

# TRENDS AND PRIORITIES FOR BOARDS AND BOARD-LEVEL COMMITTEES IN 2021

# RESILIENCE

- Consider the potential for significant reconfiguration of business models, which raises concerns about business continuity.
- Consider commencement or continuation of new business opportunities, identified in response to COVID.
- Consider all business continuity efforts in response to COVID, including issues of workforce continuity, supply chain continuity, demand implications, and liquidity concerns, which are intertwined with issues of corporate purpose, stakeholder interests, corporate social responsibility, and corporate reputation.
- Consider whether the crisis readiness plans have factored in risk management and whether the company is prepared for a worst-case scenario.

# ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

- Address matters related to ESG. A company's outlook towards ESG is viewed as an important part of continuity planning and strategy, both current and future, and is considered to be closely linked to its resilience and outlook for long-term success.
- Focus on addressing social issues, including issues of racial and gender equality in Boards as well as in the general workforce.
- Have more transparent disclosures relating to ESG risks and opportunities, particularly climate change and diversity. This is part of increasing demands from stakeholders, especially investors.

# DISCUSSIONS WITH MANAGEMENT

- Assess how management is handling the situations induced by COVID, and gaps, if any.
- Mitigate business risks arising from COVID and related health, safety, financial, operational, and compliance issues.
- Encourage management to continue the practice of sending monthly status reports to the Board, as was the situation when COVID started. This will allow the Board to track the company's performance more systematically.

# **DIGITAL TRANSFORMATION (INCLUDING CYBER SECURITY AND DATA PRIVACY)**

- Address the accelerated shift to the digital world, by taking a holistic approach to data governance, processes and protocols in place around integrity, protection, availability, and use of data.
- Leverage digital transformation initiatives for compliance by adopting AI driven solutions.
- Expand the Board's understanding of cyber-security and systemic risk, by training.

# VIRTUAL MEETINGS

- Bring more effectiveness to virtual Board and committee meetings, in case travel is not possible for the whole or part of another year.
- Better plan the Annual General Meetings (AGMs) for participation of more shareholders in case the ensuing AGM too would be conducted virtually.

# LEARNINGS FROM OTHER CORPORATES

- Good Boards may analyse what went wrong in some of the failed corporates, and may take additional steps to incorporate any learnings, and strengthen their company.



# **PROXY ADVISORY FIRMS' RECOMMENDATIONS**

- Focus on enhancing governance standards, especially with the increased importance given to recommendations of proxy advisory firms.



# AUDIT COMMITTEE

- Reassess the committee's agenda and workload, since in COVID times committees are reported to have had substantial oversight responsibilities for a range of risks, beyond the core financial reporting and related control risks. These included liquidity and access to capital, legal/regulatory compliance, cybersecurity and data privacy, supply chain etc.
- Reassess, enhance, or establish new internal controls due to COVID-related disruptions.
- Discuss changes in audit process by auditors in the light of COVID-related difficulties.
- Understand how technology would further impact the finance function's talent, efficiency, and value-adding capabilities.
- Ensure that Internal Audit remains focused on the most critical risks, including any COVID-related risks.

# AUDIT QUALITY AND DISCLOSURES

- There would be more focus on fair and transparent disclosures made by auditors.
- Regulators around the world have underscored the importance of high-quality reporting by companies as well as high-quality audits.
- Stringent provisions for non-audit services. Financial Reporting Council (FRC) in UK has already asked the Big 4 firms to split the audit and non-audit services by the year 2024. India may follow suit.

# GOING CONCERN

- With many financial pressures arising from the ongoing pandemic, “going concern” and the viability statement would be high on the agenda of most Boards and Audit Committees.
- After many cases of failure of corporates in the year 2020, “going concern” of companies would be one of the focus points of Boards and Audit Committees.

# **NOMINATION AND REMUNERATION COMMITTEE**

- Identify Board skills required to support recovery during the pandemic.
- Plan for succession of Directors and Key Managerial Personnel (KMPs), in both normal circumstances and in emergencies.
- Identify the missing elements of diversity on the Board. This could be diversity in race, gender, sexual orientation, disability, geography etc.

# REMUNERATION

- Rework, if necessary, the incentive plans for employees, in the light of COVID.
- Increase disclosure of remuneration paid to promoters to avoid any negative recommendation from proxy advisory firms, as also pushback from investors.

# HR FUNCTION

- Revisit the work-from-home policy, and address the concerns of employees and workers working from home.
- Consider reinstating physical presence of employees in a phased manner, in case the current situation improves.

# **RISK MANAGEMENT COMMITTEE**

- Risk has become centre-stage in the agenda of the Board. Cybersecurity and data privacy as also risks arising out of COVID will receive increased attention.



# STAKEHOLDERS RELATIONSHIP COMMITTEE

- Focus on Stakeholders
  - Focus on the broader set of stakeholders, and not only on shareholders.
- Shareholder engagement and activism
  - Consider, along with management, how various types of shareholder activists are likely to view the company, and its strategies and governance practices, to identify vulnerabilities if any.
  - Engage with significant shareholders to build a relationship based on trust, transparency and mutual understanding.

WEBSITE

[www.excellenceenablers.com](http://www.excellenceenablers.com)

PHONE

+91 11 26143500, 43595444-445

EMAIL

[info@excellenceenablers.in](mailto:info@excellenceenablers.in)

LET'S  
CONNECT