

To Who it May Concern,

As a result of attendance, and associated discussions, at the Consultative Seminar on 5 May 2016, I make the following submissions on the above draft legislation:

### **1. Principled Approach**

The MBIE presenter outlined the principled approach enshrined within the Bill. I applaud the inclusion of the three principles of societies in section 3 (d) of the Act. I queried the failure to include, in the draft Bill, the governance principles, of trust and integrity, outlined in the presentation. The response to my query was that such principles were obvious/assumed as they were embedded within the proposed legislation. However, I consider it dangerous to assume that such principles are obvious, a concern which I believe is supported by:

- Incidents where such principles seem to be under threat including in the commercial world, e.g., the allegations of corruption surrounding the Global Financial Crisis and elsewhere, and, in the sport world, corruption allegations made against IOC and FIFA governance practices;
- The inclusion of integrity and/or ethical decision-making as a feature of many 'good governance' codes/guidelines/reviews (ASX Corporate Governance Council, 2014, Australian Sports Commission, 2012, NZX, 2015, Financial Markets Authority, 2014).

I submit that, to show leadership and commitment to such principles, and for the sake of clarity and consistency, key, non-contentious, governance principles, should not be 'assumed' but should be overtly enshrined in the draft Bill. The presentation referred to the governance principles of trust and integrity, to which I would add, accountability, as key governance principles.

Whilst there are other principles commonly associated with governance, such as transparency and democracy, not all would be considered uncontentious and may be better left to each

society to determine.

**The 'principled approach' should be extended to overtly and specifically establish the non-negotiable principles to be applied to the governance of societies.**

### **2. Sub-Committees**

The presenter from Hui E! Community Aotearoa raised the issue of sub-committees and the failure of the draft legislation to address relevant issues. Sub-committees obviously range from the operational to the governance level. The governance level sub-committees such as nomination, audit and compensation/remuneration committees "generate many board outputs" (Clune, Hermanson, Tompkins & Ye, 2014, The nomination committee process: A qualitative examination of board independence and formalisation, *Contemporary Accounting Research*, 31, 748 – 786, p. 783). In particular, the nomination committee can be considered "the foundational committee as it builds the other board committees and the overall board" (Ibid). Such committees are becoming more common in the nonprofit space as they seek quality performance and legitimacy in a market that expects professionalism regardless of for-profit vs nonprofit status.

**I submit that governance level committees such as nomination, audit and compensation, and the powers and processes of such committees, should be either:**

- **Covered specifically in the draft Bill; or**
- **Required by the draft Bill to, where such committees exist, be covered in the constitution of a society.**

I note that the above submissions are made in my personal capacity and, whilst they arise out of my research interests in nonprofit governance and director selection processes, are not held out as statements as to the position of AUT, or otherwise.

I thank you for the opportunity to participate in this process and to contribute, albeit in a very small way, to the legislative process of New Zealand.

Yours Sincerely,

Withheld

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