

Welcome to FS NED talks virtual series

Taking you through how boards are adapting to the challenges of the evolving COVID-19 situation

Your presenters today - Anton van Wyk and Werner De Bruin

Please jot down any questions for the presenters or use the top right hand corner to type your questions and comments in, we will open up for questions after the presentation.

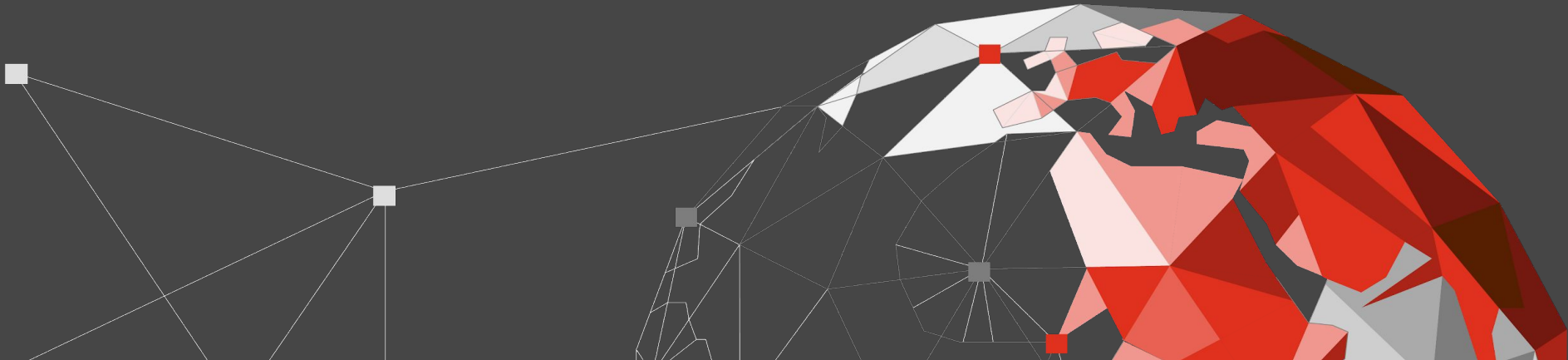
Thank you for joining us, we will be starting shortly!



Agenda

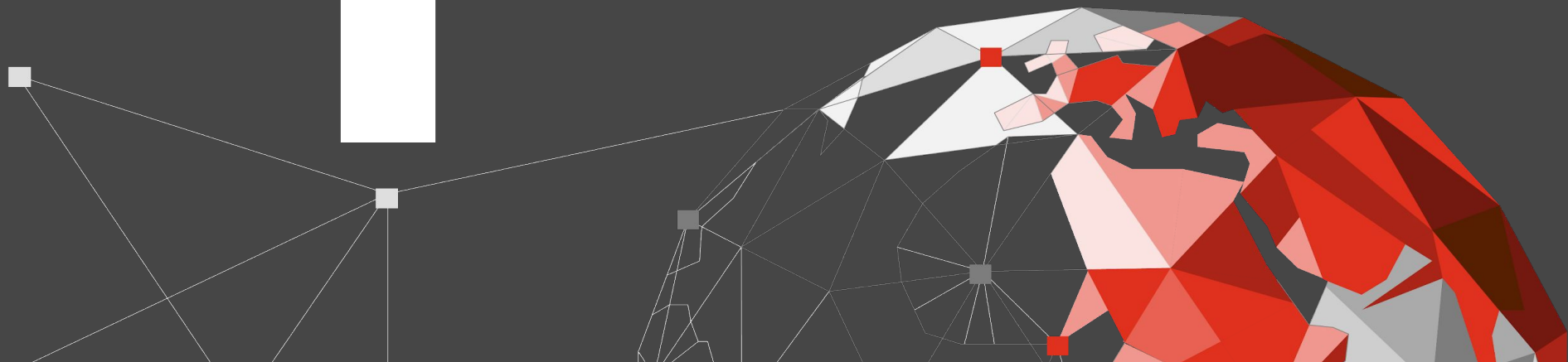
Responsible Leadership: Looking ahead: Changing board dynamics

- Business strategy insight
- Adapt to new challenges
- Escalation matrix
- Strategy & Recovery tactics
- Performance, Control & Risk
- Communicating during this crisis



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Looking ahead –
changing board
dynamics



1. Business Strategy Insight



Lead from the front: The board of directors has a fiduciary duty to ensure the organisation acts in the best interest of its stakeholders. Now more than ever, boards of directors need to be proactive and agile, and they need to respond with strong leadership.

- Impact of Covid19 on strategic initiatives and the need to pivot
- Challenge the ability to keep customers and employees safe
- Understand how management is preparing for a new normal
- Review management's approach and evaluation of new supply chain sourcing options
- Focus on revenue decline as this is the reality for many businesses, in most industries
- Understand cost containment tactics (capex investments and operational)
- Robust discussion for any corporate transactions, incl deals, funding, etc.

2. Adapting to New Challenges



Boards could encourage management to seek out best practices, locally and globally, newly available resources and guidance issued by regulators and external advice where appropriate in order to strengthen management's ability to address the consequences of the pandemic on the business. Boards could consider how to deal with priorities and how to speed up decision-making without compromising effectiveness of oversight and governance.

- Ethical leadership
- Appreciate culture & values
- Role clarity
- Is our executive leadership process adequate (emergency board and management succession)?
- Does management have the right mandate?
- Do they possess the requisite skills, competence & experience?
- Are we supporting management effectively?
- Are we providing stakeholders with the information they need?
- Are we operating in the most effective way?
- Are we preparing for the post-pandemic future?
- Are we taking care of ourselves?

3. Escalation Matrix



As the environment continues to change, new risks have emerged that need to be addressed. The Board needs to consider whether there are protocols in place to report, aggregate and analyse emerging risks as the situation evolves.

- Do we need to adjust the DoA?
- Several key risk indicators and risk thresholds have been breached under COVID-19 - these must be recalibrated
- Reporting protocols and level of management involvement per event
- Agree cadence for key metric reporting and escalation (operational, customer, supplier, people, etc)
- Communications management to all stakeholders (consider implementing a standing board of directors call or communication plan to keep directors informed as the situation unfolds)
- What is the impact on the organisation's Human Capital?

4. Strategy & Recovery Tactics



The Board needs to ensure it is provided with critical oversight of financial reporting in the current environment and at the same time, continues to ensure Board Committees focus on their other core responsibilities in areas like risk oversight, oversight of internal and external audit, and ethics and compliance.

- Revisit strategy as to current relevance.
- Revisiting projections for growth, hurdle-rates and capital allocations
- Increased scrutiny over corporate events, share repurchases, M&A, liquidity, budgeting and reforecasting
- Tone at the top and business conduct
- Financial reporting operations
- Earning guidance and other stakeholder engagements, e.g. with regulators
- Test recovery strategies
- Going concern
- Plan for 'Green light' or Return to Work (RtW)

5. Performance, Control & Risk



Changes to working practices and organisation arrangements in response to COVID-19 introduced a range of new or enhanced risk areas and have the potential to substantially disrupt the existing system of internal controls. The Board needs to support the Audit Committee as it faces this set of new challenges. The Board must also continue to address the Audit Committee's core responsibilities.

- Understand new and elevated risk
- Understanding current trading conditions and the organisation's ability to manage impact outcome
- Redirected combined assurance and risk expertise efforts to most critical risks
- Most IA, risk and compliance plans will need to be adjusted
- Make sure assurance provider communicates proactively
- Understand where IA/risk/compliance capacity has been redirected to support the business
- Fraud risk will escalate
- Rebalance assurance coverage

6. Communicating During This Crisis



Honesty, quality, frequency & effectiveness of communication, will make or break the success of the organisation.

- Leadership and judgement
- Relationships
- Communicating regularly and effectively
- Transparency

Questions?



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Thank you

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