Te Puni Kōkiri
MINISTRY OF MĀORI DEVELOPMENT

Governance - 12 principles

Trustee obligations

Māori land trustees are responsible for making decisions about the whenua for the benefit of all the owners.

Trustees are accountable to owners and must manage the trust in accordance with the trust order.

Their obligations are summarised in 12 principles. Most of these principles apply to all types of trustees, though advisory trustees won't be held accountable for any of the financial or administrative requirements.

1. Acquaintance — know your trust

The trustees must be familiar with:

- the property administered by the trust
- the terms of the trust order
- all issues affecting the trust.

This means trustees should know where the whenua is, what state it's in, any issues with the whenua or the trust, and the rules outlined in the trust order.

2. Adherence — stick to the trust order

The trustees must act in accordance with the terms of the trust order.

The trust order is agreed with owners when the trust is first set up. It outlines what trustees can and can't do and how they should run the trust.

3. Impartiality — treat everyone fairly

The trustees must treat all trust beneficiaries (owners) with the same degree of fairness. The trustees are there to act in the best interests of all the beneficiaries.

4. Investments

Investments must be made in accordance with the powers trustees have within the trust order. Trustees need to demonstrate prudence when investing, also known as the "prudent person test." When investing this might mean:

- having an Investment Policy with guiding principles and rules
- getting appropriate, independent investment advice when considering options.

5. Diligence and prudence — behave like a business person

The trustees are required to act with the same care, diligence, prudence and good judgement expected of business people managing the affairs of others.

For example, trustees must not spend money on anything unnecessary, and must pay accounts on time so the trust isn't charged extra fees.

6. Delegation of responsibilities — trustees are responsible for the mahi

The trustees must not delegate their responsibilities to anyone else unless the trust order clearly allows this, or unless delegation is permitted by law. However, they can employ professionals to help the trust.

7. Act jointly — work as a team

The trustees must work together. They must share responsibility for any wrongdoing or mistakes made. All trustees are accountable to the owners.

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8. Act without personal profit — trustees aren't paid

The trustees must not benefit personally from being a trustee. If the trust order allows it, they can be reimbursed for expenses they incur in carrying out their role as trustee. For example, trustee travel expenses.

9. Pay the right people

The trustees must pay trust money only to the people named on the trust order (or to specialists engaged to do work on behalf of the trust). They will not be excused for paying the wrong person, even if they mistake the intention of the trust order, or take professional advice to make these payments.

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10. Trust account information — keep proper accounts and records

The trustees must keep full and proper accounts. Owners, or their authorised agents, can ask to see the accounts and other financial information. Trustees need to be able to provide “asset performance” information — like the business plan, or key performance indicators and results — if asked.

11. Declare conflicts of interest

There should be a plan for managing conflicts of interest — at a minimum any conflict should be declared. It’s important to ensure trustees are not seen to be using their position for financial advantage for themselves, their whānau or friends.

For example: trustees are considering spending a lot of money on an IT system and one of the providers competing for the contract is the brother of a trustee. The trustee should declare the conflict and leave the boardroom during the discussion and decision-making.

It can help to have a register of trustees’ interests which details any personal issue or outside business which could conflict with their role as a trustee.

12. Regular disclosure — communicate with owners

Trustees must keep their owners informed and regularly provide full details of the financial position and performance of the trust. They must consult with owners on major policy issues and get their consent to any changes to the terms of the trust order.