

Governance 101



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WHY GOVERNANCE MATTERS (MORE THAN YOU THINK)



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HOW GOVERNANCE
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Why governance matters (more than you think)



WHAT IS GOVERNANCE?

Governance is a system providing a framework for managing organisations. Put simply, governance takes a ‘helicopter’ (or high-level) view of strategic issues, rather than focusing on the operational day-to-day running of the business. Governance applies to all companies, including startups, not-for-profits and those focused on achieving high growth.

At its core, governance is about leadership, decision-making and accountability, ensuring the organisation stays true to its purpose while acting responsibly and sustainably.

Here are the core aspects typically involved in governance:

- **Direction and strategy:** Setting the long-term vision and strategic goals
- **Oversight:** Monitoring performance, risk, compliance and management
- **Accountability:** Ensuring the organisation meets legal, ethical and stakeholder expectations
- **Integrity and ethics:** Maintaining high standards of conduct and transparency
- **Stakeholder engagement:** Listening to and involving those impacted by decisions (e.g. communities, investors, staff)

Governance might sound distant or corporate, but it’s deeply relevant to issues that matter – climate change, equity, digital transformation and social impact.

WHY DOES GOVERNANCE MATTER?

Governance matters because it shapes the decisions that affect people’s lives. When done well, it ensures that organisations act fairly, transparently and in the best interests of the communities they serve. Good governance helps direct resources where they’re most needed, builds trust between institutions and the public, and gives communities a voice in shaping their own futures. It supports social, environmental and economic wellbeing by holding leaders accountable and ensuring long-term, ethical decision-making that benefits everyone – not just a few.

When people talk about corporate governance, they’re usually talking about the role of the board of directors. Boards exist to ensure a company is well run, sustainable and well governed – so it creates long-term value and is positioned to meet future challenges, such as climate change, digital disruption, equity expectations and other complex shifts.

What do directors do?



Directors set the vision and long-term goals of organisations. This includes setting the strategy to achieve that vision and monitoring its implementation. Directors play an important role in ensuring organisations comply with all necessary legislation and remain financially solvent.

DIRECTORS VS SENIOR MANAGEMENT

Directors are concerned with the big picture and have a ‘helicopter focus’, which involves steering the organisation towards its goals and overseeing senior management, those people responsible for day-to-day operations and decision-making, to ensure alignment with an organisation’s vision and purpose.

It is important to note that directors DO NOT replicate, or replace, the management team. Management makes operational decisions. The board sets the strategic direction of an organisation, its risk appetite and, most importantly, clarifies its purpose. The board then holds management to account for delivery against that purpose. Effective boards develop strong trust and understanding with management, with the chair-CEO relationship particularly important.

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Rochelle Lee on Unsplash

AREAS WHERE DIRECTORS ADD VALUE

| | |
|--|---|
| Set strategic direction | Directors help define the organisation's long-term goals and make sure the strategy aligns with its values and purpose. |
| Offer fresh thinking and diverse perspectives | They bring new ideas, challenge assumptions, and reflect the changing needs of communities and the future. |
| Oversee risk and performance | They monitor financial performance, manage risks, and ensure there are systems in place for compliance and accountability. |
| Appoint and support the CEO | The board hires, supports and, if necessary, holds the CEO accountable. |
| Act in the best interest of the organisation | Directors have a legal duty under the Companies Act 1993 to act in the best interests of an organisation. They must always put the organisation's mission – and the interests of its stakeholders – ahead of personal gain. They must not have any conflicts of interest with the organisation. |
| Ensure legal and ethical standards | They make sure the organisation follows the law, treats people fairly and behaves responsibly. |

A good board will try to debate an issue from every angle before coming to a decision. A director should be prepared, informed, and ready to debate and think about the strategic future. Some directors bring general skills, others more specific expertise – but all add value through fresh perspectives.

Directors have real influence over how resources are used, how people are treated, and how decisions impact communities. That's why diverse, ethical and well-informed directors are essential – including young people who can bring fresh insight and future-focused thinking.

WHAT SKILLS GREAT DIRECTORS BRING

| | |
|--|--|
| 1. Governance knowledge | Directors must understand the principles and practices of governance, including: <ul style="list-style-type: none"> • The board’s role versus management • Fiduciary and legal duties • Accountability and performance monitoring • Ethical and responsible governance |
| 2. Strategic thinking | Directors should be able to think long term, beyond immediate issues. This includes: <ul style="list-style-type: none"> • Contributing to strategy development • Considering future trends (e.g. technology, climate, societal change) • Assessing opportunities and threats |
| 3. Financial literacy | All directors – not just finance specialists – must: <ul style="list-style-type: none"> • Understand basic financial statements (balance sheet, P&L, cash flow) • Ask informed questions about financial performance and solvency • Ensure accurate and transparent financial reporting |
| 4. Risk and compliance oversight | Boards must understand the organisation’s risk profile and ensure: <ul style="list-style-type: none"> • There are effective risk management systems • Legal and regulatory obligations are met • Emerging risks (e.g. cyber threats and climate change) are considered |
| 5. Communication and influence | Directors need strong interpersonal and communication skills, including: <ul style="list-style-type: none"> • Listening and questioning respectfully • Influencing without dominating • Engaging with stakeholders when appropriate |
| 6. Collaboration and collective decision-making | Effective boards work as a collective, not as a group of individuals. Directors should be able to: <ul style="list-style-type: none"> • Work constructively in a group setting • Challenge constructively and support consensus • Demonstrate emotional intelligence and self-awareness |

Directors also promote accountability and transparency, contribute diverse perspectives, and help manage risk to support sound decision-making.

In Aotearoa New Zealand, both companies and not-for-profit entities structured as companies are required by law to have at least one director.

Under the Companies Act 1993, every company must have at least one natural person (not another

company) who is ordinarily resident in New Zealand or an enforcement country. This legal requirement ensures there is an identifiable individual responsible for the governance of the organisation.

For not-for-profits that are structured as incorporated societies or charitable trusts, governance is instead provided by officers, trustees or board members – and while the structure differs from companies, these individuals carry similar governance duties and responsibilities.



Board roles

The number of roles on a board depends on its size and structure. This section outlines key roles, including the chair, types of directors, board committees and the company secretary.



ROLE OF THE CHAIR

The chair plays a key role in the board's operation, with one of their main responsibilities being to set the agenda and lead board meetings. They are responsible for guiding discussions towards clear outcomes for management to implement. The chair should encourage a range of views on each issue and work to reach a consensus among board members. They must also ensure that all decisions are clearly understood and accurately recorded.

The chair provides leadership in fostering an effective governance culture and ensuring strong communication flows between the board and management. They serve as the primary link to the CEO – a relationship that is essential to the organisation's overall performance.

TYPES OF DIRECTORS

There are three types of directors:

1. EXECUTIVE

Executive directors have a dual role as employees of the company and as directors. As directors they:

- Have responsibilities, but must retain a degree of independence from their executive role
- Should be appointed as individuals, and not because of any position they hold within the company
- Must always be alert to the potential for conflicts between their management interests and their duties as a director

An executive director brings an insider's perspective to the table which can be valuable when discussing the company's operations.

2. NON-EXECUTIVE

These directors bring an outside perspective to the table, and often a wealth of knowledge and experience. A non-executive director may be representing a major shareholder, but an independent director will generally have no other links with the company other than sitting on the board. The non-executive director's principal role is to provide independent judgement. This includes:

- Outside experience and objectivity on all issues which come before the board
- Understanding detailed knowledge of the company's business activities and ongoing performance, so they can make informed decisions
- Recognising the division between the board and management

The boundary often gets blurred in SMEs. For example, a non-executive director may be appointed to fill a gap in knowledge and expertise, and end up assisting management in that area.

3. INDEPENDENT

To ensure true separation between management and governance, it makes sense to include independent board members. Some owners can feel threatened by this independence, but in the end their outside thinking can enable the business to grow and develop valuable long-term strategy.



COMMITTEES OF THE BOARD

Committees may be set up to deal with specific issues, such as a takeover bid, a major commercial deal, or a research project. Other committees (listed below) operate continuously and in conjunction with the board. Smaller committees are valuable because they can work in greater detail and make decisions more quickly. Directors are often appointed to committees because they have specific skills relevant to the subject under consideration.

The **audit committee** produces accurate financial statements and ensures that the organisation is following the necessary accounting standards. It plays an important role in ensuring additional oversight of the organisation's finances. Members of the committee should, wherever possible, be independent non-executive directors.

The **nomination committee** focuses on the appointment of directors to the board, and aims to maintain a balance and diversity of skills, knowledge and experience.

The **remuneration committee** oversees the process for setting remuneration for the board, the CEO, and sometimes senior management, in a transparent and objective manner.

These committees should be formally established by board resolution, with clear mandates and defined responsibilities.

COMPANY SECRETARY

The company secretary plays a key role in supporting the board's effectiveness. They ensure board processes are followed and that the board operates in line with legal and governance requirements. The company secretary works closely with the chair to coordinate meetings, prepare board papers, support director induction, and help ensure the smooth running of board activities.

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Hal Gatewood on Unsplash

How governance supports success



Good governance supports success by defining what an organisation wants to achieve – its purpose – and a roadmap for how it will achieve that – its strategy.

Boards also establish the culture of an organisation, leading on key issues such as ethics and inclusion.

Setting a risk appetite is another key contributor to the success of organisations as this enables management to make consistent decisions across a range of issues – from financial investment to the use of artificial intelligence.

This is true for organisations of all types, sizes and purposes. Good governance underpins the success of large listed companies, mid-tier businesses, not-for-profit organisations, sports clubs, associations, schools . . . the list goes on.

At the IoD, we help directors to stay abreast of contemporary governance challenges in a fast-changing world.

We believe that good governance brings success not only to organisations but, through that, to the country as a whole. Hence our mission: Supporting directors to positively transform the future.



GOVERNANCE OPTIONS FOR BUSINESSES

Many businesses already have trusted advisors. At critical points, companies often turn to experts for advice in areas such as finance, setting strategy or business planning. All companies need advisors and specialists from time to time. However, advisors are not the same as board members because directors are much more likely to be committed to the company's longevity and future. Put simply, they are usually in it for the long haul.

Many owners arrive at a critical stage where their knowledge, passion and skills are stretched. The company may be:

- Growing and need to find new ways of operating that rely less on the owner's personal involvement
- Exploring opportunities that are outside the current owner's knowledge and experience
- In need of profiling itself to investors, bankers and other important outsiders
- Wanting to grow and prosper in the future without the owner's input
- Seeking a fresh perspective on issues, free of any emotional bias
- Being readied for sale

In all these cases, it's time to look at a more formal structure, such as an advisory board or a board of directors.

THE VALUE OF GOOD GOVERNANCE FOR BUSINESS

IMPROVING PERFORMANCE

Many business owners are content with a lifestyle business that provides a steady income. Others aim to continually improve performance, building a sustainable and valuable enterprise that can outlast them – or be sold in the future.

PERFORMANCE EQUALS VALUE

Good governance supports management to increase shareholder value. Improving performance leads to better results, which puts more value into the business. This value is measured by an increase in the company's overall worth, but also in its perceived value, which can help win contracts, raise capital and improve relationships (for instance, with financial backers).

Improving business performance takes courage – it often requires making tough decisions. A business should:

- Identify and stop things that are not working
- Do more of the things that work well

Making these tough decisions requires having clear and proven historical and current information and data, including a business's financial standing. It's important to know what the bottom line is and what the company's financial future might entail.

For most small and medium businesses, this area of improving business performance is an Achilles' heel. A company may give an enthusiastic 'yes' to a large order without taking the time to calculate the knock-on effects, such as increased stock costs, more credit and additional salaries.

Establishing a board and working with experienced independent directors can ensure formal steps are put in place to measure and improve performance.

HOW STRUCTURE HELPS

Boards meet with their management teams on a regular basis. The executive team will present reports, such as:

- A simple two-page summary of progress against the business plan
- An overview of risks and issues you are managing
- A financial summary

Just knowing the meeting is coming up can be a great spur to get everything in order. Being accountable to a board usually adds a welcome pressure on management.

The board will also want reports on key aspects of the company's operation that are critical to the success of the business. These elements are often known as key performance indicators (KPIs). Some standard KPIs are:

- Financial performance
- Human resources
- Marketing activities
- Product or business positioning
- Social and ethical responsibilities
- Legal and regulatory issues
- Organisational structure
- Industry trends

Some boards prefer a report-by-exception format, where the report focuses on what's changed – not routine operations:

- Nothing new to report? Say it in a sentence
- Things are going better than expected? Say it in a paragraph
- Things are going worse than expected? Explain it in depth over a page

FUTURE FOCUS

While historical information helps set the context, boards are primarily interested in what lies ahead. A forward-looking view enables the board to make informed, strategic decisions that best position the organisation for the future.



BIG-PICTURE THINKING

The core role of a board is to focus on the big picture – asking the right questions to ensure the organisation’s strategic vision is clear and achievable.

FOCUS ON STRATEGIC ISSUES

As the company grows, the board must focus on strategic issues, such as:

- Competition
- Industry trends
- New means to increase productivity
- Technology breakthroughs such as AI
- New markets
- Climate change

A board requires the time and space to take a step back and consider all the issues.

WORKING ‘IN’ OR WORKING ‘ON’ THE BUSINESS

Business owners often struggle to find the time to work ‘on’ the business, making the idea of a board to help deal with this area very attractive and a means to lessen the load. Having a board is, first and foremost, about understanding the big picture. It should be made up of expert individuals who can set direction, assess the landscape and guide the organisation – while management takes the wheel.

LONG-TERM VIEW OF THE BUSINESS

Keeping ahead of the day-to-day demands of a business often means making short-term decisions, rather than decisions that consider the future of the company. A board of directors takes a strategic, long-term view of the business.

Experienced directors will have lived through the life cycle of a company before and will:

- Understand the trials and tribulations involved
- Know the potential growth paths for the company
- Foresee and avoid business pitfalls
- Have the confidence to make good decisions

JOINING THE DOTS

The essence of big-picture thinking is the ability to synthesise data. This means:

- Identifying the overarching patterns and themes in the world outside the business
- Connecting all the dots to see strategic insights
- Developing the right responses to grow the company

MANAGING RISK

Setting up and staying in business can be risky and therefore understanding how to best manage that risk is important. Having a strong board can play an important role in mitigating risk.

Only a few businesses grow if they are completely risk-averse, but reckless decision-making also causes business failure. Effective risk management sits at the heart of good governance.

WHAT IS RISK?

Businesses take risks every day, whether it's launching a new product, hiring new staff, expanding into new markets, or setting up a new store. These risks are taken because the potential for reward outweighs the possibility of loss. That is not to say, however, that robust debate, research and effort has not been done to make such decisions.

A board plays a vital role in ensuring a company takes the necessary precautions when dealing with risk, while also maintaining the pursuit for adding value to the company.

Managing risk is about gathering relevant information so you can make a trade-off between the likelihood of it happening and the consequences if it does.

TAPPING INTO EXPERIENCE

Different industries have different risks, which appear at different stages of a company's life cycle. Independent directors are typically members of several boards. This brings:

- Insight into different approaches to risk
- Extensive networks that can be tapped into for specific expertise
- General know-how to fully evaluate a particular risk

HIGH RISK, HIGH RETURN

As the saying goes, 'with great risk comes great reward'. However, governance and risk management need not put the brakes on a growing business because risk can often represent significant business opportunities.

Independent directors often play devil's advocate and challenge conventional thinking when risk rears its head. They can help a board take advantage of something exciting at the same time as ensuring the risk doesn't outweigh the benefits.

WHO'S RESPONSIBLE?

The ultimate responsibility for risk management resides with the directors or board, but the practice of risk management is the responsibility of the company's executives. The management team should work together with the board.

Businesses must take risks to generate profit – risk is inherent and cannot be eliminated. What matters most is understanding the level of risk being taken.

THE VALUE OF GOOD GOVERNANCE FOR NFPS, TRUSTS AND CHARITIES

DELIVERING ON A PURPOSE

The Companies Act views governance as a board of directors managing a company on behalf of its owners, in line with the company's purpose. The same general principle holds true for the governance of not-for-profit organisations (NFPs), trusts and charities.

NFPs are not businesses in the sense of having profit as their driving force. They are generally established to benefit the community or their members. Good governance in this sector helps these organisations deliver benefits to the community that can range from housing to recreation to health support, along with many other things.

While it is common for governance roles in this sector to be filled by volunteers, directors are subject to the same legal duties as other directors.

Good governance is essential if the organisations are to deliver on their purpose and overcome challenges, such as:

- Intense competition for limited resources
- Competing entities with similar services or scope
- Attracting, motivating and retaining (often volunteer) board members and staff
- Securing reliable funding

WHAT ORGANISATIONS MAKE UP THIS SECTOR?

It's a big sector. There are over 115,000 NFPs in New Zealand. While there are for-profit businesses that operate for a social purpose, an NFP entity is considered to be any society, association or organisation (incorporated or not):

- That is not carried on for the profit or gain of any member
- Whose rules do not allow money, property or any other benefit to be distributed to any of its members

Common criteria for NFPs used by Statistics New Zealand include bodies that are:

- Organised to the extent they can be separately identified
- Not-for-profit and do not distribute any surplus they may generate to those who own or control them
- Institutionally separate from government
- Self-governing and in control of their own destiny
- Non-compulsory in terms of both membership and members' input

The IoD is an NFP. We are a membership body run for the benefit of our members, not for profit.

LEGAL FRAMEWORK

Incorporated societies, including cultural, sporting, educational, religious, business and professional groups and social service providers, are governed by the Incorporated Societies Act 2022.

Directors are “officers” under the Act and have legal duties, plus a responsibility to act in accordance with the constitution of a society.

Trusts (and societies) that have charitable purposes can incorporate as charitable trust boards under the Charitable Trusts Act 1957. This Act includes mandatory and default trustee duties, and sets out trustees' obligations to retain records.

All charities are NFPs, but not all NFPs qualify as charities. NFPs must meet certain requirements to register as a charity under the Charities Act 2005, and this includes being established and maintained

exclusively for charitable purposes. Charitable purpose has a special meaning in law and is defined in section 5(1) of the Charities Act.

NFPS VS FOR-PROFIT ENTITIES

Other differences between NFPs for-profit entities can include:

- Exemptions from paying income tax
- Having donee status allowing donors to claim a tax credit for donations
- Reliance on volunteers
- Reliance on fundraising, sponsorship, grants or member subscriptions
- Engagement with different stakeholders (eg volunteers, community groups and members)

HOW NFPS ARE GOVERNED

NFPs are sometimes said to have a strong focus on the three ‘S’s’ – stakeholders, sustainability and surplus. Good governance is important to all three.

The need for a robust governance framework in NFPs may grow in proportion to the size of the organisation. Small NFPs (measured by people, operations and/or turnover for example) may have a relatively basic governance framework that suits their needs. However, larger NFPs may have more developed governance structures and arrangements in place, and aspire to best practice.

NFPs generally have founding documents governing how they operate (eg a constitution, rules or trust deed). These documents set out key governance processes and the rights, powers and obligations of board members. Board members should be familiar with these documents, and actively understand and be involved in the governance of their organisation.

The governance/management split can be blurred or intertwined in some NFPs, especially smaller organisations. Directors need to ensure they step back from the day-to-day operational matters and devote themselves to the bigger picture governance issues relevant to ensuring the long-term sustainability of their organisation.



GOVERNANCE IN THE PUBLIC SECTOR: HOW IT DIFFERS

Public sector boards are accountable to ministers, Parliament and the public, creating higher expectations for transparency, fairness and integrity. While core governance principles apply across sectors, the public sector operates in a more complex and politically sensitive environment.

KEY DIFFERENCES WITH THE BOARDS OF COMMERCIAL ENTITIES

PURPOSE AND ACCOUNTABILITY

In general, public sector governance exists for the public good rather than private profit, with boards accountable not only to shareholders but also to the government, Parliament and ultimately the public. This creates a higher expectation of transparency, integrity and fairness. Some public sector boards, such as those of state-owned entities, are expected to deliver a commercial return to the government – similar to private sector boards delivering a return to shareholders.

LEGAL AND REGULATORY FRAMEWORK

Public sector boards must comply with specific legislation, including the Public Service Act 2020, Crown Entities Act 2004, Public Finance Act 1989 and Official Information Act 1982. Their governance actions must align with statutory obligations and government policy, whereas private sector companies primarily operate under the Companies Act 1993 and are guided by corporate governance codes.

PUBLIC SCRUTINY

Public sector boards operate in a highly transparent environment. They are subject to Select Committee reviews, their information is often accessible under the Official Information Act, and their financial and non-financial performance must be regularly reported and scrutinised. In contrast, private sector boards have significantly fewer public disclosure requirements unless they are listed on a stock exchange.

RISK AND REWARDS BALANCE

Public sector organisations often have multiple – and sometimes conflicting – objectives, such as delivering services efficiently while ensuring they are equitable and accessible. In contrast, private sector boards typically have a narrower focus on profitability and creating shareholder value.

THE MINISTER'S GOVERNANCE ROLE IN THE PUBLIC SECTOR

A key distinction between public and private sector governance is the Minister's central role. In the public sector, Ministers have specific responsibilities that influence how boards operate, including:

OWNERSHIP AND STEWARDSHIP

- The Minister acts as the representative of the Crown (the ultimate owner)
- Ministers are the link between the government and the board
- They are responsible for ensuring the entity operates effectively and aligns with government priorities

BOARD APPOINTMENTS

- Ministers appoint directors to Crown entity and SOE boards
- Appointments are often made with advice from a monitoring agency (such as MBIE, Treasury, Ministry of Health) and must consider skills, experience and diversity
- Ministers are involved in the selection of the chair and in approving CEO terms and conditions for some entities

SETTING EXPECTATIONS

- Ministers set expectations for entities, often through formal letters of expectations
- They may shape strategic direction indirectly by specifying public sector priorities or guiding broader outcomes (e.g. public health targets, infrastructure development, climate change goals)

MONITORING AND ACCOUNTABILITY

- Ministers monitor the performance of public sector organisations, with the help of monitoring agencies
- They respond to Parliament on matters related to the performance of entities (e.g. in Select Committees)
- They table Crown entity annual reports in Parliament and answer questions about entity operations

STEWARDSHIP AND RISK MANAGEMENT

- Ministers also act as stewards of public funds and must ensure the risks facing an organisation are properly managed
- They must balance encouraging organisational performance with ensuring accountability for public money



GOVERNANCE RELATIONSHIPS IN THE PUBLIC SECTOR

Effective public sector governance relies on a clear chain of accountability and relationships between key actors. Each plays a distinct role, from the public through to Parliament, Ministers, boards and operational staff. Understanding how these roles interact is essential to navigating governance in the public sector.

- The public holds Parliament accountable
- Parliament oversees the Minister
- The Minister provides direction to, and monitors, the board
- The board exercises governance oversight of the CEO and management
- The CEO and management lead the staff who deliver services
- Select Committees provide an additional layer of oversight between Parliament and Ministers
- Monitoring departments act as advisors and intermediaries between Ministers and boards

SUMMARY

| Aspect | Private Sector Governance | Public Sector Governance |
|----------------------|--------------------------------------|--|
| Accountability | Shareholders | Ministers, Parliament, public |
| Key legal framework | Companies Act, NZX rules (if listed) | Public Service Act, Crown Entities Act, Public Finance Act |
| Minister involvement | None | Appoints, monitors, sets expectations |
| Decision drivers | Profit, business success | Public interest, service delivery, social outcomes |
| Transparency | Private, except required disclosures | High transparency, public scrutiny |



The legal framework

Complying with the law is a fundamental expectation of directors. The legal framework a director must follow will depend on the type of organisation they serve. For example, a not-for-profit operates under different legal requirements from a state-owned enterprise or a public company. Regardless of the setting, a director's central duty is to act in good faith and in the best interests of the organisation.

THE COMPANIES ACT 1993 AND INCORPORATED SOCIETIES ACT 2022

The **Companies Act**¹ and **Incorporated Societies Act**² broadly define the legal duties of directors. By law, directors are expected to act in good faith and in the interests of the company, declare conflicts of interest, avoid reckless trading, comply with the directors' duty of care, ensure a company remains solvent, and comply fully with all regulations and laws.

WHAT DOES ACTING IN GOOD FAITH MEAN?

The concept of good faith in the Companies Act encompasses:

- **A duty of care:** they must exercise the skill and diligence of a 'reasonable director'
- **Not trading recklessly:** they must not allow business to be carried on in a way that creates a substantial risk of loss to creditors
- **Not incurring inappropriate obligations:** they must not allow the company to make guarantees that it cannot honour or undertakings that cannot be delivered
- **Getting this wrong can be severe:** from hefty fines to imprisonment; ignorance is no defence in the eyes of the law
- **Civil suits** can be brought by disgruntled employees, creditors, customers and competitors

1. <http://www.legislation.govt.nz/act/public/1993/0105/latest/DLM319570.html>

2. <https://www.legislation.govt.nz/act/public/2022/0012/latest/LMS100809.html>

WHO CAN BE A DIRECTOR?

There are no special qualifications required to be a director. However, you can't become a director if you are:

- Under 18
- An undischarged bankrupt
- Not allowed to direct, promote or participate in the management of a company for any reason under the law, including having been convicted of an offence involving 'dishonesty' during the past five years
- Subject to a property order made under sections 30 or 31 of the Protection of Personal and Property Rights Act 1988
- Not qualified according to conditions laid out in the company's own constitution

Questions to ask before joining a board

Not every board opportunity will be right for you. Before saying 'yes' to a board role, take time to evaluate whether:

- The organisation aligns with your values and skills
- You have the time and capacity to meet the expectations
- There are any actual or perceived conflicts of interest

All directors in New Zealand have a fiduciary duty to act in the best interests of the company. This is a serious legal and ethical responsibility – you must be engaged, act in good faith and comply with relevant laws. Due diligence is a two-way process.

How do you assess whether a board role is right for you? Your decision to join a board should be based on careful investigation and analysis of two key questions:

1. Are you personally and professionally suited to the position?
2. Is the company suitable for you?

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Planet Volumes on Unsplash

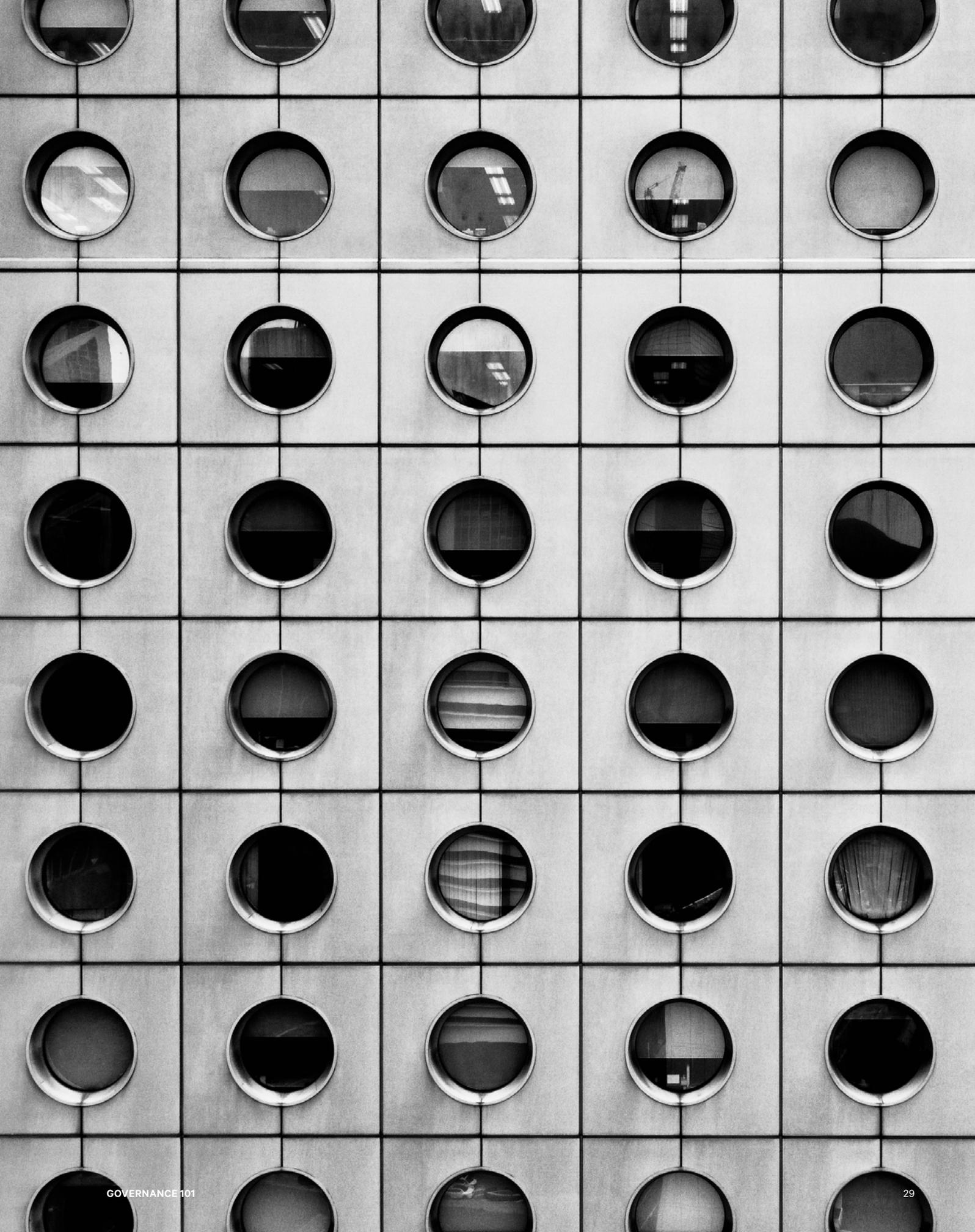
PERSONAL SUITABILITY

| | |
|--|---|
| Motivation | There are many valid reasons for accepting a board position – desire to add value, to broaden your skills and experience, to further develop networks, and remuneration. But remember a board position brings personal responsibility and risk. |
| Skills and experience | Assess whether you have the right skills and experience to complement other directors on the board and to take the organisation forward with its strategic plan. |
| Time commitment | Clarify the expected time commitment with the chair before accepting the role. |
| Conflict of interests | Assess whether you have the independence to make clear, impartial decisions – free from any current involvement that could compromise your ability to act in the organisation’s best interests. |
| Company suitability | Before investing your time and reputation in an organisation, you should carry out thorough due diligence. |
| The company’s financial position | Review not only the financial statements from the past three years, but also assess their accuracy and understand the reasons for any anomalies. |
| Board capability and operation | Consider the board’s vision and strategy, the leadership style of the chair, the skills and experience of existing directors, and how effectively the board operates. |
| Management capability and operation | Assess the skills and experience of the CEO and senior management, the quality of the relationship between the chair and CEO, the company’s reputation, and the strength of its risk management practices. |
| Directors’ liability insurance | Check that the company’s constitution permits it to indemnify or insure directors. Understand the company’s policy on paying premiums, and whether additional cover is desirable. |

Download our **[Board appointments checklist](#)**³

Use it to help assess both yourself and the board when considering a new board role.

3. <https://iod.org.nz/resources-and-insights/guides-and-resources/board-appointment-checklist>



Your governance journey – first steps into the boardroom

It's never too early – or too late – to start your journey in governance. If you're curious about how decisions are made and how organisations create value and impact, there's a place for you at the board table - now or in the future.

THE VALUE OF DIFFERENT VOICES IN GOVERNANCE

Boards are recognising that fresh thinking, lived experience and different worldviews are crucial to good decision-making. The value of diversity in the boardroom lies in the breadth of experience directors bring. Insight into digital innovation, community expectations, behavioural trends and social change supports better governance and future-focused decision-making.

So, if you've ever spoken up in a team, led a project, taken part in a youth group, or challenged the status quo respectfully – you're already building some of the key skills directors need.

SO WHERE DO YOU START?

Ready to learn more about governance? You can explore professional development opportunities, observe a board in action, connect with others in the director community, or take part in programmes that build your understanding of governance and leadership.

Photo by:
Zhiyuan Sun on Unsplash

Think of your journey in four steps:

1. CONNECT – MEET THE PEOPLE WHO GOVERN

Start by building relationships. Get involved in conversations about leadership and decision-making in your iwi, community, or interest area. Attend events, ask questions, and introduce yourself to people working in governance – most are happy to share their stories and advice.

- Join a school board or local advisory panel
- Attend events hosted by the **Institute of Directors (IoD)** or local governance groups (many welcome guests)
- Follow governance-focused organisations – such as the IoD – on LinkedIn or Instagram
- Reach out to someone you admire in a governance role for a coffee chat – most will say ‘yes’

Tip: Don’t underestimate the value of your existing network – talk to mentors, whānau or community leaders about your interest in governance. They may know someone who can help you take the next step.

2. DEVELOP – LEARN THE FUNDAMENTALS

Good directors are always learning. You don’t need to know everything to get started – just be open to growing. Be curious, stay informed and keep learning. Governance is a skill set you can develop early.

Start building your knowledge by:

- Learning what a board does – how it sets direction, oversees performance and holds management to account
- Watching short videos or listening to podcasts about governance and decision-making
- Exploring the **Governance Essentials** courses through the IoD, which provide a beginner-friendly introduction to board work
- Asking for feedback when you’ve been in a leadership or team decision-making situation – reflect on what went well and what you would do differently

Tip: Good directors know how to listen, ask thoughtful questions and consider the long-term impact of decisions. These are skills you can practise now, in any role – work or community.

3. BUILD – TAKE YOUR FIRST STEPS ON A BOARD

You don’t need to wait for the ‘perfect’ opportunity – start where you are. Many new directors first get involved in community, iwi, sports, arts, or not-for-profit boards. These experiences help you understand how boards work and show future boards that you’re serious.

To get started:

- Apply for the **Future Directors** or **Emerging Director** programmes
- Volunteer for a school board or advisory panel that aligns with your values
- Prepare a simple governance CV that focuses on your leadership experience, teamwork and unique perspective
- Consider being mentored by someone with governance experience
- Keep track of your learning – what meetings you’ve attended, what skills you’ve built, and how you’ve contributed

Tip: Every board opportunity is different – and not all will be right for you. Before saying yes, take time to explore whether the board aligns with your values, skills and goals.

4. BELONG – JOIN THE GOVERNANCE COMMUNITY

When you join the **Institute of Directors**, you become part of Aotearoa’s largest community of governance professionals. Whether you’re just starting or already serving in a board role, you’ll have access to learning, networking and support from others on the same path.

Benefits of joining:

- **Reduced membership** for those under 40
- Invitations to local and national events
- Access to governance tools, resources and templates
- Eligibility to list on the **Director Search** platform
- Pathways to **Chartered Membership** as your experience grows

Tip: The more you engage with the community – ask questions, attend events, contribute ideas – the more value you will get from it. Governance isn’t something you do alone. It’s a shared journey

AND ONE MORE THING: BE CURIOUS, NOT PERFECT

Being an effective director isn’t about having all the answers – it’s about being prepared, asking smart questions, and offering your unique perspective. Your voice matters, especially in a boardroom where decisions shape the future.

Your governance journey won’t look like anyone else’s – and that’s a good thing. Stay curious. Be open to opportunities. And know that you absolutely belong in the conversation.

To find out more about IoD membership and how we can support you, contact us at membership@iod.org.nz or freephone 0800 846 369.

