilities to shape the organisations they serve. We also continue to review areas of interest and importance for our members as we see new trends and emerging issues arising. Issues such as climate change or digital transformation permeate a number of organisational areas and are therefore likely to be integrated into courses rather than standalone. Our members and customers can expect to see these issues captured in different media as a reflection of diverse learning styles. In 2019 we also took the opportunity as part of our brand refresh to position our governance services and development brands.

We provide a range of services that assist Boards and directors to carry out their roles more effectively. These services help organisations to make decisions that will strengthen the performance of boards and individual directors.

The provision of professional development opportunities also contributes to a stronger governance

community by providing increased capability and allows the IoD to re-invest in governance education and wider members services.

During 2019, our team delivered 51 in house boardroom training sessions. These allow boards to work together and define a plan that is right for their specific circumstances, needs, challenges and abilities. We also provided advisory services to 139 organisations including evaluating boards and providing advice on director fees using our Director Remuneration Survey data.

Our annual *Director Fees Survey* in partnership with EY helps us understand and share valuable information regarding current fee levels. We share key findings with our members. In 2019, 121 members accessed our free to members only *Fee Indicator Report*. We also utilise key findings from the report to provide information regarding director fees, hours and responsibilities to the media.

Our governance advertising service provided 221 organisations with the opportunity to find strong candidates for their roles. Additionally, we provided directors with advice and guidance on their CVs to assist them when applying for board roles.

Connecting with influencers

Our organisation is built on directors giving back to the governance community and ensuring that their experience and learning was passed on to those at earlier stages in their board roles. We value the input and support we receive from experienced chairs and directors and we look to support them in turn with opportunities to connect with colleagues, thought leadership and opportunities that are relevant to their career-stage. These directors have strong influence in the director community and also generously share their experience and knowledge with our wider membership, including through our Mentoring for Diversity and Future Directors programmes, presentations at branch events and contributions to thought-leadership publications.

In 2019 we continued to run a range of events for these senior leaders through our Leading Directors programme. These events included our Leading Directors' Forum and our Audit Chairs' Forum where we also partnered with Chartered Accountants Australia and New Zealand to provide an opportunity for senior audit and risk chairs to connect and hear from thought leaders relevant to them.

“The IoD is really helpful in the sense that it gives you a lot of good guidance about what is happening globally - how to bring that into a New Zealand context and what we as directors should be thinking about, should be looking at and should be challenging”

Barbara Chapman CMIInstD



Building relevance and expanding reach to a diverse director community

An ongoing challenge is to ensure that the work we do remains relevant, is of value and continues to deliver to the needs of directors today and in the future. We are committed to providing an excellent experience for members, customers and stakeholders.

Delivering the first stage of the IoD's digital transformation

Remaining relevant to our members and the broader governance community is key. In 2019 we invested significantly in our digital infrastructure. This was important and timely and the project modelled a best practice governance approach to ensure it stayed on track in terms of delivery and budget. A Council sub-committee was established to oversee the project. The committee brought excellent support and expertise to the table to ensure the strategic goals were met and helped navigate expected challenges that arise in these types of projects. This first phase was launched successfully in 2019.

The investment in our digital project will set us up to be able to provide a more personalised and engaging

experience, providing members and the broader governance community with what is needed, when its needed in a modern and efficient way. We also took the opportunity to replace our existing finance and CRM systems. The website also includes a new e-commerce system which allows customers to book multiple courses and events more seamlessly than our old system.

The new website which went live on 1 December 2019 was developed with member and user input and we will continue to evolve what and how we provide services to you online. The new website also showcases our new brand and features the varied and changing faces of governance in New Zealand.

We were grateful for the support from a range of our members who gave their time – and their faces for our new website as our first 'ambassadors'. We look forward to welcoming many more over time.

While our research showed that users of our old website were keen to see improvements, usage of the website still rose during 2019. There were 322,770 website visits in 2019 compared to 304,489 in 2018. Our new website is delivering a much improved experience. We now have the platforms in place to allow us to move towards providing more targeted information, relevant to members' roles, locations and areas of focus. We look forward to rolling out improvements in 2020 and beyond.

Opening the door to governance

IoD believes that diversity of thought is key to building strong and sustainable boards and organisations. We are committed to building capability in the governance community and to encourage New Zealanders who may be thinking about taking on governance roles in the future. However it is essential that they are equipped and ready to be considered for, and take on board roles.

Our Future Directors programme helps aspiring directors gain experience by observing and learning through participation on a board for 12 or 18 months. In 2019 there were 17 future directors (five more than last year) serving on a diverse range of host boards including state sector, NZX listed and regional boards. Ten of those boards were new to the programme.

A survey of 19 past future directors found participation had strengthened their desire to pursue a career in governance and that 52% of them were successful in finding a board appointment since completing the programme.

We also worked with New Zealand Trade and Enterprise to assist the organisation to develop its own Future Directors programme called OnBoard. This programme is now in place and the first intake commenced their governance training in March 2020. The programme aims to build a pipeline of tomorrow's start-up directors and amplify the potential of start-ups today.

2019 Future Directors

Active

Paige Paterson

Auckland International Airport

Michelle Kong

Lion Foundation

Debbie Sew Hoy

Naylor Love

Charlotte Sullivan

Ngāti Whātua Ōrākei

Faiz Salim

Ngāti Whātua Ōrākei

Otene Hopa

NZQA

Scott Tambisari

NZX

Anna Scott

Port Taranaki

Marie Collins

Ports of Auckland

Claire Neville

Royal New Zealand Ballet

Liora Bercovitch

Scales Corporation

Jemma McCowan

Simplicity

Alexia Hilbertidou

Television New Zealand

Aliesha Staples

Tennis Auckland

Thiem Nguyen

The Warehouse

Renee Mateparae

Wel Networks Ltd/ Ultrafast Broadband

Nicole Buisson

“I think the IoD provides value to the New Zealand’s governance community by creating a hub. It provides a platform for governors to discuss - what does good governance look like now.”

Kirikaiahi Mahutariki MInstD



Governance talent pipeline and building capability

2019 was the eighth year of our Mentoring for Diversity programme. The 2019-20 cohort is comprised of twenty-one mentees who have been paired with top chairs and leading directors over a 12-month period. There are three males and 18 females, aged between 36 and 57 and our cohort has a variety of ethnic and professional backgrounds.

A survey of the 2018-19 cohort garnered very positive feedback, notably about the value of the experience and its positive influence on governance approach. Positive feedback was also received on the importance of the programme in contributing to diversity on boards of large or NZX companies.

Our Ngā Pae Hihiri programme, run in association with Te Puni Kōkiri, helped strengthen governance expertise in Māori organisations and in turn, communities. Late in 2019, we facilitated the setup of a Facebook group for participants that now has 50 members.

Last year our branches presented seven Emerging Director Awards to individuals in the early stages of their governance journey who demonstrate leadership, integrity and enterprise in their career. This programme provides a great step-up; winners gain in-depth exposure to governance through mentoring from experienced directors as well as the opportunity to enhance their skills and experience through working alongside or as part of a board.

Mentoring for Diversity

Mentees for 2018/19 cohort:

Catherine Abel-Pattinson

Bayden Barber

Elaine Cook

Jane Davel

Jan Early

Aliesia Gartrell

Marina Hirst-Tristram

Sarah Judkins

Nic Kennedy

Raewyn Kirkman

Victoria MacLennan

Bindi Norwell

Alison Posa

Barbara Robertson

Rena Smart

Julia Steenson

Lana Stockman

Sunil Surujpal

Bella Takiari-Brame

Wendy Venter

Franky Wang

During 2019, the Centre for Social Impact and the Superdiversity Institute of Law, Policy and Business released a report into the future of governance for New Zealand's non-government organisations. We partnered with them to deliver a live discussion and debate on the future of NGO governance. This was also webcast and can be viewed at iod.org.nz. We recognise the importance and impact this sector has on the standard of governance in New Zealand. In 2020 we will continue to build support and focus for those governing in 'for purpose' organisations.

2019 Emerging Director Award Winners

Auckland

Jaya Prasannan

Bay of Plenty

Annabel Davies

Canterbury

Cory Bedford and Helen Andrews

Otago

Kate Hesson

Waikato

Megan Campbell

Wellington

Julia Fink

Keeping directors informed on important issues

Alongside education and networking opportunities, we produce a significant body of work to help keep members up to date on important and emerging issues.

Our most significant thought leadership publication in 2019 was *Always on Duty, the Future Board*. This discussion paper, produced in association with MinterEllisonRuddWatts, explored trends, challenges and opportunities facing directors today and into the future. The report had wide media coverage including on Radio NZ, NBR, the Otago Daily Times, and The NZ Herald, who ran a full page feature, in total we reached an audience of around 500,000 via media.

Our sixth annual *Director Sentiment Survey*, produced in partnership with ASB, provided extensive insights on what the director community thinks on a range of issues. We partnered with the Companies Office to produce a new governance web resource/tool kit for owners of growing small businesses to help navigate the move into business directorship responsibilities.

Other notable thought-leadership releases included the Top Five Issues for Directors for 2019 our regular *Director Download* email, two compendium *Governance Updates*, and *Directors Briefs* on key topics, including on the future of work, board accountability for executive pay, and scientists in the boardroom. In 2019 we refreshed the look and feel of



Boardroom magazine Dec/Jan Issue 2020

Boardroom magazine in line with our new brand and conducted a reader survey to help continue to ensure the magazine is delivering the depth and breadth of information our readers want and will continue to enhance the magazine.

We continued to build our digital offering this year through webcasts, which enable our membership across the country to engage even where they cannot attend an event. Our topics were the future of work, governance fit for the future, globalisation and the future of trade and the future for NGO governance. A total of 1397 people viewed these webcasts in 2019. Our library of webcast resources will continue to grow in 2020.

Leaders gather

We hold an annual Leadership Conference, which in 2019 was our largest to date with more than 630 people in attendance. Forty international and local thought leaders spoke at the Conference. They shared new thinking, innovations and perspectives about what directors need to prepare themselves and their organisations for the future. The strong line-up included former Prime Minister Rt Hon Sir John Key, China expert John Pomfret, award-winning American director Colleen Birdnow Brown, leading Australian director Michael Smith, and “troll hunter” Ginger Gorman.

Our Leadership Conference is unique and provides excellent opportunities for directors to gather, share ideas and challenges. We consistently receive strong satisfaction ratings from attendees and this year these remained high with 95% of attendees indicating strong satisfaction with the event.

We continued to position the value and importance of good governance and strong directors

We have built a strong reputation over many years in New Zealand and we continually seek to build and protect our standing as a professional body. We also advocate on best-practice governance and raise awareness and understanding for the practice of governance and its contribution to building a strong New Zealand.

Valuing our brand

In 2019 we celebrated our 30th year as a wholly New Zealand organisation – while we have been in New Zealand for longer we started out as a branch of the UK IoD. This significant anniversary was a fitting time to revisit our purpose and think about ensuring we build our organisation to continue to support our members and the broader governance community for many years to come.

As part of building our future organisation we gained input from members, our Council, our staff and external stakeholders and brought this together to help us position the organisation for the future. In 2019 we refreshed our vision, defined our values and launched our new visual identity. We wanted to represent more clearly our New Zealand base, the importance of directors, the inclusiveness of the organisation - and build a modern identity for the organisation we are today and aspire to be in the future.

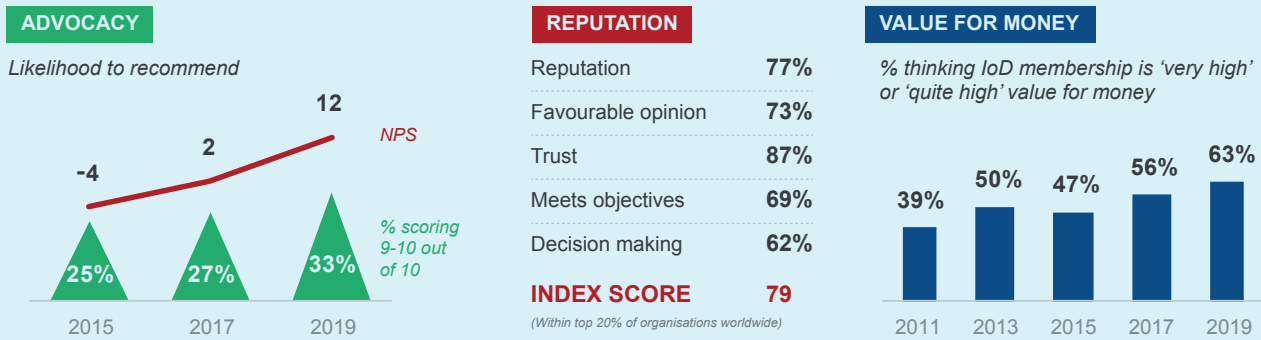
We have put directors firmly at the centre of what we do and in creating our new identity we are focused on ensuring that we are helping directors to feel better prepared to deliver on their increasingly complex roles.

In 2019 we conducted brand health research among our members, customers and other influencers. This provided good insight into how we are doing, what we can improve and how we are tracking against our goals. It also provided a good benchmark for us to track our progress as we move forward.

Key brand health research insights

There is still much to do and in 2020 we will continue to build our visibility and our reputation to ensure we can achieve our vision.

Overall measures are improving over time



Members value the Institute's professionalism and commitment to raising standards

Most important attributes influencing member views of the IoD



High levels of satisfaction are evident across most interactions

% satisfied with each interaction type on average



But the feedback also identified some areas for improvement

Awareness of the IoD's range of services and their benefits could be higher



Building visibility of our services and thought leadership will be a priority for 2020

Members sometimes receive too many emails



Work is underway to streamline member communications

Some groups of members feel less engaged overall



Opportunity to build engagement across the diverse membership base, and help those in the regions to connect more

Some frustration with the old website's navigability



The IoD is looking to create an improved digital experience – this included the launch of a new website

Speaking up - our voice on governance

Much of the public perception of the IoD is driven by media coverage. However, our aim in engaging with media, and social media, is to provide greater awareness and insight into the important role of directors and highlight the essential role that good governance plays in the well-being and prosperity of New Zealand. We also seek to publicly present a practical perspective on governance issues of the day.

We issued a total of 30 media statements during 2019, ranging from promoting our reports to commenting on issues and policy and highlighting members' achievements. Overall, we had 560 mentions in the media, comparable to a total advertising space value of \$1.5 million.

Our 2019 Leadership Conference received extensive media coverage, reaching a cumulative audience of 1.5 million and achieving advertising space value of \$348,532.

We continued to build our social media presence and engagement

across social media channels. We now have 12,000 followers on LinkedIn, an 80% increase on 2018. The average number of LinkedIn users seeing our posts more than doubled from around 18,000 a month in 2018 to over 39,000 a month.

Our Twitter impressions also doubled from a monthly average of 21,217 in 2018 to 42,750 in 2019.

CEO Kirsten (KP) Patterson spoke at 17 external events throughout the year including the Transparency International NZ AGM, Global Women Hui, Financial Services Federation Conference, the New Zealand Culture Conference, and the Climate Change and Culture Conference run by the Sustainable Business Network. KP also addressed 10 IoD branch events.

Outgoing IoD President for 2018 Liz Coutts spoke at four IoD events during 2019 while current President Alan Isaac gave six speeches.

Building professional standards

We have seen our members' commitment to Chartered Membership continue to increase with members seeing it as a good way to indicate their commitment to high standards and to continuing professional development. We were delighted that 141 members achieved Chartered Member status and 27 members achieved Chartered Fellow in 2019. This resulted in a 7% net increase in Chartered Members. In 2019 we experienced higher net growth in member numbers within our chartered categories than we did in all other categories of membership.

The IoD continues to build awareness for its Chartered categories because this helps us to fulfil our vision of a successful and strong New Zealand powered by best practice governance. Our Chartered Members undertake a robust assessment of knowledge and skill and they make an annual confirmation to uphold the principles of the Charter, that they are of good character and that they are committed to CPD. We are committed to continuing our work to build awareness of the value of the Chartered designation within the governance ecosystem and this will form a strong focus for our work in 2020.

“I value being an IoD member because of the networking and the continuous learning that I receive. The landscape of governance is always changing so if you are not up with what's going on you will be very quickly left behind”

Tony Allison CMInstD



We created strong foundations for IoD's future

Like all organisations that seek a sustainable model, we work hard to prepare for what tomorrow may bring.

In order to ensure the IoD remains a responsive and effective organisation, we enhanced our leadership and staff capability during 2019 building a connection to our organisation's purpose, values to guide us and strong foundations that will help IoD achieve its aspirations.

A strong team

During 2019 Dr Michael Fraser was appointed general manager, learning and commercial, Jude Hadfield came in as the manager of our professional development team and Sarah Deans took up the newly-created role of general manager people and culture.

These appointments brought extensive experience in education, learning and commercial environments. The creation of the GM people and culture role highlights the emphasis and importance of building a high-performing, inclusive, and values-based culture at the IoD.

We began to re-align our position in the market promoting our new values and vision, reviewing our employer value offering and creating an environment that is modern, flexible and professional. We will continue to build on this and on creating a strong and inclusive culture.

Health, safety and wellness

Our health, safety and wellness programme has taken a significant leap forward. Our staff health and safety committee was relaunched as the Wholebeing Committee and our new policy puts wholebeing at the core.

With mental illness affecting one in five New Zealanders every year, and bullying and harassment being a significant workplace issue, this commitment to our people's whole health and wellbeing is the right thing to do.

For Mental Health Awareness Week IoD staff participated in a range of activities including speaking at events and by accessing education on how to create a supportive work environment. IoD's staff Wholebeing committee is creating a work environment that is positive and caring. We also hope that flows to people's lives outside work.

Te ao Māori and te reo lessons for staff

As an organisation that respects and values the unique cultural identities of Aotearoa/New Zealand, we wanted our staff to have access to learning and understanding more about te reo Māori and te ao Māori.

Two of our new values reflect distinctly Māori cultural concepts – manaakitanga and kaitiakitanga (hospitality and guardianship).

2019 was the third year the IoD ran lessons for staff who were interested in expanding their knowledge in these areas. Following strong participation and engagement we continue to run this programme through 2020.

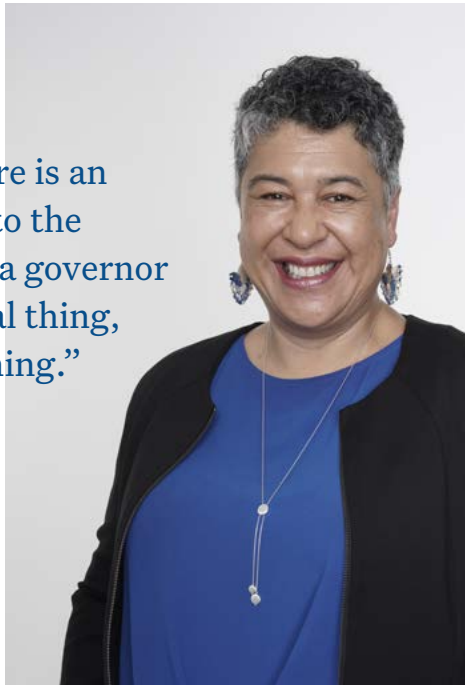
Branch networks

Our branches and branch committees are part of our DNA and they are a vital part of the IoD's success and organisation sustainability of the organisation.

In 2019 we focused on building a stronger branch committee network that was more connected to our national office. To facilitate this we increased reporting, transparency and accountability to our branch committees.

“I value the fact that there is an organisation that says to the wider world that being a governor is a profession, it’s a real thing, and it’s an important thing.”

Caren Rangi MInstD



Another important focus was to continue to recognise the knowledge and skill that resides in our branch committees. Our committee members play an important role in sharing the perspectives and input from their branch networks and these help the IoD to shape our activity and service offering.

Work also commenced in 2019 on ensuring IoD’s own governance practices are fit for purpose and in line with the standards expected of a professional body. The IoD’s Council has reviewed the current model and a range of options. Reviewing and updating the IoD Rules (Constitution) will continue in 2020/2021, including consultation with members who will have the opportunity to engage in this important piece of work.

Financial sustainability

During the second half of 2019, the Council and leadership team spent some time developing a new strategy for 2020 – 2023. A key area of focus is work on our business model, and building our long-term financial sustainability, that will allow us to continue to invest in providing value for members.

Our future

We are evolving as an organisation, to ensure we continue to be cohesive, capable and empowered to deliver on our vision and mission.

We have a strong team of volunteers and staff equipped with the knowledge and skills to achieve our goals.

We have effective processes and operating systems in place.

Financial statements

A surreal landscape featuring white sand dunes and vibrant blue water pools. The water has a striking, almost ethereal blue color, contrasting sharply with the white sand. The scene is captured from a high angle, showing the undulating dunes and the way the water pools in the depressions. The overall atmosphere is dreamlike and otherworldly.



Independent Auditor's Report

To the Members of The Institute of Directors in New Zealand Incorporated

Opinion

We have audited the consolidated financial statements of The Institute of Directors in New Zealand Incorporated (the 'Institute'), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 31 to 41, present fairly, in all material respects, the financial position of the Institute as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Institute in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Institute or its subsidiary, except that partners and employees of our firm deal with the Institute or its subsidiary on normal terms within the ordinary course of trading activities of the business of the Institute and its subsidiary.

Other information

The National Council is responsible on behalf of the Institute for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, obtained prior to the date of our audit report and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

National Council's responsibilities for the consolidated financial statements

The National Council is responsible on behalf of the Institute for the preparation and fair presentation of the consolidated financial statements in accordance with Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the National Council determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the National Council is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Council either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
27 February 2020

Consolidated statement of comprehensive revenue and expense

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue from Services	2(a)	12,329,605	13,189,545
Cost of Services	2(b)	(10,414,904)	(11,075,343)
Gross Profit		1,914,701	2,114,202
Interest Income		144,101	184,408
Operating Expenses	3(a)	(2,043,781)	(1,656,687)
Surplus before income tax		15,021	641,923
Income tax expense	5	(169,300)	(362,960)
Prior Period tax adjustment	5	(67,769)	-
		(237,069)	(362,960)
Surplus / (Deficit) for the year		(222,048)	278,963
Other comprehensive revenue and expense for the year		-	-
Total comprehensive revenue and expense for the year			
Attributable to members		(222,048)	278,963

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2019

	Building Reserve \$	Technology Reserve \$	General Reserve \$	Total \$
Balance at 1 January 2018	400,000	1,500,000	1,027,357	2,927,357
Total comprehensive revenue and expense for the year	-	-	278,963	278,963
Transfers / movements	-	-	-	-
Balance at 31 December 2018	400,000	1,500,000	1,306,320	3,206,320
Balance at 1 January 2019	400,000	1,500,000	1,306,320	3,206,320
Total comprehensive revenue and expense for the year	-	-	(222,048)	(222,048)
Transfers / movements	(400,000)	(1,500,000)	1,900,000	-
Balance at 31 December 2019	-	-	2,984,272	2,984,272

Management of liquidity & accumulated funds

The Institute of Directors in New Zealand's (Inc) ("IoD") capital consists of accumulated funds. The IoD's management and Council monitor its liquidity and management of cash on a regular basis. In 2017 we introduced two reserves to separately identify amounts set aside for future identified Technology and Building / Premises requirements. The Technology spend occurred in 2018 and 2019. The Building spend will not be occurring in the foreseeable future.

The attached notes form part of and should be read in conjunction with these financial statements.

Consolidated statement of financial position

As at 31 December 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and Cash Equivalents		652,038	2,778,287
Term Deposits		3,856,044	3,429,150
Trade & Other Receivables	8	1,347,852	1,379,811
Income Tax Receivable		16,524	-
Interest Receivable		36,900	27,816
Total Current Assets		5,909,358	7,615,064
Non Current Assets			
Property, Plant & Equipment	6	243,257	303,129
Intangible Assets	7	1,714,048	588,168
Total Non Current Assets		1,957,305	891,297
Total Assets		7,866,663	8,506,361
Current Liabilities			
Trade & Other Payables	9	4,882,391	4,952,561
Income Tax Payable		-	347,480
Total Current Liabilities		4,882,391	5,300,041
Total Liabilities		4,882,391	5,300,041
Net Assets		2,984,272	3,206,320
Represented By:			
Building Reserve		-	400,000
Technology Reserve		-	1,500,000
General Reserve		2,984,272	1,306,320
Accumulated Funds		2,984,272	3,206,320

The Council of the Institute of Directors in New Zealand Inc authorised these financial statements presented on pages 1 to 16 for issue.



PRESIDENT

27 February 2020



CHIEF EXECUTIVE OFFICER

27 February 2020

The attached notes form part of and should be read in conjunction with these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	2019 \$	2018 \$
Cash Flows from Operating Activities		
Cash Receipts from Subscriptions & Joining Fees	3,701,752	3,616,265
Cash Receipts from Commercial, Branch Activities & Other	8,672,870	9,714,382
Cash Receipts from Interest	135,017	193,118
Cash Paid to Suppliers	(7,012,406)	(7,534,351)
Cash Paid to Employees	(5,441,595)	(5,378,905)
Income tax paid	(594,184)	(196,056)
Net GST Paid	56,803	(23,268)
Net Cash Flows from Operating Activities	(481,743)	391,185
Cash Flows from Investing Activities		
Net Inflow / (Outflow) from Term Deposits	(426,894)	(1,941,530)
Acquisition of Fixed and Intangible Assets	(1,217,612)	(794,811)
Net Cash Flows used in Investing Activities	(1,644,506)	(2,736,341)
Net increase in Cash and Cash Equivalents	(2,126,249)	(2,345,156)
Cash and Cash Equivalents at beginning of the year	2,778,287	5,123,443
Cash and Cash Equivalents at end of the year	652,038	2,778,287
ANZ Current Account	631,060	634,491
Term Deposits as Cash Equivalents	20,978	2,143,796
Cash and Cash Equivalents at end of the year	652,038	2,778,287

Reconciliation of Net Surplus with Net Cash Flow from Operating Activities

	2019 \$	2018 \$
Net Surplus as per Statement of Comprehensive Revenue and Expense	(222,048)	278,963
Adjustments for:		
Non-Cash Depreciation and Amortisation	152,230	137,457
Non-Cash (Gain) / Non-Cash Loss on Disposal of Fixed Assets	(625)	8,278
Movements in Working Capital:		
(Decrease) / Increase in Trade and Other Payables	(417,650)	252,901
Increase / (Decrease) in Trade and Other Receivables	6,350	(286,414)
Net Cash Flow from Operating Activities	(481,743)	391,185

Cash and Cash equivalents recognition

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash.

Cash on Deposit recognition

Cash on deposit with financial institutions with maturities greater than three months are classified as cash on deposit within the statement of financial position.

The attached notes form part of and should be read in conjunction with these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. General information

The Institute of Directors in New Zealand (Inc) (“IoD”) provides support and education to directors and aspiring directors. The IoD is a New Zealand incorporated society under the Incorporated Societies Act 1908 and is domiciled in New Zealand. The registered office is located at 50 Customhouse Quay, Wellington.

These financial statements have been adopted by the Council on 27 February 2020.

Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the Public Benefit Entity Standards Reduced Disclosure Regime (“PBE Standards RDR”) as appropriate for Tier 2 not-for-profit entities, for which all reduced disclosure regime exemptions have been adopted.

The Group qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

The financial statements of the IoD as at and for the year ended 31 December 2019 incorporate the financial statements of its non-trading subsidiary IoD Limited which was incorporated on 11 November 2013.

These statements are prepared on the historical cost basis, except for financial assets and liabilities which are measured at fair value. The functional and presentation currency is New Zealand dollars.

The financial statements have been prepared on a goods and services tax exclusive basis, except for accounts receivable and payable which include GST as invoiced.

The accounting policies set out in these financial statements have been applied consistently to all periods.

2. Revenue and expenses from services, include, inter alia:

	2019	2018
	\$	\$
(a) Revenue from exchange transactions		
Subscriptions	3,723,512	3,599,048
Director Development	6,419,062	7,239,359
Governance Services	520,831	634,734
Branch Activities	462,973	561,710
Other	1,203,227	1,154,694
Total	12,329,605	13,189,545

2. Revenue and expenses from services, include, inter alia: (continued)

(a) Revenue from exchange transactions (continued)

Revenue recognition and measurement

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the IoD, and is measured at the fair value of the consideration received or receivable. The following specific recognition criteria in relation to the IoD's revenue streams must also be met before revenue is recognised:

Membership fees and subscriptions

Annual subscriptions are recognised as income in advance when invoiced and recognised as income on a straight line basis over the period of membership.

Director development income

Income from Director Development courses is accrued as income in advance and recognised in the month the course is delivered.

Governance Services

Income from Governance Services is recognised in the month of the service being provided.

Branch activities

Income from Branch Activities is recognised in the month the activity occurs.

Sponsorships

Income from sponsorship is accrued as income in advance and recognised over the term of the sponsorship.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. The interest rate risk due to possible fluctuations in rates and credit risk is managed by investing with a number of registered banks, for variable terms not exceeding 12 months.

	2019	2018
	\$	\$
(b) Costs of services		
Employee Remuneration	5,388,004	5,233,319
Cost of delivery Director Development Courses (excl. Salaries)	2,883,127	3,555,449
Cost of Commercial Operations development	192,774	284,745
Cost of delivery Branches, Membership, Governance Leadership Centre, Conferences (excl. Salaries)	1,950,999	2,001,830
Total	10,414,904	11,075,343

3. Operating expenses

	2019	2018
	\$	\$
(a) Operating expenses		
Audit fees	17,350	15,000
Amortisation	29,159	25,386
Bank and Credit card charges	95,710	117,379
Depreciation	123,071	112,071
Insurance	36,439	32,858
IT Support and Maintenance	344,050	263,497
(Gain) / Loss on Disposal	(625)	8,278
Office expenses	128,257	100,927
Printing, Photocopying and Stationery	100,455	73,356
Professional and Contractor fees	276,419	406,563
Rent	257,703	201,562
Telephone, Tolls and Fax	85,211	55,753
Training	42,880	37,728
Travel	225,361	125,478
Other	282,341	80,851
Total	2,043,781	1,656,687

Professional Indemnity Insurance

The IoD has paid a professional indemnity insurance premium on behalf of its councillors, directors, executives, and employees of \$18,750 (2018 \$17,400).

	2019	2018
	\$	\$
(b) Operating Leases		
Current	243,498	255,487
1 – 5 years	763,102	1,006,628
Over 5 years	-	-
Total operating lease commitments	1,006,600	1,262,115

Operating leases recognition and measurement

The IoD leases premises and equipment. Operating leases for the Auckland and Wellington property give the IoD the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of equipment held under operating leases. Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

4. Employee Remuneration

	2019	2018
	\$	\$
Salaries and Wages including Discretionary Payments	5,241,400	5,094,990
KiwiSaver Contributions	146,604	138,329
Total	5,388,004	5,233,319

Employee Entitlements recognition and measurement

Employee entitlements to salaries and wages, annual leave and other benefits are recognised when they accrue to employees. The liability for salaries, sick leave and annual leave is carried at the amount earned for service in the current and past periods.

A number of employees belong to the KiwiSaver scheme. The IoD's obligations as an employer are limited to any agreed contribution levels and these obligations and contributions will cease if the employee leaves the organisation. These contributions are expensed as incurred.

Compensation of key management personnel

Key management personnel of the IoD includes the Chief Executive Officer (CEO) and Leadership Team.

There were six members of the Leadership Team in 2019 (including the CEO) and they received a total remuneration of \$1,315,587 (2018 seven members \$1,420,172). One member of the Leadership Team commenced in June 2019.

Remuneration Range \$	No. of key management personnel 2019	No. of key management personnel 2018
100,000-199,999	2	4
200,000-299,999	3	2
300,000-399,999	1	1

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2018 Nil).

Key management personnel remuneration consists of fixed remuneration, discretionary payments and Kiwisaver contributions and is reviewed annually by the Human Resources Committee and the Council.

The IoD did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2018 Nil).

This disclosure of remuneration is on a cash basis.

5. Income Taxation Expense

	2019	2018
	\$	\$
Surplus before Tax expense	15,021	641,923
Tax at 28%	4,206	179,738
Tax effect of adjustments:		
Non-assessable income	(1,076,211)	(1,092,037)
Non-deductible expenses	1,241,305	1,275,259
Prior Period Tax Adjustment	67,769	-
Income tax expense reported in the Statement of Comprehensive Revenue and Expense	237,069	362,960

Taxation recognition and measurement

Income tax expense

Tax recognised in the statement of comprehensive revenue and expense is the estimated income tax payable in the current year, adjusted for any differences from prior years and taking into account any brought forward tax losses available to the IoD (2019 Nil, 2018 Nil).

6. Property, Plant and Equipment

		2019	2018
		\$	\$
Computers and Cabling	Cost	423,367	361,700
	Accumulated depreciation	(324,509)	(232,637)
	Book Value	98,858	129,063
Furniture and Fixtures	Cost	406,196	423,209
	Accumulated depreciation	(283,339)	(277,477)
	Book Value	122,857	145,732
Office Equipment	Cost	95,837	95,038
	Accumulated depreciation	(74,295)	(66,704)
	Book Value	21,542	28,334
Total	Cost	925,400	879,947
	Accumulated depreciation	(682,143)	(576,818)
	Book value	243,257	303,129

Property, Plant and Equipment recognition and measurement

Assets are valued at the aggregate of cost less accumulated depreciation and impairment losses, if any. Cost includes only those directly attributable external costs incurred in obtaining the asset.

Depreciation is calculated on a straight line (SL) basis or diminishing value (DV) basis according to the assets useful life as follows:

Computers and Cabling	40% and 33% SL, 48% and 20% DV
Furniture and Fixtures	10.5% and 8.5% SL, 48% and 20% DV
Office Equipment	21% SL, 48% and 20% DV

Impairment of Non-Financial Assets recognition and measurement

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

7. Intangible Assets

		2019 \$	2018 \$
Computer Software	Cost	1,751,293	814,532
	Accumulated amortisation	(37,245)	(226,364)
	Book Value	1,714,048	588,168

Intangible Assets recognition and measurement

Intangible assets consist of software and development costs. Development costs incurred in the development of new or substantially improved programmes and services are only capitalised if the future economic benefits are certain and the IoD intends to use or sell the service. The book value of Computer Software for the year ended 31 December 2019 includes \$1,687,298 (2018 \$545,516) relating to IoD's new membership and finance system, which was placed in service and available to members on 1st December 2019.

Research costs are recognised in the statement of comprehensive revenue and expense in the period in which they are incurred.

Amortisation is recognised in the statement of comprehensive revenue and expense over the estimated useful lives which are as follows:

Software 40%, 33% and 12.5% SL, 48% DV

8. Trade and Other Receivables

	2019 \$	2018 \$
From exchange transactions		
Trade Receivables	1,084,804	1,004,795
Prepayments	263,048	375,016
Total	1,347,852	1,379,811

Trade Receivables recognition and measurement

Trade receivables are valued at expected realisable value. A provision of \$1,000 (2018 \$1,000) has been made for any doubtful accounts. Receivables are reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables, Cash and cash equivalents and Cash on deposit are the only financial assets of the IoD and are categorised as loans and receivables.

9. Trade and Other Payables

	2019 \$	2018 \$
From exchange transactions		
Trade Payables	671,157	752,765
Income Received in Advance	3,785,813	3,616,000
Accruals	135,147	258,836
Employee Entitlements	192,545	246,136
Other Payables	97,729	78,824
Total	4,882,391	4,952,561

Trade and Other Payables recognition and measurement

These amounts represent liabilities for goods and services provided to the IoD prior to year-end which are unpaid. The amounts are unsecured and are generally paid within 30 days. Trade payables are the only financial liabilities of the IoD.

Income received in advance revenue includes subscriptions, training and sponsorship income received in advance of the provision of the service. This revenue is recognised as the IoD provides the related services.

10. Financial Instruments

	Loans and Receivables at amortised cost	Financial Liabilities at amortised cost	Total
	\$	\$	\$
2019			
Cash and Cash equivalents	652,038		652,038
Cash on Deposit	3,856,044		3,856,044
Trade Receivables (excl. Prepayments)	1,084,804		1,084,804
Other Accounts Receivable	36,900		36,900
Total	5,629,786		5,629,786
Trade Payables		671,157	671,157
Income Received in Advance		3,785,813	3,785,813
Accruals		135,147	135,147
Employee Entitlements		192,545	192,545
Other Payables		97,729	97,729
Total		4,882,391	4,882,391
2018			
Cash and Cash equivalents	2,778,287		2,778,287
Cash on Deposit	3,429,150		3,429,150
Trade Receivables (excl. Prepayments)	1,004,795		1,004,795
Other Accounts Receivable	27,816		27,816
Total	7,240,048		7,240,048
Trade Payables		752,765	752,765
Income Received in Advance		3,616,000	3,616,000
Accruals		258,836	258,836
Employee Entitlements		246,136	246,136
Other Payables		78,824	78,824
Total		4,952,561	4,952,561

Financial Assets recognition and measurement

The IoD classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the IoD provides money, goods or services directly to a counterparty with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Loans and receivables are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the IoD has transferred substantially all the risks and rewards of ownership.

10. Financial Instruments (continued)

Financial Liabilities recognition and measurement

Financial liabilities include payables under exchange transactions and taxes. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

11. Related parties disclosures

All members, directors, senior management and branch managers are considered to be related parties of the IoD.

Related party transactions other than remuneration of key management personnel

During the year, various members received remuneration in their capacity as professional development presenters and for their involvement in chartered member assessment and board advisory services, on an arm's length basis.

Details are as follows:	2019 \$	2018 \$
Director Development	1,064,991	1,105,216
Chartered Member Assessments	58,961	59,144
Course Review	104,722	194,893
Director fees - IoD Limited	20,000	20,000

Council members

All Council members are members of the IoD and pay full subscriptions as members and do not receive any payments for their roles.

The total amount paid for services from Council members in their capacity as directors of IoD Limited, included in the totals above, was \$0 (2018 \$0).

Branch Committee members

The total amount paid to Branch committee members in their capacity as facilitators, trainers, and / or directors for IoD Limited, included in the totals above, was \$27,929 (2018 \$42,367). No amounts remain outstanding as at the end of the reporting period.

All transactions have been undertaken at arms-length under normal commercial arrangements.

All branch committee members are members of the IoD and pay full subscriptions as members and do not receive any payments for their branch committee roles.

12. Contingent liabilities

The IoD has no contingent liabilities at 31 December 2019 (2018 Nil).

13. Capital commitments

The IoD has one capital commitment as at 31 December 2019 with respect to the replacement of our membership, finance and website system. The total committed for the new Digital Project beyond 31 December 2019 is \$22,073 (2018 \$507,770).

14. Events after balance date

There are no significant events which have occurred subsequent to balance date (2018 Nil).

Good governance for a strong New Zealand



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