

Corporate Boards Worldwide Navigating Governance Challenges HKIoD Shares Findings of Global Director Survey 2020-2021

A global research on board governance during the Covid-19 crisis indicated that **two-thirds of company directors reported an increase of time commitment by 50 percent or more.**

The Hong Kong Institute of Directors (“HKIoD”) shares the *2020-2021 Survey Report* of the Global Network of Director Institutes (“GNDI”), which analyses survey responses fielded in the second half-year of 2020 from a diverse pool of nearly 2,000 directors from 17 director institutes worldwide. HKIoD is a member institute of GNDI, an international alliance of leading director institutes representing more than 150,000 corporate board members.

Chairman of HKIoD Dr Christopher To noted, “This GNDI Survey Report provides timely snapshots of how boards worldwide are navigating the economic and social impacts of the Covid-19 crisis. How our fellow directors recalibrated their board foci and strategies generated good references not just for now but also for the foreseeable future, as the impacts of Covid-19 will linger for some time. Globally directors must act and have acted quickly in changing. This crisis poses opportunity to rethink, revalue, restructure, restart and rebound,”

Highlights of global key findings

Outlined below are highlights of the report’s key findings:

- Directors gave high marks to themselves and their management teams. Many credited prior scenario planning that provides a good foundation for an effective response to the Covid-19 crisis.
- There will be an increased emphasis on risks in 2021 and beyond. The crisis will likely have the most significant long-term impact on how boards engage on strategy and risk and assess employee health and safety.
- Virtual board meetings work, but they are second best. Virtual board meetings are here to stay.

Challenges and responses

While the GNDI Survey Report publishes Global Aggregates, HKIoD has prepared a supplementary paper, which places side by side the findings for significant issues in Global Aggregates, Asia & Oceania Subset (“A&O”) and Hong Kong Subset. The comparison presents findings in Hong Kong ranking order, for readers with interest in the Hong Kong scenarios vis-a-vis regionally and globally.

The top challenge perceived from the Covid-19 crisis was “recalibrating strategies to the new market or environment” (HK: 61%, A&O: 61%, Global: 56%). This is followed by “ensuring effective governance in decisions affecting employees, investors, customers, suppliers and communities” and “responding to changing government policies and guidelines”.

As to how boards responded to the Covid-19 crisis, the top answer was “our board has been able to govern effectively in the new environment” (HK: 80%, A&O: 84%, Global: 89%). Many boards have established ad-hoc or special crisis committee as “a valuable component of the board’s crisis response plan”.

Compared to directors of other places, Hong Kong directors seem to have outperformed in identifying mobility restrictions and pandemic risk as “top risk on the board’s risk dashboard 12 months ago”. This is probably due to prior experiences in the 2003 SARS and the 2019 social unrest. On challenges posed by the crisis, Hong Kong directors placed a higher ranking than other directors in “approving or making decisions quickly” as an important challenge to be addressed and therefore attributed higher

emphasis to “ensuring the quality of decision making on fast-moving issues” as an area of governance with long-term impact.

The topmost challenge by far in adapting to meetings in a virtual setting was “losing nonverbal communication between directors” (HK: 61%, A&O: 64%, Global: 68%). This was followed by the challenge from technological problems disrupting the meeting.

CEO of HKIoD Dr Carlye Tsui, who is also a member of the GNDI Executive Committee, remarked, “Globally, directors were confronted with the need to master technology in adapting to virtual meetings. This may be a wake-up call for them to enhance their digital readiness. Measures in meeting the challenges in the Covid-19 crisis are to a great extent related to digital transformation. Digital readiness can react to transformation better; a board that is digital enlightened leads digital transformation in a faster speed.”

Long-term impacts

On areas of governance perceived to be affected in the long term, many boards would proceed with “incorporating a new set of broader risks in scenario planning”. Boards would work on “ensuring the ongoing health and safety of employees”.

Perceived by the directors surveyed, there is likelihood of change in the long-term trajectory of trends. The respondents anticipated “increased focus on ESG, sustainability and stakeholder value issues” (HK: 75%, A&O: 71%, Global: 67%). They also predicted “slowing down of globalization through increased protectionism”. They placed importance on “incorporating data analytics” and “incorporating expertise of outside experts” into the board decision-making process. Other trends perceived to pick up momentum included “increased board diversity”, “the emergence of professional director”, “increased competition for talent” and “increased corporate repurposing”.

Dr To further remarked, “We must continue to be braced for severe business hardship. We must learn from the past experiences and ride on the transformation of business mode.”

Lessons learned and going forward

From the survey, the lessons learned included “digital board engagement as a helpful tool for board operations moving forward” (HK: 82%, A&O: 87%, Global: 89%). The respondents indicated that their board would “incorporate a broader set of risks into the information dashboard of the board”, “ensure greater communication with a broader set of stakeholders” and “increase director education on factors identified as barriers to the organisation’s Covid-19 response”, among other things.

Dr Tsui added, “A competent director must pursue continuing professional development. The survey findings provide HKIoD with useful reference for enhancing education to facilitate directors in the new normal.”

HKIoD promotes excellence in director practices through its annual major project of Directors Of The Year Awards, honouring role models among individual directors and the collective boards. Continuing in its 21st anniversary, the awards project this year takes on the theme “Leading in New Normal” . Nominations for the awards are open to the public.



The full report of the GNDI Global Survey 2020-2021 [<http://www.hkiod.com/gndisurvey2020.pdf>] and the HKIoD supplementary paper [<http://www.hkiod.com/gndisurvey2020/sup.pdf>] are available for download free of charge. Nominations of candidates for Directors Of The Year Awards 2021 [<http://www.hkiod.com/dya-current.html>] are welcomed.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors (“HKIoD”) is Hong Kong’s premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. A non-profit-distributing organisation with membership consisting of directors from listed and non-listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism. HKIoD is a member institute of the Global Network of Director Institutes, a worldwide alliance of leading director institutes.

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About The Global Network of Director Institutes

GNDI is an alliance of leading director institutes from around the world. A global programme of reciprocity helps directors and their boards to unlock access to director resources around the world. GNDI comprises 22 member institutes including HKIoD, representing over 150,000 directors and other governance professionals around the globe.

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