

Diversity delivers a distinct competitive advantage

He aha te mea nui o te ao?
He tangata! He tangata! He tangata!

What is the most important thing in the world?
It is people! It is people! It is people!



A message from our CEO

E hoa mā, tēnā koutou katoa,

As the global war for talent and the ageing workforce combine to reduce the volume of workers available in New Zealand, it will be increasingly critical that we attract, recruit, retain and develop the best talent – because when you have the best talent within your workplace, you have a culture that allows them to work and contribute to their utmost potential. We cannot afford to cut off a piece of the talent pool – whether we are talking about women, mature workers, those with disabilities, recent migrants or graduates. New market-leading ideas and perspectives require new thinking, and we believe a diverse workforce is the key lever behind such thinking.

This case study provides insight into what we have been doing for the women in our organisation that led to an acknowledgement last year by UN Women and the United Nations Global Compact. While we are pleased with what we have done this is a work in progress. We recognise that this is a journey of change and will take some years, although year-by-year change is quite possible.

What follows is an introduction to the work done within the organisation and covers some initiatives to support customers and the community.

New market-leading ideas and perspectives require new thinking, and we believe a diverse workforce is the key lever behind such thinking.

It is critical to appreciate that while BNZ has made progress toward gender balance, we are addressing other aspects of diversity, including tackling flexible work practices and the ageing workforce, right through to the changing cultural demographics of New Zealand and the implications this has for market segmentation – and indeed for our workforce and our leaders.

The global financial crisis revealed some gaps in the global industry particularly around reputation and trust. Some of the issues were driven by poor culture within many financial institutions. Commentators challenged the industry, questioning if there had been more women in leadership would the crisis have been averted? For these reasons the industry embarked on a journey of reflection and action. It had to examine the compelling argument that diversity within organisations leads to better decision-making, innovation and better returns.

At BNZ we led our review from the top, including our board, myself and the executive team. We looked at our organisation and asked ourselves some tough questions, engaged with our people – they challenged and informed us, and we

listened. At the same time we looked at international best practice on diversity and we decided we had to put a stake in the ground. We commenced with a focus on gender balance.

If we apply the same rationale to our nation, to be successful as a small economy, we have to leverage the diversity of our nation as a key to our country's economic growth. As a starting point, achieving gender equity in New Zealand will deliver significant gains to our nation – women are guarantors of growth and an economic force not to be ignored. Achieving this requires a confluence of thought – and action, between government, business, public and private sector enterprises and non-government organisations (NGOs).

We invite you to read on and become a part of the change.

A handwritten signature in dark ink, appearing to read 'Andrew Thorburn', followed by a long horizontal line extending to the right.

Andrew Thorburn,
Managing Director & CEO,
Bank of New Zealand.

Diversity – Where to Begin?

What exactly is diversity?

International research tells us that organisations can improve business performance, innovation and creativity by having a diverse mix of employees and perspectives, particularly at senior leadership level.

As well as improving business performance and innovation it is vital that leaders in business today understand how diverse cultural norms, practices and communication styles affect our interactions and ability to meet our customers' needs, as well as how we attract, engage and motivate our teams and employees.

It is not just good enough to bring together a diverse mix of people; it is about having a culture (and leadership) that engages and unleashes their full potential in the workplace.

So we set our definition as:
Diversity@BNZ – Creating a high performance inclusive culture that values difference and leverages diversity as a distinct competitive advantage.

Sounds easy but the challenge for us, and many organisations, is where to begin?

Following review of the work of academic institutions and organisations worldwide, we decided to start with gender balance within our organisation – the experiences of women and men at BNZ were different and the age-old argument or excuse that women were not progressing owing to their 'family role' was no longer feasible owing to a number of compelling arguments, which we lay out in the next section. Additionally, we determined that commencing with women and

gender balance would actually help us to understand the evolving expectations of men, the flexibility that is going to be required as the ageing workforce impacts New Zealand and the demands of the generation now entering the workforce.

We discovered that wherever the diversity journey commences there are a number of pre-requisites or REQUIREMENTS FOR CHANGE:

Clear leadership: Visible CEO and leadership endorsement for the approach and interventions are critical.

Clear link to business strategy: If senior management cannot see the clear link to the business strategy with benefits, it will be pigeonholed as a human resources (HR) initiative or programme. Commitment from senior management is important and engaging them with a compelling argument that links to strategy is key.

Establish a clear commercial case: Organisations with diverse teams comprising different backgrounds and perspectives lead to better conversations and innovation, leading to better business performance and returns to shareholders.

Consistent repeated communications: The business case will need to be communicated over and over. Awareness will drive change.

Get to know your organisation: Don't make assumptions from the data you hold on your people – your own biases may be at play. Conduct an audit, focus groups and engage in two-way dialogue to understand what is happening and why.

Refinement of policy and process: From the board downwards and throughout the organisation, policies and processes must be reviewed and reworked.

Courage to challenge the norm: This is about cultural change for organisations, as outdated corporate attitudes and processes can often be a key barrier. It will take courage and time to build a culture that understands diversity is not about making minorities conform to a dominant norm.

Review recruitment practices: It is vital to examine the processes of attracting and recruiting talent, to ensure the organisation is attractive to all talent pools.

Encourage dialogue and debate: Many of the initiatives and changes implemented will involve a period of debate and a mindset shift to get buy-in. It is important to build a culture where dialogue and debate is respected and everyone has a voice.

Set targets or clear, identifiable measures: Setting targets is contentious. BNZ sets itself targets, which are tracked and reported across a number of variables, including gender. The targets are tied to the executive team's individual performance scorecards. The conclusion is that measurement is vital, as what gets measured, gets done.

Talent identification processes are crucial: Look at talent identification processes to strengthen the composition of the talent pipeline. If managers appear to overlook some talent pools, send them back to 'look' again. Many minority groups may not be in a position to be noticed, so may not be getting opportunities for expansion or simply are not being 'found' and are therefore not in the pipeline for further development opportunities.

Understand who is leaving and why: Conduct exit interviews. There is much talk of leaking pipelines of talent, particularly women. It is important to understand at each level who is leaving and why. The assumptions we make are not always correct.

Take a wider perspective: Diversity issues, such as gender, are not just limited to individual organisations. It may be an industry-wide challenge that requires a collaborative approach to attracting and retaining talent.

DO NOT GIVE UP: To achieve change the approach must be tenacious and relentless.

APR 2010

Audit, interviews, best practice research. Initial strategy set.

NOV 2010

Senior Leaders Conference
New Zealand awareness scene setter

DEC 2011

Governance & strategy moved to business-led diversity council

OCT 2010

Targets agreed with parent company

FEB-AUG 2011

Indepth gender research on women at BNZ.
Interviews, focus groups and action plan in place.

Our Journey to Date

JUN-NOV 2012

Indepth research into ethnic/cultural diversity:
Interviews and focus groups and action plan in place.

FEB 2013

Increased focus on flexible working.
Mandated all new roles advertised to be flexible.

APR 2012
Pan-bank disability/
accessibility forum
established &
three-year strategy set

MAR 2012
Committed to UN WEPs

MAY 2012
Co-launch Women
in Financial Services
Forum with FINSIA

MAR 2013
UN WEPs award win

JUN 2013
Committed to
DiverseNZ Inc

FEB 2014
Ageing/mature workers
programme piloted

MAR 2013
Cross-cultural
Ambassadors appointed

NOV 2013
Co-launched New Zealand
Asian Leaders Programme

BNZ established a Diversity Council in December 2011 to lead the agenda, set strategic priorities and oversee performance.

In setting priorities, the Diversity Council considers the issues that affect the bank's customers and workforce, ensuring alignment to people and business strategies.

Council members are senior leaders from across the business and are also responsible for setting the tone for the values and principles of diversity and what that actually means in practice to BNZ. The Council meets regularly and is responsible for engaging the wider BNZ audience and in helping to sustain momentum on initiatives.

The establishment of the Council gave an important signal to the business; that diversity was not a people or HR initiative but a long-term business strategy for BNZ.

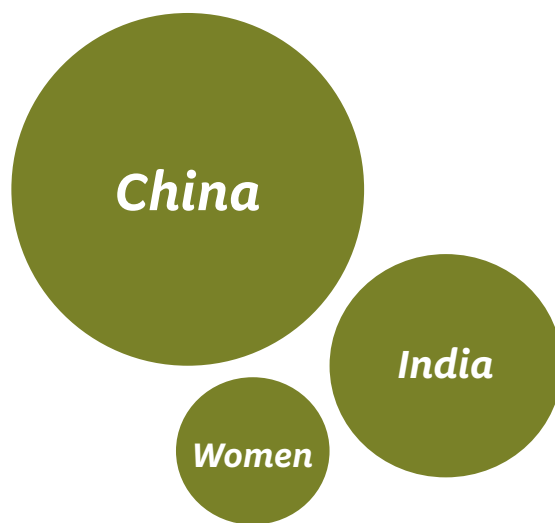
The Diversity Council is led by a member of BNZ's executive team and while ownership and leadership of the council is an important lever in driving change, so is senior leadership. We are of the opinion that change would not be possible without the committed and authentic leadership of the board, chief executive and executive team.

The pan-bank Diversity Strategy includes gender balance, among other key focus areas. Additionally, each business unit drives its own diversity strategy. These are aligned to particular commercial strategies and needs and will deliver on each business unit's challenges. The diversity strategy is set annually and, following input and endorsement from the executive team, goes to the board for consideration and endorsement.

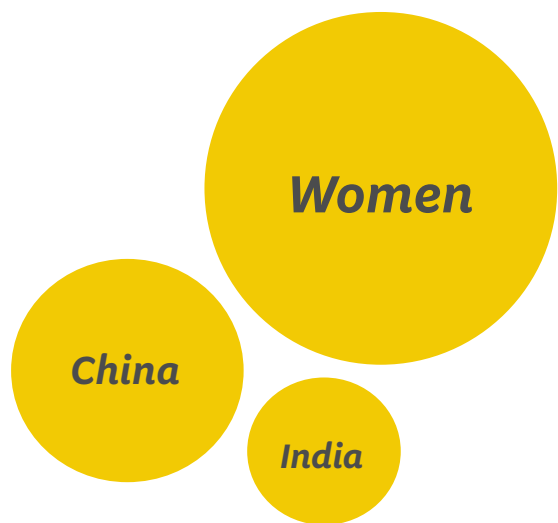


There are a number of strong arguments, together with plenty of research, that lead to the clear conclusion that there is a business case to target women as consumers – and to ensure they are fully engaged to achieve their maximum potential in the workplace.

Markets – The common view



Markets – The reality



Adapted from *One Key to Gender Balance 20-First Century Leadership*, 20-first.net, 2014

Over the past 30 years, and for the first time in history, women have been working alongside men in the same jobs – with the same qualifications and comparable ambitions.

With an ageing workforce, falling birth rates and skill shortages, women's increased participation and success is a critical component that will affect the future of both the workplace and the economy.

It would be foolish to underestimate the female consumer

Evidence of the growing opportunity of female consumers globally is overwhelming. The cover of Harvard Business Review (September, 2009) stated

“Women now drive the world economy”. The article went on to outline that globally, women control about US\$20 trillion in annual consumer spending – and this could climb as high as US\$28 trillion in the following five years. Their US\$13 trillion in total yearly earnings could reach US\$18 trillion in the same period.

Harvard Business Review surmised that in aggregate, women represent a potential growth market double the size of China and India combined.

Other consumer research shows that in the United States (US) women make 80% of all consumer purchasing decisions¹. Similarly, research in Australia found that women spend 90 cents in every household dollar.

1. G Pellegrino, S D'Amato, and A Weisberg . (2011) Deloitte, *The gender dividend: Making the business case for investing in women*.

We know women are powerful drivers of economic growth

Goldman Sachs coined the term 'Womenomics' to express the force that women represent as guarantors of growth. They also point to the huge implications that closing the gap between male and female employment rates could have for the global economy, giving a powerful boost to gross domestic product (GDP) in important economies, such as Europe, the US and Japan.

Over the next decade approximately one billion women will enter the global economy and are poised to make a significant difference. A report conducted by Booz & Company (also reported in Harvard Business Review (May, 2013) refers to this population as the 'Third Billion' – as significant again as that of the billion-plus populations of China and India.

Economists worldwide have shown strong macroeconomic reasons for a more robust representation of women at all levels of an organisation, with some asserting that closing the gender gap would boost the level of New Zealand's GDP by as much as 10%².

Many global forums focus on the value to economies of empowering women. As then United States Secretary of State, Hon. Hillary Clinton, said at the APEC Women and the Economy Summit in San Francisco on 16 September 2011 "... by increasing women's participation in the economy and enhancing their efficiency and productivity, we can bring about a dramatic impact on the competitiveness and growth of our economies".

By growing income levels through work or entrepreneurship there is a more direct benefit for local communities, as women spend more of their available income in local economies. This has the flow-on effect of lessening the need for government or NGO support.

McKinsey & Company reports that Fortune 500 companies with three or more women on the board gain 'a significant performance advantage' over those with the fewest:

+ 73% return on sales

+ 83% return on equity

+ 112% return on invested capital.

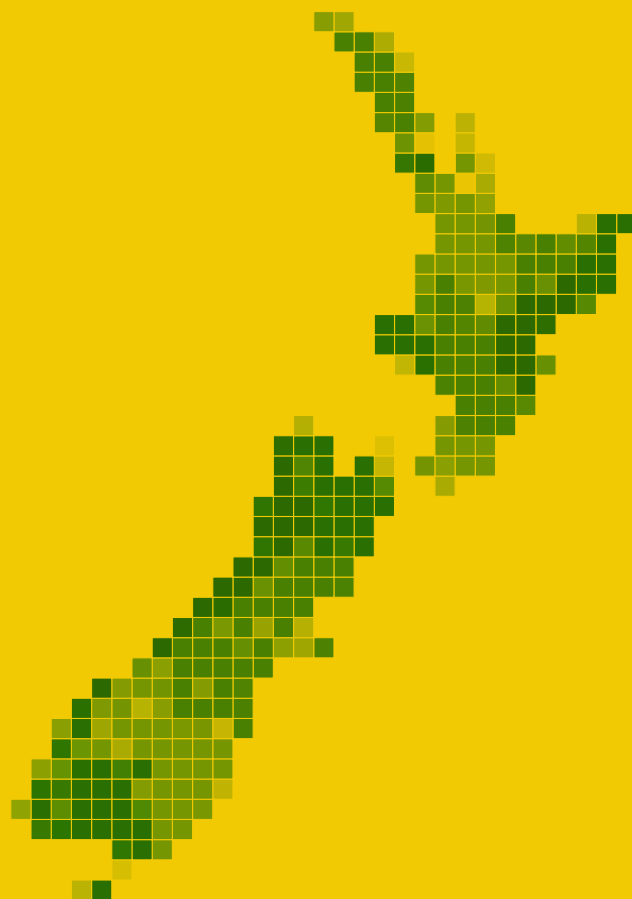
More women in leadership means better business performance

Those companies with the most women on their senior teams showed superior growth in equity, operational results and share price. If at least a third of the senior team is women, then these companies outperform those without women on nine criteria of organisational excellence. McKinsey & Company, September 2011.

Similarly, research by Canadian think tank Catalyst found boards with higher proportions of women can provide between 26 - 60% higher returns on investment. Catalyst (2010) The Bottom Line.

2. Goldman Sachs & Partners New Zealand Investment Research. Borkin, P. (2011). *Closing the gender gap: Plenty of potential economic upside*. 9 August, 1-20.

What's happening in New Zealand – women get a fair go, don't they?



The position of women in society is an international measure of health, maturity and economic viability.

A number of global bodies, including the World Economic Forum, the Organisation for Economic Co-operation and Development (OECD), the World Bank and the United Nations, monitor the progress and position of women in society.

The World Economic Forum Gender Gap Report 2012 ranked New Zealand sixth globally, in terms of gender equality and political empowerment – so that’s some good news. Yet, according to The New Zealand Census of Women’s Participation 2012, New Zealand is making “slow, incremental, but unspectacular progress” for women in many areas.

Extracts from the New Zealand Census of Women’s Participation:

SOME GOOD NEWS...

- In many areas of public and professional life, there has been a 2-3% increase in women’s participation, compared with its last census in 2010.
- Recent appointments will lift the representation of women as chief executives of public service organisations by over 24%.
- In late 2012, NZX introduced a listing rule requiring companies to include the gender breakdown of directors and senior management in their annual reports. The 16th country in the world to do so.
- Women on boards of top 100 companies listed on NSX surpassed 10% for the first time, sitting at 14.75%.
- Representation of women on boards of major trading banks in New Zealand is 22.92%. This is comparable with European Union banks and higher in comparison to banks worldwide.

AND SOME BAD NEWS...

- It suggests New Zealand now follows, rather than leads, in measures to improve women's participation. Also, benchmarks are often set lower than those overseas. Targets for women's progress set by government, business, private and public enterprise, do not demand any 'stretch', and limit expectations for New Zealanders to lead and innovate.
- The United Nations Committee on the Elimination of Discrimination against Women (CEDAW) has asked the New Zealand Government to relook at targets and plans for representation of women in decision-making roles.
- CEDAW has specifically asked the New Zealand Government to provide, within two years, data and information on women in ethnic minority groups, including access to employment.
- Women in New Zealand still make up fewer than 35% of judges, fewer than 25% of top academic positions and fewer than 20% in top legal partnerships.

Compared to other OECD countries, New Zealand has a relatively high level of concentration of women workers in female-dominated occupations. Research shows almost half of New Zealand's women workers are in occupations more than 80% female and that these female-dominated occupations tend to be lower paid. Women are still under-represented in higher-level jobs.

This under-utilisation of talent is not a good situation – as a nation we need to ensure that everyone is fully engaged and economically productive to drive growth, irrespective of gender.

Empowering women to more fully participate in the economy can occur in different ways, from empowering entrepreneurship and work at local community levels, to increased opportunities in middle management of larger businesses, to business leadership roles. Each of these presents a variety of challenges; each is important in not just providing economic opportunities but in ensuring talent can realise its full potential.

BNZ's gender balance approach



As a large and leading employer, BNZ already has a great culture, with many good practices, policies and provision for good working conditions.

BNZ continuously goes beyond New Zealand's legislative requirements for workplace health and safety and is generous in other areas, such as leave entitlements and offers wellbeing programmes for employees, catering for health needs and extending, in many cases, to dependants.

For example:

- Ten days paid domestic leave, which may be used for medical care for dependants.
- Free counselling is available to employees and dependants.
- Parental leave top-up for a maximum of 12 weeks.
- Lifestyle leave of up to an additional two weeks a year.
- Family leave of up to three days.
- 10 days Study Leave.
- Special leave up to three days.
- Two days paid volunteer leave to encourage our people to give back to their communities.
- Extensive education, training and career opportunities are available for all employees, plus some that are targeted specifically to women.

The Start of Our Gender Balance Journey

In 2010, when BNZ commenced its diversity journey, the organisation conducted indepth research into why it had a workforce of equal proportions of

men and women but women's experiences in regard to progression differed. Men and women at different levels within the organisation were interviewed. It also looked externally in New Zealand and beyond to find best practices that would work within the BNZ culture and the financial services industry.

Research identified barriers as:

- A lack of real leadership and commitment to the issues.
- The business case for the value of women in business was not deeply embedded in the organisation.
- Systemic barriers within the dominant BNZ culture, including small pockets of poor behaviour and attitudes.
- Unclear pathways.
- Some programmes were designed to help, some to hinder.
- There was some measurement but little accountability.
- The stereotypical image of banking.

It was clear that the issues identified would take a prolonged and multifaceted response, from recruitment through to development. The bank would also have to join with other market-leaders to tackle the wider issues of the industry.

The biggest challenge was, and still is, achieving greater representation of women at senior management levels.

The uncomfortable topic of targets

Following internal discussion and dialogue, in 2010 BNZ management reviewed where the business was in terms of gender balance. Following research into best practice, we set ourselves stretch targets.

The biggest challenge was, and still is, achieving greater representation of women at senior management levels (what we call bands 4, 5 and b). Once the targets were agreed, they were embedded in the executive team's individual performance scorecard measures. Initially, performance was reported only to the executive team and board. However, as part of a drive to not only improve performance but also as a clear signal that the organisation was maturing in its acceptance of the need to change, the target levels were subsequently communicated to all levels.

Once the targets were set – then what exactly did we do?

With the targets in place a multifaceted approach targeted attraction and recruitment practices, development, talent identification and cultural

interventions, such as looking into unconscious bias and its effect on the workplace.

Briefly, this is what we did:

- Policies and processes were reviewed, rewritten or changed where necessary to support the intent of the diversity strategy and, in particular, gender balance.
- We reviewed our employer value proposition to determine whether we were attractive as an employer across a range of talent pools, including women. Changes were made to the wording of job advertisements. We also looked at recruitment practices, including mandating that there would be at least one woman on the short-list for all senior roles and there would be a woman on the interviewing panel. Supporting our gender balance agenda, the bank also mandated that all roles would be advertised as 'offering flexible work practices'. We believe this is an area that drives an agile and productive workforce, as well as supports work/life balance.

TARGETED PERCENTAGE OF WOMEN LEADERS AT BNZ

Focus	October 2010 baseline	At February 2014	Original target by end 2015
People Leaders (band 1,2,3)	50%	50%	50%
Senior Leaders (band 4,5, b)	21%	26%	33%
BNZLT (now executive team)	17%	63%	33%
Talent pipeline at senior leadership	33%	53%	50%
Subsidiary boards (N=21 in 2010) (N=23 in 2012)	6%	31%	24%

- We ensured a 'gender lens' was applied to the talent processes, which has resulted in increased women in the bank's talent acceleration cycles and, importantly, in the succession lists for executive and critical roles.
- We ensured BNZ's graduate recruitment process has a 50:50 gender target.
- The targets were embedded into the executive team's performance scorecards. A comprehensive people and diversity dashboard was developed, covering a range of measures, including gender disaggregated data, and is utilised in monitoring and decision-making. These have now been embedded into BNZ's Performance Alignment Framework.
- We continued with successful processes, like annually reviewing our performance on fair and equitable remuneration. The BNZ pay parity review examines male and female remuneration levels. Analysis shows that the remuneration gap between men and women reduced over the past five years, most notably in the senior management category.
- Sponsorship of women was piloted by the Diversity Council, where each member mentored a number of women from a different business unit. The intent was to raise visibility and the networks of the highly talented women – leveraging the brand power of the sponsor. After the pilot, improvements were made and the programme is now in its second phase.
- The bank conducted 'Women in governance' courses providing women within the business with aspirations for governance positions additional visibility. This also enabled the company secretariat to identify more women of suitable experience and calibre for subsidiary board appointments, allowing us to improve performance in this important target area.
- BNZ identified high-performing women in all areas of the business and noted their aspirations. We are now providing particular support and development for them. By actively setting goals for the development of women and identifying that talent for development opportunities, we are ensuring they are making it to management succession planning lists, to reduce the risk of them leaving the organisation. Proper succession planning is good business but leaving a large proportion of talent aside isn't. Doing so fails to maximise the investment the business has already made in its talent and involves more investment finding replacement talent outside.

We reviewed our succession planning, with the bank now having 24% of current succession plans featuring women. Women make up 53% of BNZ's identified talent group. These are both high-performing and high-potential employees.

- Awareness-raising workshops, highlighting the business case for diversity, were developed and run pan-bank. To allow greater reach, we trained 26 'diversity champions' to lead these workshops. Concurrently, paper-bag lunch sessions led by Diversity Council members are still run regularly to enable open dialogue about the objectives of the work. These sessions also provide all of our people the opportunity to talk about what is important to them and to share their views on what we are doing as part of the bank's diversity strategy.
- We have engaged with external bodies on diversity and gender issues. We have a number of relationships, including representation or involvement with the Ministry of Women's Affairs, Diverse NZ Inc and FINSIA's NZ Women in Financial Services Forum.



BNZ recruitment – short-list process for bands 4, 5 and B roles

- ▶ All roles should have a minimum of one qualified female candidate for consideration for any open role.
- ▶ If no such female candidate is identified, return to the market for one further week.
- ▶ If no suitable candidate is identified, fill the role and provide a written explanation on each occasion.
- ▶ In an event where an exception to the process is required, e.g. a short-listed candidate has a competitor offer, approval must be gained.
- ▶ Exceptions and approvals to be given by the Director – People & Communications.

Interview Panels

From February 2013 all interview panels for band 4, 5 and B roles must have at least one woman on them, and it is recommended the same approach is used for all interview panels.

Measurement

Gender balance and flexibility metrics are reported on all roles advertised and go to the executive team, board and the Diversity Council.

Unconscious bias

The latest research from Harvard, Yale and Massachusetts Institute of Technology tells us that unconscious bias and other implicit processes have a significant effect on our everyday decision-making abilities in the workplace and, in particular, in our interactions with diverse groups.

Further research has identified the palpable effect this bias has on the advancement of women in the workplace and on the bottom line. Catalyst's 2010 report, *Pipeline's Broken Promise* clearly shows that the conventional wisdom regarding why women are not well represented at executive levels do not hold true and unconscious systemic bias is clearly to blame for the failure to establish gender equity in organisations.

BNZ introduced a programme to understand and address when unconscious bias may affect the business, such as in decision-making or team selection. The bank believes this is an important step to help move towards a more inclusive workplace and a vital part of assessing the impact of a leadership culture that drives change. The programme raised awareness and opened dialogue that was uncomfortable but a necessary element of an honest and open, inclusive culture.

In the first year our executive team, senior leadership and the recruitment teams underwent training. One of our board members also attended. The programme continues as an important part of our diversity work. In 2014, we aim for all board members, new executive and senior leaders and 33% of our middle management pool to attend the training.

Realise – development for highly talented women

To ensure that diversity initiatives were not ‘one off’, BNZ introduced a programme called ‘Realise’ targeting high-potential women ready for upward movement.

The programme resulted in a strengthening of some of our key female talent. The initial results are promising, with two of these women recently moving into senior leadership roles. Following from the initial success and feedback in 2013, we doubled efforts with an additional programme targeting women in BNZ’s Partners business.

‘Realise’ is facilitated by an external provider and covers elements ranging from developing a personal vision and goals, building a career path, effective communications, empowering leadership and managing change and transitions.

Tackling gender balance – an industry approach

One of the barriers to women’s advancement identified in our internal research was that many women did not choose banking as a career and the stereotypical image of banking and the finance sector was potentially precluding talent.

BNZ also funded trans-Tasman research led by industry body Financial Services Institute of Australasia (FINSIA). It was clear that the BNZ experience was shared by other institutions and an industry response tackling the attractiveness of the sector to women was required.

In 2012, in partnership with FINSIA, BNZ launched the ‘NZ Women in Financial Services Forum’ to facilitate a programme of events, share and encourage best practice within the industry and to develop other initiatives to collectively contribute to greater female representation within senior positions in the industry. In its first year the forum ran a number of events in Auckland with high-profile speakers attracting growing numbers of attendees (up to 150 per event). The events also provide women with important networking opportunities.

The forum also established a LinkedIn profile to connect women and share information on gender diversity. The page now has over 200 members. As part of the agreed industry-wide approach, BNZ handed the chair role to ASB in 2013. FINSIA has also benefitted from the forum, with an increase in new members, particularly women.

Empowering customers and women in the community



BNZ is proud of the work it does to support its female employees and knows that it is equally important to do the same for the women of New Zealand.

The following examples demonstrate how we provide practical, relevant and simple solutions that embody the bank's continued commitment to strengthen and support the role of women in the community. We also recognise the economic and consumer power of women and are targeting products and services to them under our private wealth and retail affluent segment strategies.

Business education

BNZ has facilitated more than 50 women-specific education workshops, with over 700 attendees countrywide, across many business sectors. One such programme, the 'Women in Agribusiness' workshop, designed to help New Zealand women in the agricultural sector define and achieve their business and life goals, has been very popular in bringing together like-minded women and enabling them to develop themselves and their personal leadership in a supportive, yet challenging environment.

Networking and support

BNZ has also created business networking opportunities for women at the 'Very Early Lunch Club' at our Highbrook Partners Centre and the Auckland Businesswomen's Breakfast Association in Newmarket. It is also the lead sponsor for the Dairy Women's Network. The Very Early Lunch Club has been running for five years and aims to connect like-minded businesswomen, arming them with business insights, the ability to build new networks and overall inspire them from the host of guest speakers.

Financial literacy

Diversity ensures that each member of the community can contribute fully. BNZ believes that good financial literacy is a key foundation driving that ability and has committed to increasing financial literacy to targeted groups in our community. Since 2013, BNZ has partnered with the Commission for Financial Literacy and Retirement Income and The Māori Women's Welfare League, to deliver financial literacy workshops across the country. Workshops are facilitated by BNZ employees, offering them not only an opportunity to give back to their communities, which many find very rewarding but also the opportunity for development.

In 2013, BNZ launched a financial education programme supporting women who make financial decisions in whānau and marae situations, often in rural areas. BNZ Whānau Financial Literacy has been piloted with women in rural Waikato, West Auckland and rural Northland. Supported by a Māori and multicultural network of BNZ women, 20 women have taken part in the first wave.

Plunket

In March 2013, BNZ partnered with Plunket to introduce a new financial literacy programme for first-time parents, in collaboration with the Commission for Financial Literacy and Retirement Income. BNZ's involvement ensures relevant financial education and volunteer ambassador support (including 31 volunteer BNZ ambassadors and over 50 volunteer BNZ facilitators) across New Zealand.

The ageing workforce



An ageing workforce is an international issue – within the OECD some predictions show that the workforce is expected to shrink by some 50-60 million over the next 15 years.

This highlights two big issues. First, organisations must find innovative ways to keep older people at work (and get younger people to join them); and second, demand for skilled workers will increase across the globe.

While there has been much talk on the topic of an ageing workforce, we believe the pressure is only just coming on to New Zealand organisations. We have recently widened our own diversity agenda to elevate addressing age to a higher priority.

The recent 2013 New Zealand census showed continued growth in the number of people 65 years and over. There was significant growth in the 50–69 age group, up 21.5% since 2006, with this group now comprising 23.3% of the total population.

The percentage of people 65 years and over who are employed has nearly doubled in the last decade, with 22% remaining in employment. This trend is expected to

continue, with New Zealanders continuing to choose or needing; to work until they are much older, making them an important and significant segment of the total talent pool.

The census results also revealed that some regions will experience a greater impact of the ageing workforce. Some are not only experiencing ageing but they are losing their young talent to the cities and overseas.

Understanding the impacts these demographic shifts could have on BNZ and its future workforce was one very important reason why we commenced work on age and the workforce.

Notwithstanding, there has also been much research and talk in recent years on the needs and drivers of the different generations in the workforce.

BNZ reviewed our risk of losing intellectual capital, key client relationships and where we do not have the right talent (or volume) in the pipeline.

BNZ AGE PROFILE AT 31 DECEMBER 2013

	<24 years	25-34	35-44	45-54	>55 years	Total
Permanent	248	1,384	1,435	1,185	628	4,880
Contingent	109	110	131	111	103	564
Total	357	1,494	1,566	1,296	731	5,444

We recognised the need to try and mitigate potential damage or disruption through the loss of our long-serving employees, needing them to share their knowledge before leaving the organisation.

And, very importantly, we needed to ensure we continue to value their input and contribution and hold them for longer.

The overall age structure of BNZ is likely to be similar to other large organisations. What we found compelling for immediate action was the high concentration of older workers in one of our units. An audit of the unit gave us a view on the exposure we had if the employees left en masse. Reviewing and reporting the talent pipeline and succession plans for the unit gave us a strong case to implement a workforce succession strategy and to pilot a programme around mature workers.

In February 2014, BNZ piloted a programme supporting mature employees plan for their next phase of life. The

programme was launched to demonstrate how we can support our employees, with the aim of holding their knowledge and skills for as long as possible. The programme recognises the value of experienced and mature employees and actively works to understand how BNZ can better and more flexibly support them. The approach is based around a holistic framework of identity, money, career, relationships and health. Lessons learned from this pilot will inform our work and help guide us as we work with employees across all life stages.

For our Customers – Financial Elder Abuse Prevention

Over the last few years, national media has done a good job of highlighting the vulnerability of senior New Zealanders; in particular their susceptibility to scams. We have a dedicated team member who has seen firsthand the impacts of financial abuse on our customers. It's something we take very seriously. We have been actively advocating and working with Age Concern organisations around the country to protect those most at risk. This work is making a big difference, and was acknowledged with an award presented at parliament in 2013.

Flexible working for our people



From the start of the diversity journey, BNZ recognised the need to increase the uptake and acceptance of flexible working as an enabler for productivity and work/life balance and to support the work we were doing in achieving gender balance. But it delivers wider benefits, too.

International and domestic studies show by implementing diversity and work or career/life balance initiatives, we can gain benefits in a number of areas:

- Employee motivation, satisfaction and engagement.
- Attracting and recruiting the best possible talent.
- Increasing productivity.
- Reducing staff turnover.

Flexible working gives BNZ employees real choices in managing work or career/life balance. Flexibility not only improves employee wellbeing and engagement, it also enables our business to be creative when thinking about how to deliver business objectives, meet customer expectations and enable BNZ to attract and retain diverse talent.

Flexibility is not a 'nice to have' – it is a fundamental part of the way we do business, stay agile and is critical to us for being recognised as an employer of choice. Everyone has a part to play in making

flexible working a reality – individuals managing their own work/life wellbeing, managers recognising the benefits of flexible working and colleagues being supportive of other team members' work arrangements. BNZ offers a range of flexible working options; from job-sharing to working from home, staggered start and finish times and compressed working weeks.

Our formal reporting processes hold limited data on flexible working and our reporting told us we had limited use of flexible arrangements. In fact, we had a large number of people using informal arrangements, as agreed with their individual managers. Our annual engagement survey results repeatedly tell us that we offer a flexible workplace, which the majority of our people utilise. However, we know from focus groups and informal feedback that in parts of the organisation we still have a culture or mindset that does not embrace flexible practices and 'being seen at your desk for long hours will equate to success'. It is this mindset and culture that we set out to break.

In 2012, we introduced flexibility as a priority as part of Leadership@BNZ in our bank strategy. To support this we widened our flexible working policy going beyond the legislative requirement of only being for 'carer status' (for employees with dependant children or elder care) and increased communication around the benefits of flexibility and examples of how it was working in a variety of roles bank-wide.

In 2013, we intensified efforts formally mandating that all roles advertised would offer flexibility. Our talent acquisition team (recruitment) works with managers to ensure this is built into advertising and to encourage consideration to be given to requests made once the interviewing process is under way.

We also initiated exception reporting to show us where and who were being granted requests, whether they were new to BNZ – or an existing employee. We are improving this reporting, which goes to the Diversity Council.

Storytelling has been used as a way to demonstrate real-life flexible working and to help dispel the notion that it is only for some talent pools. Stories are regularly shared through the intranet, showing men and women around the business at different levels and the differing flexible practices they use to meet their lifestyles. Examples have ranged from showing our people representing New Zealand at their individual sports, taking special leave for personal development and we regularly showcase our senior leaders working compressed weeks – or initiating no meetings before 9am in their teams as they are dropping their children to school at this time of the day.

BNZ will periodically review those employees working flexibly to ensure they do not encounter bias in their development, advancement, promotion onto special projects and in their performance ratings.

Our Commitment to Flexible Working

- ▶ We are committed to flexible working and all job vacancies across the Bank will be advertised as open to applicants wanting flexible arrangements (e.g. full-time, part-time, compressed weeks, flexi hours or job-share). Flexible work practices are also available for all current employees and are not restricted to those with carer responsibilities.
- ▶ We recognise that there may be occasional circumstances where a job is structured in such a way that it can't be worked flexibly and there will be an exception process signed off by the hiring manager.
- ▶ Exception reporting will be carried out to identify the areas where we are not offering flexibility and allow us to look at solutions to overcome this where practicable.

Measurement

Gender balance and flexibility metrics are reported on all roles advertised and go to the executive team, board and the Diversity Council.

New Zealand is one of the most diverse nations in the world, with the latest census showing 213 ethnicities among our 4.5 million residents.

BNZ commenced work in diversity with a drive toward gender balance at all levels of the organisation. But that was just the first step. Our desire to bring wider perspectives and thinking led us to also look at other significant social and demographic shifts – particularly that of the ‘changing face’ of New Zealand.

New Zealand is one of the most diverse nations in the world, with the latest census showing 213 ethnicities amongst our 4.5 million residents. This increasing diversity impacts both our talent pool/workforce and our customers.

The five largest ethnic groups are: New Zealand European, Māori, Chinese, Samoan and Indian. Ethnic diversity has been increasing since 2006, especially within the broader Asian category spearheaded by Chinese, Indian, and Filipino ethnicities. During the seven years between censuses, the Chinese population grew by 16% to 171,000. The number of Indians increased by 48% to 155,000 and Filipinos more than doubled to 40,000.

New Zealand and Auckland are now classed as ‘super diverse’ with two key aspects: the size of the non-majority populations – e.g., 23% of Auckland is Asian. The other aspect is the increasing number of immigrant and ethnic communities³.

In the next 20 years two-thirds of our growth will be in Auckland and by 2031 the Auckland region will have approximately two million people (38% of the total population).

The region’s demographics are changing too, with increasing multiculturalism. By 2020 it is projected that 9% of the total New Zealand population will be Asian, with the majority residing in Auckland (projection 25%). Since 2000 New Zealand has had the highest rate of per capita immigration in the OECD. As the bulk of these immigrants have opted to settle in Auckland (70%), it has become one of the most ethnically diverse cities in the world.

3. Source: New Zealand Herald, 12 December 2013.

At the same time, some sectors are also growing. The Māori economy is strengthening with the value of assets held by Māori more than doubling in the last five years from \$16.5 billion to \$36.9 billion. The sector is providing genuine commercial opportunities. The same can be said for Asian migrant banking and the Indian business community. BNZ has built specialist teams that understand and support the interests of these sectors at both the business and individual customer level, ensuring we meet specific needs and deliver the right products and services.

New Zealand's changing demographics are not only presenting us business growth opportunities but they have made us look at ourselves and ask some tough questions.

For example, are we reflecting the communities we live in and if we are, at what levels of the organisation? Are there any barriers for advancement for any ethnic groups (such as unconscious biases)? Do we give new migrants good work opportunities and can they advance in our organisation?

We believe asking these tough questions will help us identify and rectify potential social and systemic inequities in our workplace for people from non-dominant ethnic groupings. We have already stated that diversity is good for business, as it helps us to attract and retain the best people, deliver innovative business solutions and respond more effectively to our customer needs – it will also help lead to a fairer and more prosperous New Zealand for all ethnic/cultural groupings.

What exactly have we been doing?

Firstly, for our workforce

BNZ strives to have the culture where valuing diversity in thinking becomes one of our greatest assets. Cultural diversity has a hugely valuable role to play in the generation of diverse thinking and in underpinning our ability to anticipate and exceed client or customer needs and expectations. In 2012, to assist with this goal, BNZ conducted indepth research into the perception of employees from dominant and non-dominant ethnic groups to assess whether there were any barriers to progress at BNZ.

BNZ planned to use recommendations from this work to positively influence organisational culture, achieve a competitive advantage in product markets, recruit and retain the best available talent from the widest possible talent pool, advance innovation, enhance employee satisfaction and workplace relations and improve organisational performance and profitability.

The process included: one-on-one interviews; focus groups containing one ethnic grouping e.g., Chinese, Pasifika, and Māori; focus groups with a mix of ethnic groups; focus groups from the human resources team containing subject matter experts; analysis of our engagement survey results by ethnicity (our only ethnicity data on employees); an independent review of BNZ by a postgraduate student from Auckland University; insights from our Auckland Project workforce project team; and a review of best practices and secondary research.

In the process we recognised we needed to widen beyond a simple definition of ethnic identity or origin to cultural diversity. Cultural diversity is much more complex than a person's country of birth. It encompasses ancestry, citizenship, faith and language spoken at home, in addition to how a person chooses to identify – that is, the ethnic or cultural groups he or she feels most strongly affiliated with. Another key aspect is 'intercultural capability'. This includes attributes like a person's language abilities and global experience or mindset and links clearly to the desire to leverage diverse thinking, perspectives and skills.

The research identified BNZ as a leading employer, offering many opportunities for our people. However, it did highlight that the prevailing dominant masculine/pākehā culture's behaviours and norms are determining working styles, career paths and talent identification. This is possibly why some talent pools choose not to join BNZ or why some talent does not put its hand up for promotion, is not recognised and promoted or leaves. Some cultural groups did declare a hesitance to put their hands up for promotion or to claim their own contribution to work undertaken in the performance reviewing process, as this is not how they are raised to behave.

We categorised our response across six areas of business practice crucial to managing cultural/ethnic diversity to build on the foundations and activity in place:

- Leadership and management – provides the vision for the organisation to include ethnic diversity, and strategies to make it happen.
- People resources – provides tools and resources to move beyond equal employment opportunity (EEO) data collection.
- Recruitment and selection – ensures the best people are employed for the job, based on merit, regardless of ethnic background.
- Retention and succession planning – funding, growing, holding on to and promoting talented staff, including those from ethnic backgrounds.
- Product and service design – bringing it all together to use diversity to assist innovative product development and service delivery and develop higher quality products and services to reach broader markets.
- Community outreach – growing our communities.

While a large amount of resource and diversity focus to date has been on our gender balance activities, BNZ has started to initiate and deliver more on cultural/ethnic diversity for our employees and our customers.

The following are examples of recent activity:

- BNZ leaders from New Zealand's largest ethnic/cultural groupings were appointed as 'cross-cultural ambassadors'. The group meets regularly and leads the strategy and implementation on cultural diversity within BNZ and the delivery of the supporting commercial strategies.
- We developed Māori awareness training, which continues to be rolled out throughout the organisation. The BNZ board and executive team, along with other leaders and teams throughout the country, have been through training to increase their general knowledge and awareness of Māori language, customs and protocols.
- Two Māori and Pacific Island internships have been introduced into our finance business unit.
- Our financial literacy programme has been translated into te reo (Māori language) for use internally and externally.
- We have significantly up weighted our focus on cultural celebrations, such as Mātāriki and Diwali for our people throughout the country and in our stores and Partners business centres.

Māori cadetships

BNZ's nationwide Te Pihinga cadetship, launched in 2014 in partnership with Te Puni Kōkiri, is aimed at building Māori capability and encouraging more Māori into the banking and finance sector.

Since 1990, 62 Treaty of Waitangi claims have been settled (estimated at \$1.4 billion) with approximately a further 60 to be reached. Iwi and Māori private sector businesses and Trusts are growing their businesses in industries such as farming, fishing, energy and property development and are venturing into infrastructure equity investments. Iwi are actively seeking new opportunities for joint venture partnerships and greater ownership in supply chain operations and other business activities.

The growth in Māori business has seen a rise in the demand for banking services and advice, finance and investment portfolio management through the claims settlement process to ensure resources are well managed and sustained for future generations.

For BNZ, increasing our Māori employee talent pool and capability will help enable our organisation to better respond to the increasing demands of the fast-growing Māori business segment and economy, as well as contribute to bringing new, diverse thinking into our organisation.

What we are doing for our customers and the community

Workforce participation alone is not the answer to increased economic activity and the harnessing of the potential of minority ethnic groups in economies. Full participation can also come from entrepreneurship in small local economies or growing national and multinational businesses. BNZ engages with and supports the development or rise into leadership of some of New Zealand's largest ethnic groups, including Māori/iwi and Asian and migrant groups.

Here are a few highlights of recent activity:

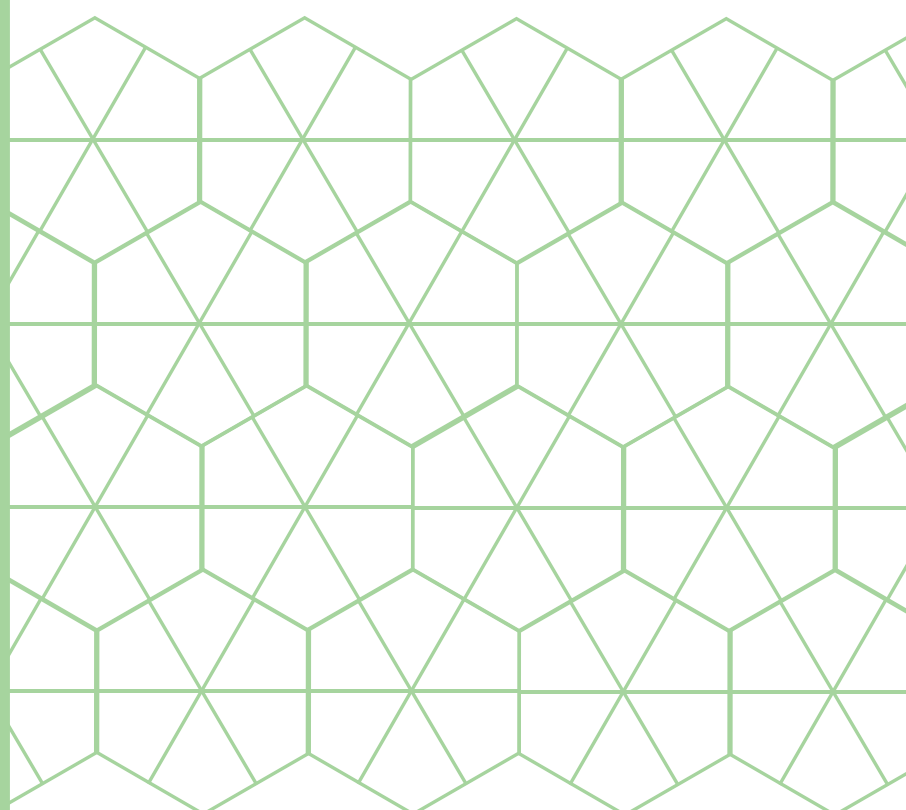
- BNZ co-launched Asian Leaders New Zealand (ALNZ) with ChenPalmer and Ernst & Young with the vision to maximise the country's successful business interface with Asia. The programme will also help existing and merging Asian leaders become future CEOs. www.nzasianleaders.com.
- We have funded the appointment of Professor Siah Hwee Ang as Victoria University Business School's Bank of New Zealand Chair in Business in Asia. This position was announced in December 2013. Professor Ang will help support New Zealand businesses to do well in Asia, as well as support Asian businesses coming to New Zealand.
- Employees in retail stores wear name badges identifying what languages they speak and in 2013 we introduced bilingual English/Māori signage in 20 of our stores around the country.
- Key sponsorships are aligned with BNZ's diverse attitude – BNZ sponsored the eighth NZ Chinese Film Festival in November 2013 covering events in Auckland, Wellington and Christchurch. BNZ also sponsored the New Zealand Young Chinese Violin and Piano concert at Auckland Town Hall in November 2013. It was the second year BNZ has supported young Chinese talents in New Zealand.
- BNZ won the Māori Language Commission Māori Language Awards – Private Sector held in mid November 2013 at the awards dinner in Gisborne with 600 people in attendance. This was for the Māori language work the bank has done over the last 12 months – July 2012 to June 2013 (this mainly included activity during Mātāriki and Māori Language Week).
- We awarded the Auckland Business School BNZ Tumatakokiri Scholarships to two Māori students at the Auckland Business School.
- We continued our sponsorship of the Indian business awards in 2013.
- In 2013, in conjunction with Immigration New Zealand, BNZ piloted a project to promote New Zealand in India.
- In 2013, BNZ Manukau, in conjunction with the Samoan Business Network, helped launch Samoan author Lani Wendt Young's *The Bone Bearer*, for Pasifika Extravaganza.
- BNZ Penrose and BNZ Hamilton hosted a networking evening for the Samoa Business Network in November 2013.

DiverseNZ Inc – www.diversenzinc.org

DiverseNZ Inc is a collaboration formed around a single question: How can we build our ability to manage diversity and inclusion – in our workforce, with our customers, partners and investors, nationally and internationally – to create a distinctive source of value for our companies, and for New Zealand? Catalysed by Global Women, DiverseNZ Inc is working with 40 leading New Zealand businesses over two years to share successful tools and frameworks that help companies at different stages to understand and work with difference and to innovate new approaches to meet New Zealand's unique diversity challenges.

We will also hone in on some important areas where we all need new thinking and joint focus – ensuring Asian New Zealanders are progressing into management, finding alternative pathways for Māori and Pasifika, bringing women through to the very top levels of leadership and working together within sectors, such as engineering and technology, to address pipeline issues that start right back at school.

DiverseNZ Inc will share learning ensuring that distinctiveness in working with diversity becomes our national point of difference.



With 20% of New Zealand's population living with a disability and an ageing population it is important we make sure we are accessible to everyone.

We must ensure our customers can get to us, communicate with us and that we help this part of our talent pool to succeed in the workplace.

With an ageing population we must also recognise this important segment of the workforce will also face age-related illnesses and disabilities that we need to be able to manage in the workplace.

As part of our diversity work we formed a 'pan-bank disability forum' to own and drive the strategy around disability. This is a standalone forum led by a member of the Diversity Council.

Disability definition

A disability is a condition or function judged to be significantly impaired relative to the usual standard of an individual or group. The term is used to refer to individual functioning, including:

- Mobility and physical impairments.
- Spinal cord disability.
- Head injuries – brain disability.
- Vision disability.
- Hearing disability.
- Cognitive or learning disabilities.
- Psychological disorders.
- Invisible disabilities (e.g., disabilities that are not immediately apparent to others immunological or mental health).

The Bank's accessibility strategy and activity ranges from ensuring we provide premises and banking services that are accessible for our employees and customers through to the ways we communicate our products and services, serve our customers and support our own people. In developing our strategy we engaged with external representatives including the Foundation for the Blind and Deaf Aotearoa.

The following are a few highlights of recent activity. We have:

- Removed barriers in workplace and store premises. Identified barriers include: high transaction counters, glass partitions, hard to operate doors, steps, lack of chairs and ensuring varying levels of privacy are provided.
- Improved our ATMs accessibility status, including introducing:
 - › text to speech used via headsets.
 - › blimps '5' key used for keypad orientation.
 - › high contrast screens (selectable as a customer preference).
- Held disability awareness session for the recruitment team and introduced the 'Reasonable Adjustments Process' into future hiring to make sure any special needs are met.
- Updated the BNZ Careers site to provide help during an application for those with a disability.
- Reworded the health questionnaire for new staff.
- Provided a contact point for people with disability to phone/email if reasonable adjustments are required throughout the recruitment process.
- Provided information on BNZ's Reasonable Adjustment policy and support for employees with disability on the company intranet.
- Developed an intranet section for disability-related tools and resources, including disability definitions, reasonable adjustments and contacts for support.
- Established standards for including people of all abilities for all new and/or amended training.
- Briefed the pan-Bank learning advisory group to incorporate disability measures into programmes as required.
- Provided fee exemptions for customers with disabilities who must physically visit a BNZ store because they are unable to access electronic banking.
- Ran sign language 'taster classes' in conjunction with Deaf Aotearoa.

We made the decision to share our case study to further demonstrate our commitment to our people and to the growth of New Zealand.

There are many compelling reasons to act – we have an ageing population, we are becoming more ethnically diverse and half of New Zealand’s working-age adults were born overseas.

Women are participating at higher rates in the workforce and are graduating from tertiary institutions in larger volumes than their male counterparts. These demographic changes, combined with rapid advances in technology, are delivering us a different workplace and ways of working.

Leading research also tells us that beyond social and moral responsibility, the key driver in fostering a diverse culture is the competitive advantage gained. The key benefits of a diverse culture are:

- Getting the most from our people.
- Recruitment and retention of top talent.
- Increased creativity and innovation.
- Access to a changing marketplace.
- Improved business resilience and flexibility.

We believe the full economic participation of all New Zealand’s talent is imperative to the nation’s ongoing growth and success. It is not good enough for parts of the talent pool to be overlooked, underutilised or excluded. For innovation and creativity we need to tap into all the knowledge and experience available.

We commenced our diversity work on gender balance because it is vital this is tackled for the ongoing growth of the economy. Achieving gender equity in New Zealand will deliver significant gains to the nation – women are guarantors of growth and an economic force not to be ignored. Achieving this requires a confluence of thought – and action, between government, business, public and private sector enterprise and non-government organisations. This is a business issue, an economic issue, not a ‘women’s issue’. We are working hard on this and call for all other organisations to do the same.

As part of our work to achieve gender balance, in March 2012 BNZ voluntarily committed to the UN Women and United Nations Global Compact Women’s Empowerment Principles. These principles

Note: In this case study we have given more weight to our work with women and gender balance as this was where we began the journey.

offer guidance to businesses on how to empower women in the workplace, marketplace and community. We signed the principles as a demonstration of our respect and support to the women in our organisation, our customer base and our communities. In practice and in spirit, we continue to strive to meet these important global guidelines. But importantly, where we don't, we have challenged ourselves to close any gaps and improve our performance.

We encourage all other large organisations to sign up to these important principles. They emphasise the business case for action to promote gender equality and women's empowerment, they are informed by actual business practices and they point the way toward best practice. In 2013, BNZ was acknowledged and presented with the UN Women and United Nations Global Compact Women's Empowerment 'Benchmarking for Change' Award. In these inaugural awards BNZ was honoured to be one of only five companies recognised globally as leading the way in empowering women in the workplace.

We have outlined some of our work under the headings of the ageing workforce, flexibility, accessibility and the changing face of New Zealand. We have started but we acknowledge there is more to do,

particularly on ensuring we have an inclusive culture. It is not enough to ensure diversity in the talent pool – the culture of the organisation needs to value and leverage this diversity. Recent research, particularly from Deloitte suggests we can gain an exponential benefit if we get both diversity and inclusion right. We will continue to strive to improve our performance – we encourage you to do the same. Partnering with government ministries and external organisations like Asian Leaders New Zealand and DiverseNZ Inc is an integral part of our approach to achieve this. It is vital we learn from other organisations' experiences and share our lessons. It is equally important to enable and help grow New Zealand - if we can close the gender gap alone we would boost the level of GDP by as much as ten percent.

As a nation we need to talk and take action on what's important. It is the right time to share more case studies, have robust debate, share ideas and, most importantly, take action – as individuals, as leaders and as businesses.

For more information contact:

diversity@bnz.co.nz

Where to go for more information?

Websites ▶ Corporate Leadership Council www.clc.executiveboard.com
McKinsey & Company www.mckinsey.com ▶ Deloitte www.deloitte.com
Catalyst www.catalyst.org ▶ Avivah Wittenberg-Cox www.20-first.com
Human Rights Commission www.hrc.co.nz ▶ Te Puni Kōkiri www.tpk.govt.nz
EEO Trust www.eeotrust.org.nz

Books ▶ *The Loudest Duck* Laura Liswood, 2010 ▶ *Why Women Mean Business and How Women Mean Business* Avivah Wittenberg-Cox and Alison Maitland, 2008 and 2010.

Notes

➤ Visit bnz.co.nz

➤ Email us at diversity@bnz.co.nz

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