

Information pack for host boards:

Future Directors in the state sector

This information pack has been developed by the Government Steering Group. It is based on information provided by the Institute of Directors (IoD) on the Future Directors programme for host boards in the private sector.

The Steering Group members are: Ministry for Women, the Treasury, Ministry for Culture and Heritage, Te Puni Kōkiri, Ministry of Transport, Department of Corrections, and Ministry of Business, Innovation and Employment, with support from the state Services Commission and the IoD.

Contents

Section One: Information about the state-sector programme

Introduction and background on Future Directors

Future Directors in the state sector

Roles and responsibilities of the host boards and committees (host boards)

Roles and responsibilities of a Future Director

How to become a host board

Section Two: Tools for board chairs and departments that administer board appointments

Agreement to participate in the Future Directors in the state-sector programme

Host board questionnaire to identify:

- a. Sector experience
- b. Business skills and experience

Draft letter of engagement

How to use this pack:

Section One provides information and answers to questions that may arise for board chairs and departments that administer board appointments, appointing agencies and candidates for the Future Directors in the state-sector programme.

Section Two provides tools for board chairs and departments that administer board appointments to help put the programme in place.

The Ministry for Women and the Steering Group will assist the first three host boards to find suitable candidates. The programme will pass to the appointing agencies to manage following a review to ensure the programme is working well.

Section One

About the Future Directors in the state sector

Introduction

This information is for state sector boards and agencies that administer board appointments. It provides details of how the programme works.

Cabinet approved in principle the expansion of the Institute of Directors (IoD) Future Directors programme across state sector boards and committees (CAB-16-MIN-0198 refers).

It is important that state sector boards have the same opportunity as private sector boards to increase the diversity of board members.

Ministers have been asked to support the programme and encourage state sector boards to participate.

Ministers are required under the state Services Commission's Guidelines to consider diversity when appointing directors and board members. This programme is intended to assist Ministers to do that by providing, over time, a pipeline of qualified and experienced people of all genders, ethnicities, age and backgrounds who are ready to step into director roles.

The Future Director position is not a Minister appointed role and is not considered by the Cabinet Appointments and Honours Committee. The Future Director candidate is selected by the board chair on behalf of the host entity and in conjunction with the agencies that administer their board appointments.

The Chair is then responsible for informing the Minister that a Future Director will be attending board meetings and receiving board information.

The Ministry for Women has been leading a Steering Group of experienced government agencies to develop this programme.

The Ministry acknowledges the information and advice provided by both the IoD and the Steering Group.

The programme is in its implementation phase. It will be evaluated by following-up with boards and candidates after six months and 12 months. Changes may be made to the programme based on the evaluation.

What you need to know about the Future Directors programme

The Future Directors programme gives talented people the opportunity to observe and participate on a board for 12 months.

The programme was set up in the private sector by Sir Stephen Tindall, Des Hunt (Shareholders New Zealand Association) and Michael Stiassny (Institute of Directors) in 2013. It is managed by the Institute of Directors (IoD).

People seeking high-level corporate governance experience are matched with host companies seeking talented people to observe and participate in board meetings. Participants also receive mentoring from a senior board member.

Boards can gain new perspectives on issues and greater diversity, which can lead to better decisions and better performance.

The programme has operated largely in the private sector.

Future Directors in the state Sector

Future Directors has been expanded into the state sector.

All state sector boards and committees can participate in the programme on a voluntary basis. It is open to both men and women from the private sector.

What is the aim of the Future Directors in the state-sector programme?

Future Directors will increase diversity on state sector boards and strengthen the pipeline of aspiring leaders in the private and public sectors by:

- matching state sector boards offering to host a Future Director with talented people seeking boardroom experience
- offering a range of board experiences to talented people who want to build their governance skills
- bringing a larger and more diverse pool of talent to state sector boards.

What will boards get out of the Future Directors programme?

State sector boards will access:

- fresh perspectives and ideas
- greater diversity which could lead to better decisions and better performance.

The programme will help aspiring leaders learn governance skills and contribute to developing the governance pool.

Why is the Future Directors programme being introduced to the state sector?

The business case for diversity in governance is well known.

Diverse boards are likely to be more effective and to have greater understanding of their customers and stakeholders. They're in a better position to benefit from fresh ideas, new perspectives and broader experience. This means better decision-making, organisational resilience, and the economic and productivity gains that come from more diverse leadership.

This programme is about diversity in all its forms including gender, age, ethnicity, experience and regional perspective. The programme will help the Government reach its target of 45 percent of women on public sector boards. Women currently occupy 43.4 percent of state sector board roles.

Ethnic diversity is low, with around 90 percent of New Zealand private sector boards having only one ethnicity (Korn Ferry, 2014). We also want to foster diversity of thought by giving host boards access to younger, talented people with new ideas and skills.

Roles and responsibilities

- The Government Steering Group will develop the programme details and monitor the programme's impact.
- The host chair will select (in conjunction with the appointing agency) and support the Future Director.
- The host board will support and mentor the Future Director during the 12 month placement.
- The host entity will support or work with the host board chair to negotiate the engagement terms of the Future Director.
- The appointing department will support the host chair to select a Future Director.

Role of agencies that support board appointments

Although Future Directors are not being appointed to a board, these agencies will work with board chairs to identify and select Future Director candidates.

The agencies will:

- find suitable candidates
- manage the interview short-listing, due diligence, and other support for the selection processes
- provide the selected candidate with a detailed information pack.

Tips on managing the appointment process

1. Ensure there's a clear understanding of what the board want to achieve by hosting a Future Director.
2. Remember that the scheme is aiming to increase the numbers of board-ready future directors for a range of private and public sector boards, so identifying potential is the key to ensuring a successful placement.
3. It's reasonable to expect a board to prefer a candidate who has some familiarity and interest in their work. If the candidate can bring a missing element or skill to the board this should be seen as a bonus rather than the driver for the selection.
4. The board (and department) should clarify what experience is considered relevant, to help with short-listing.
5. Remember, this isn't a job or board member appointment interview. Think hard about what questions candidates should be asked.

The Ministry of Business Innovation and Employment provided these tips based on the appointment process for the first Future Director to the Worksafe New Zealand board.

Roles and responsibilities of a state sector host board and host entity

The host board

The host board will agree to participate in the Future Directors programme. The Chair will, through their appointing agency, inform the Minister that the board has agreed to a Future Director attending board meetings and receiving board information.

The Chair will advise the agency that administers their board appointments that they wish to participate in the programme.

It is important for each host board to examine its legislation and constitutional documents, focusing on the roles, functions, and responsibilities of both the board collectively and of its individual members. This is necessary to ensure that a Future Director does not assume any of the roles assigned to board members under statute, and to ensure there is no confusion about the status of the Future Director and board members.

The board chair, in conjunction with the agency that supports their board appointments, will:

- identify the skills and experience required for a Future Director candidate
- participate in the interview and selection from a short-list of candidates
- select the Future Director
- offer the candidate a 12-month placement¹ with access to all board activities, subcommittees and networking opportunities
- assign an experienced mentor who will:
 - contact the Future Director before each board meeting to discuss the agenda and answer questions
 - debrief with the Future Director after every board meeting and be available to answer questions and provide process explanations as required
- participate in the evaluation of the programme.

The host entity

The host entity will:

- provide a letter of engagement to the successful Future Director applicant
- reimburse the Future Director for their travel, meal and accommodation expenses actually and reasonably incurred
- consider whether training or participation compensation should be offered and what that compensation should be, and negotiate the compensation (if approved) with the selected candidate

¹ Longer by negotiation

- assist the host board to examine its legislation and constitutional documents, focusing in particular on the roles, functions, and responsibilities of both the board collectively and of its individual members.

Role and responsibilities of a Future Director in the state Sector

Future Directors are ‘observers’. They are not board members and are not bound by the duties set out in legislation.

The Future Director does not have the legal status of board members and will not count in a quorum of a board meeting. Their role is limited to observation and participation by attending meetings, contributing to discussion, and receiving mentoring from a senior board member. While they will participate in board discussions, they will not be involved in decision-making, or have voting rights.

What is expected of a Future Director?

A Future Director is expected to bring to the board a fresh perspective, a new or different skill set, and diversity of gender, ethnicity, age and/or regional perspective.

Future Directors must be familiar with relevant state sector legislation that applies to the particular board (for example, the state Services Act 1988 and the Crown Entities Act 2004) as well as the state Services Commission’s Standards of Integrity and Conduct.²

The Future Director will:

- attend all scheduled and special board meetings, unless the board determines otherwise
- read all supplied notices and documents
- be familiar with the host board’s enabling legislation including the statutory duties that apply to the board collectively and to individual board members, as well as all relevant public sector legislation
- comply with all applicable charters, policies, codes and procedures
- disclose all relationships and relevant private or other business interest to the board.

Future Directors will be required to observe strict confidentiality for any information that they access while they are in their role.

While recognising that Future Directors are not appointed as board members, the state Services Commission’s *Board Appointment and Induction Guidelines* may be helpful for a Future Director in the state sector.

How will Future Director candidates be found?

Future Director candidates could be found through:

- Ministry for Women nominations database
- the IoD Future Directors (private sector) database
- other government agencies’ databases

² This applies to people working in Crown entities and agencies but has also been applied more broadly: for example to Crown entity companies: see <<http://www.ssc.govt.nz/code-organisations/>>.

- external sources, such as, LinkedIn, recruitment agencies, referrals from Ministers' networks, referral from chair and host board networks, other private sector mentoring programmes.

Following candidate identification by the host board, the agencies that administer board appointments will work with the board chair to select a number of candidates to be considered by the board chair (with the agency). It is important to ensure a good 'fit' between the participant and the host board.

Who can be a Future Director candidate?

Host chairs and agencies that administer board appointments will look for candidates who are management leaders or business owners, from all genders and ethnicities, and who have a range of skills and sector experience that meets host board requirements.

Will a Future Director get paid for participating in the programme?

The Future Directors are to be reimbursed for their travel, meal and accommodation expenses actually and reasonably incurred to facilitate their attendance at board meetings. Standards of travel, accommodation and meals would need to be modest and appropriate to reflect public sector norms.

Principally, the role is a 'learning and development' opportunity for the Future Director. It may be appropriate for a "participation fee" to be provided, over and above the expenses incurred. This decision will be at the discretion of the host chair and the agencies that administer board appointments. Any agreed compensation would be paid by the host entity.

The process to become a host board

How to apply

The host board chair will:

- contact the agencies that administer their board appointments and request participation in the Future Directors programme
- send a selection criteria to the administering agency (Appendix One)
- request and complete the agreement to participate form
- send the forms back to the agencies.

The host board chair may also wish to complete the optional questionnaire which helps to determine the types of skills and sector experiences required from the Future Director, or to provide other information to help with candidate selection (Appendix Two)

The process to select a Future Director

The host board chair will work with the agency that administers their board appointments to:

- select a Future Director
- consider whether a training or participation fee should be offered, what form that fee should take, and negotiate the fee (if approved) with the selected candidate.

The host entity will:

- provide a letter of engagement to the successful Future Director applicant
- manage the payment of any agreed compensation, and supporting documentation for this
- reimburse the Future Director for their travel, meal and accommodation expenses actually and reasonably incurred. Standards of travel, accommodation and meals would need to be modest and appropriate to reflect public sector norms
- provide appropriate cover for the Future Director in terms of insurance and indemnities (if needed).

Each selection process would be managed in accordance with constitutional and legal obligations that apply to the host entity.

A sample engagement letter for use between the host entity and the Future Director is attached to this information pack.

The draft engagement letter (Appendix Three) sets out the roles and responsibilities of a Future Director including:

- the designation of the position and a position description
- detail on the role of the board
- the expectations of the individual in their capacity as a Future Director

- training or development opportunities or obligations
- frequency of meetings and time commitment
- any compensation arrangements.

Board chairs will assign the Future Director candidate an experienced mentor for the 12 month period, and will participate in the review of the programme.

Section Two: Tools for Board chairs and agencies that administer board appointments

This section includes the following forms you can use to identify and appoint a Future Director:

- An agreement to participate in the Future Directors in the state-sector programme
- A host board questionnaire to identify:
 - Sector experience
 - Business skills and experience
- Draft engagement letter

Appendix One

Please complete this form and return to the agency that administers your board appointments

Agreement to participate in the Future Directors in the state-sector programme

In my capacity as board chair and on behalf of the host entity, we agree to participate in the Future Directors programme and to:

- allow the Future Director to observe and participate at board meetings and in board discussions.
- provide the Future Director with a mentor for the agreed period of the appointment.

Name of state sector board	
Name of Chair	
Email Contact	
Phone Contact	
Signature	

Appendix Two

Optional: Host Board Questionnaire

Please complete the form to help us effectively identify the most suitable Future Director candidates.

Send your completed questionnaire to ----- (appointing agency to complete by adding contact details)

Please complete this application form to be part of Future Directors programme and return to the agency that administers your board appointments

Contact details

Contact person	
Phone and email	
Courier address	

Company / Board information

Organisation name	
Website address	
Industry	
Number of staff	
Ownership structure	
Other relevant board background and information	

Board Information

<p>Structure and make-up of board</p> <p>It would be useful if you could supply the names of your board of directors. This information would be used to provide background for the short-listed candidates.</p>	
Meetings typically held where and when	
Number of meetings per annum	
Average length of meetings	
<p>Committee requirements</p> <p>Please list the committees of the board and indicate those with which this candidate may be involved</p>	
Payment of attendance/travel costs	
Director & Officer insurance provided	

Candidate specification

Level of seniority and experience	
<p><i>Gender / Ethnic considerations</i></p> <p>Consider increasing the diversity of your board.</p>	
<p><i>Geographical considerations</i></p> <p>Is it important for the candidate to be located close by ie in the same city as the board meetings?</p>	
<p><i>Skill/ qualification requirements</i></p> <p>What skills and qualifications would add value to your board?</p>	
<p><i>Sector experience</i></p> <p>Is it important for the candidate to have experience in your industry?</p> <p>What other industry/sector experience could add value to your board?</p>	
<p><i>Occupational background</i></p> <p>What occupational background could add value to your board?</p>	
<p><i>Board experience</i></p> <p>Do you expect the candidate to have prior governance experience?</p>	

Sector experience – This form may assist in the consideration of skills that are required of a Future Director

Please tick the sector and experience that candidates require and indicate items of priority, (1,2,3 with '1' being highest priority).

Sector	Level of Experience	Priority	Sector	Level of Experience	Priority
Agriculture, forestry and fishing			Education and training		
Agriculture			General		
Aquaculture			Adult, community and other education		
Fishing, hunting and trapping			Preschool and school education		
Forestry and logging			Tertiary education		
Support services			Electricity, gas, water and waste services		
Arts and recreation services			General		
General			Electricity		
Artistic			Energy distribution		
Gambling			Energy generation		
Heritage			Energy retail		
Sport and recreation			Energy wholesale		
Banking, finance and insurance services			Gas		
General			Waste collection, treatment and disposal		
Financial services			Water supply, sewerage and drainage		
Insurance			Construction		
Retail banking			General		
Share broking, money markets and derivatives			Building construction		
Superannuation funds			Heavy and civil engineering		
			Property and real estate services		
			General		

Health care and social assistance			Government administration and safety		
General			General		
Hospitals			Central government administration		
Medical and other health care			Defence		
Residential care			Justice		
Social assistance			Local government administration		
			Public order and safety		
			Regulatory		
ICT services			Tourism		
General			General		
Infrastructure services			Transport, postal and warehousing		
Software development services			General		
Systems integration services			Air and space transport		
Telecommunications and network services			Other transport		
Information media and telecommunications			Postal and courier pick-up and delivery services		
General			Rail transport		
Broadcasting (except Internet)			Road transport		
Internet publishing and broadcasting			Warehousing and storage services		
Internet service providers, web search portals and data processing			Water transport		
Library and other information			Wholesale trade		
Motion picture and sound recording			General		
Publishing (except internet and music publishing)					
Telecommunications					

Manufacturing			Mining		
General			General		
Basic chemical and chemical			Coal		
Beverage and tobacco			Oil and gas		
Fabricated metal			Other		
Food			Professional services		
Furniture and other			General		
Machinery and equipment			Accounting		
Non-metallic mineral			Advertising		
Petroleum and coal			Architecture		
Polymer product and rubber			Engineering		
Primary metal and metal			Legal		
Printing			Management and other consulting		
Pulp, paper and converted Paper			Market research and Statistical		
Textile, leather, clothing and footwear manufacturing			Other technical		
Transport			Scientific research		
Wood			Veterinary		

Business skills and experience

Please tick the sector and experience that candidates require and indicate items of priority, (1,2,3 with '1' being highest priority).

Business Skills	Level of Experience	Priority	Business Skills	Level of Experience	Priority
Accounting			Human relations		
General			General		
Accounting information systems			Learning and development		
Auditing (External)			Organisational design		
Auditing (Internal)			Organisational development		
External Reporting			Remuneration		
Financial Management			Senior HR management		
Insolvency and Reconstructions			Succession planning		
Management accounting			General management		
Taxation			General		
Finance			Change management		
General			Environmental management /sustainability		
Acquisition financing			Health and safety		
Cash management			Operations management		
Debt and equity financing			Research and development		
Funds management			Strategic planning		
Investor relations			Supply chain management		
Money markets, foreign exchange and derivatives			IT		
Private equity raising			Commercialisation of IT		
Public equity raising			ERP systems		
Regulatory compliance			IT strategy		
Risk management			Project governance and management		
Stock exchange relations and requirements			Senior IT management		

Venture capital raising			IT transformation		
Legal			Marketing		
General			General		
Banking and finance			Brand management, advertising and promotions		
Charities Act			Business to business		
Companies legislation			Business to consumer		
Competition law and regulation			Channel development, market partnerships and management		
Consumer law			Digital Skills		
Contract law			Franchising		
Employment law			International markets		
Intellectual Property			Product or service development		
International Trade			Public relations		
Legislative Processes			Senior marketing management		
Mergers and acquisitions			Social media		
Securities issues and trading			Sales		
Tax law			General		
Trustee Act			Account management		
			Business development		
			Business to business		
			Business to consumer		
			International markets		
			Senior sales management		

Appendix Three

You can use this draft Engagement Letter for your Future Director candidate

Name

Address 1

Address 2

Dear

Selection as a Future Director in the state Sector

I am pleased to confirm your selection as a Future Director observing [Name of Board].

This role is conditional on you returning a signed copy of this letter to us (see copy attached for this purpose). If you accept this offer, you will be confirmed as a Future Director under the terms of this letter.

Term

Your role takes effect from the date you return your signed copy of this letter and is for a term of 12 months. Your role can be terminated early by you on one month's notice or by the Board immediately on notice to you. The Board may give such notice at any time and without cause.

Nature of position

As a Future Director, your role is as an observer. You will not be a Director or a member of the Board. You will have no voting rights and your role in Board meetings will be solely to observe and participate in discussions and does not extend to governance. You are expected to attend all Board meetings, participate in Board discussions and receive certain documentation and mentoring on the terms of this letter.

Meetings

You will be welcome to attend all scheduled and special Board meetings, unless the Board determines otherwise. If requested, you will also observe one or more Board Committees.

It is preferred that you attend all of the scheduled meetings in person.

Documentation

Subject to the Board's discretion, you will be provided with all documents, notices and any other information (which a director receives) in relation to Board meetings as well as any proposed written resolution of directors and documents relating to such written resolutions.

You will be sent all such notices and documents at the same time that they are sent to directors, unless the Board determines otherwise.

Obligations and responsibilities

During your term as a Future Director, you are required to comply with all charters, policies, codes and procedures as they apply to your role, as well as other such requirements or policies as the Board may, from time to time, specify. You will be provided with access to all

such information to allow you to fulfil these obligations. You will also agree to comply with any reasonable directions of the Board concerning your role as a Future Director.

You have a continuing obligation throughout the term of your role to disclose all relationships you have with the Board and relevant private or other business interests to the Board.

You agree to consult with the Chair before accepting any directorships of companies, or taking any other action, relevant to your position as a Future Director.

Should any material circumstance change regarding information you are required to disclose to the Board pursuant to the terms of this letter, you will notify the Board within two business days of that change.

Engagement with role and mentoring

During your term, you will be assigned a Board member to act as your mentor. You are also expected to educate yourself on an ongoing basis to ensure that you appropriately and effectively perform your function as a Future Director.

Confidentiality

In the course of your term as a Future Director, you will receive information which would not otherwise be available to you (**Confidential Information**). You must apply the highest standards of confidentiality to the Confidential Information and not disclose any Confidential Information to any person (whether during the course of the appointment or at any time before or after) except as required by law.

When you cease to be a Future Director, you agree to immediately return to the Board all property, materials and documents of, or provided to you by, the Board.

Use of Information

You must not use any information which may come to your knowledge in your role otherwise than in the performance of your role as a Future Director.

Privacy

Any personal information you have provided to the Board under this letter, or otherwise as a result of your selection as a Future Director, may be used or disclosed by the Board to comply with any law or listing rule or for corporate governance purposes.

You may ask for access to the personal information that the Board holds about you in your capacity as a Future Director. To make a request for access to your information you should contact the Board Secretary. If for any reason, the Board is unable to grant access to you to any personal information, the Board will advise you in writing of that reason.

Governing Law

This letter is governed by, and shall be construed in accordance with, New Zealand law.

Expenses and other benefits

You will be entitled to the reimbursement of your reasonable out-of-pocket expenses to attend board meetings (if appropriate).

Agreement

Please confirm your agreement to the above by signing and returning the enclosed duplicate of this letter.

Yours sincerely

[Chair]

for and on behalf of []

I accept the role of Future Director at and agree to the above.

[Candidate Name]

Date