

On the 2021 Board agenda

KPMG Singapore Board & Governance Institute

COVID-19, recession, global volatility – driven by trade and geopolitical tensions, resurging debt, technology and business model disruption, elevated cyber risk and regulatory scrutiny – all paint a picture of a daunting and opaque business and risk environment for the year ahead. The pressure on employees, management, boards, and governance will be significant.

Drawing on insights from our work and conversations with directors and business leaders, we have highlighted some key issues that boards should note as they approach and execute their 2021 agendas.



Maintain focus on management's response to COVID-19, while keeping sight of the bigger picture

COVID-19 will continue to redefine business as usual for nearly all companies – and their boards – regardless of industry, size, or geography. All leaders will face significant disruption and uncertainty – grappling with how to reopen, the implications of managing remote workforces, accelerating digital transformation, building more resilient supply chains, and strengthening connections with customers in the months to come.

Navigating the uncertainty will require a sharp focus on people, liquidity, operational risks, and contingencies while keeping sight of the bigger picture: strategy, risk, and resilience.



Re-evaluate the company's focus on ESG and corporate purpose.

There are increasing stakeholder demands for clearer disclosure of how the company is addressing ESG risks and opportunities – particularly climate change and diversity. Which ESG issues are of strategic significance i.e., key to the company's long-term performance and value creation? How is the company embedding ESG into its core business activities (strategy, operations, risk management, incentives, and corporate culture)? Is there a clear commitment and strong leadership from the top as well as enterprise-wide buy-in?



Be proactive in engaging with stakeholders

In light of COVID-19, transparency, authenticity, and trust (or lack thereof) are increasingly important

themes for engagement with stakeholders. Boards and management must think about engaging not only with shareholders but with their own employees, customers, suppliers, and community stakeholders. Boards should request periodic updates from management about engagement practices: Do we know who our largest shareholders and key stakeholders are, and do we understand their priorities?



Make human capital management and CEO succession a priority

To gain better oversight of human capital management (HCM), some boards are charging the nominating committee (or another board committee) with oversight of talent development and related HCM issues. Boards will want to discuss with management the company's human capital resources initiatives. These discussions can deepen the board's understanding of the company's HCM strategies and better integrate HCM into the board's agenda and priorities.

The board should help ensure that the company is well prepared for CEO and key management personnel changes. If the business and strategy have changed as a result of the impact of COVID-19, the board should ensure that the desired profile of a new CEO has been updated accordingly. There may be changes in the succession pipeline, with some skills becoming more important. Also, how does the board get to know senior executives in the leadership pipeline – particularly given the limitations of a remote work environment?



Help set the tone and monitor the culture throughout the organisation.

COVID-19 has increased the risk of ethics and compliance failures, particularly given heightened fraud risks. Boards are taking a more proactive approach to understanding, shaping, and assessing corporate culture. Culture and strategy are

inextricably linked. If the company's strategy has changed as a result of COVID-19 and related impacts, carefully consider what changes to the culture may be necessary to support the new strategy. Understand the company's actual culture and closely monitor the tone at the top and culture throughout the organisation with a sharp focus on behaviours (not just results) and yellow flags.



Build the talent in the boardroom around the company's strategy and future needs.

Talent and diversity in the boardroom are top of mind for investors, regulators, and other stakeholders. The increased level of investor engagement on this topic highlights investor frustration over the slow pace of change in boardrooms and points to the central challenge with board composition: a changing business and risk landscape. Board composition and diversity should remain a board focus area in 2021.



Reassess whether crisis readiness and resilience plans are effectively linked to the company's key risks

COVID-19 is a stark reminder of the need to have robust enterprise risk management (ERM) processes that are closely linked to crisis preparedness and resilience. Are the company's risk governance processes keeping pace with its changing risk profile? Does the board understand who owns key risks at the management level, and would an empowered chief risk officer help create a more unified approach to risk? There will be a number of fundamental questions for boards and management teams as they reassess the company's risks and readiness. Is there a complete inventory of the company's critical risks? Are crisis readiness plans closely linked to risk management, and are we prepared for a worst-case scenario? Does the board's committee structure bring the right focus and attention to the company's critical risks and its crisis readiness and resilience?



Approach cybersecurity and data privacy holistically as data governance.

The accelerated shift to digital that many companies are experiencing underscores the importance of taking a holistic approach to data governance – the processes and protocols in place around the integrity, protection, availability, and use of data. Meantime, while boards have made strides in monitoring management's cybersecurity effectiveness, given the growing sophistication of cyber attackers, the shifts to remote work and online customer engagement, cybersecurity will continue to be a key challenge.

The broader challenge is data governance, that is ensuring that an organisation's data and information assets are managed consistently and used properly. A more rigorous approach around oversight of data governance may be needed.



Factor emerging and disruptive technologies into the board's thinking around strategy and risk

Boards are increasingly aware that most companies' risk management processes are not fully robust – being unable to identify emerging and disruptive risks. Where disruptive technology is identified as a risk management opportunity does the business have the right skills to deliver on it? Understanding the risks and opportunities posed by technologies is a long way from being able to actively manage or leverage them which requires skills rarely found in current management but typically prolific within the millennial population.



Strengthen tax governance and unlock process enhancement opportunities

Tax governance is an increasing focus area of tax authorities around the globe. The Inland Revenue Authority of Singapore (IRAS) is looking to implement a formal tax governance programme, which may be launched later in 2021. While the finer details of the programme are still being discussed, the IRAS has indicated it may provide benefits for those adopting the measures to encourage participation. These may range from extended grace period for penalties for voluntary disclosures to stepped-down compliance checks on certain risk areas. Boards should consider a more proactive approach to tax governance as part of its tax strategy and transformation. This unlocks opportunities to harness process enhancements (in connection with any technology transformation) and helps the organisation better manage key tax governance risks.

Contact us

Irving Low
Partner
Head of KPMG Board & Governance Institute
T: +65 6213 2071
E: irvinglow@kpmg.com.sg

Lau Kam Yuen
Partner
Head of Risk Consulting Advisory
T: +65 6213 2550
E: kamyuenlau@kpmg.com.sg

KPMG Services Pte Ltd
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
T: +65 6213 3388
F: +65 6225 0940

kpmg.com.sg



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.