



# The Board's role in crisis management

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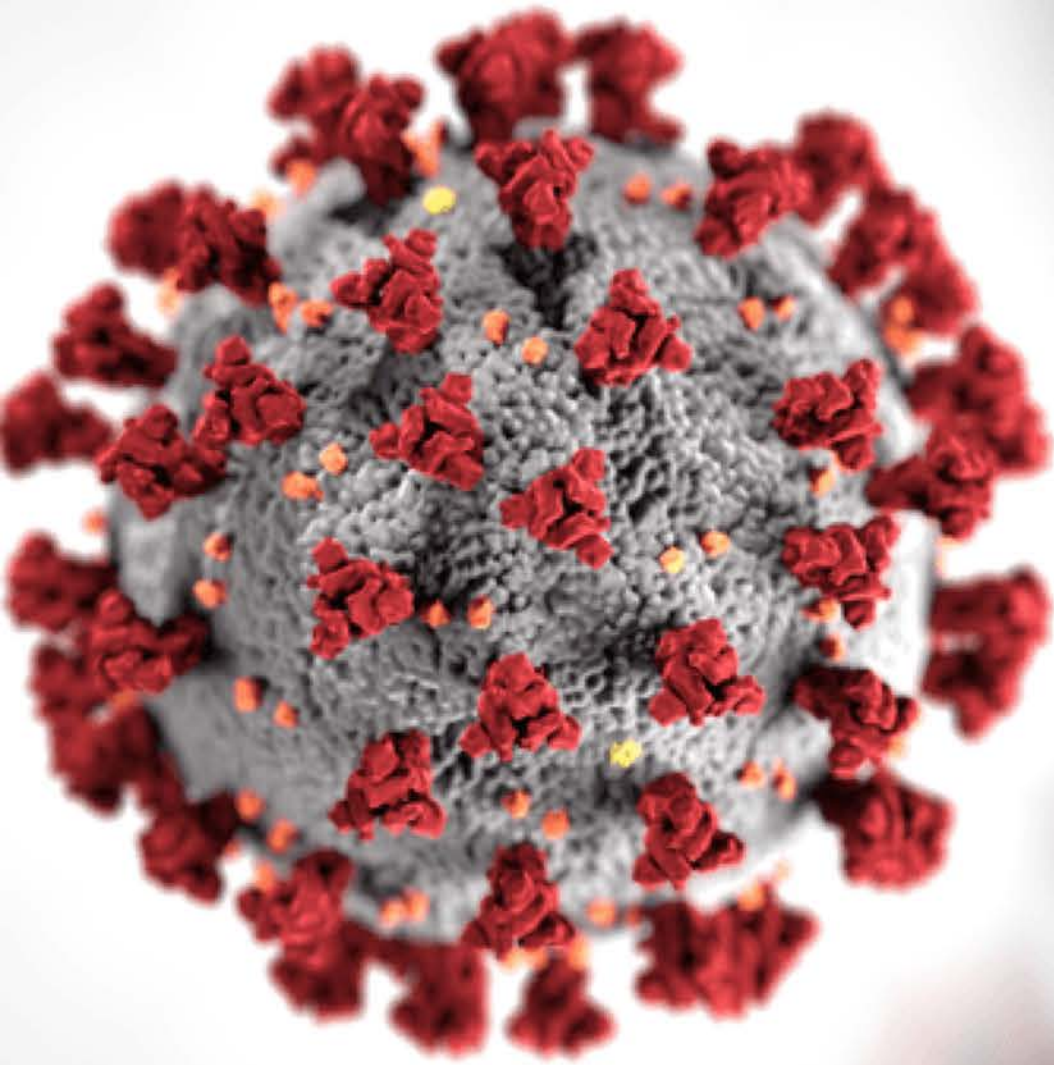
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BOARD EXCELLENCE

May 27<sup>th</sup> , 2020





# COVID-19

CORONAVIRUS DISEASE 2019

## Structure

1. Pre-crisis planning;
2. During a crisis;
3. Practical guides in a crisis;
4. Following a crisis;
5. Board's role in a changed world.



# 1. Pre-Crisis Planning:

- Stress scenario planning;
- Flexible, modular-based responses;
- Centralised response and control;
- Preset activation and return to business triggers;
- Clear communication channels;
- Regular simulation exercises;
- Disciplined post-crisis review.





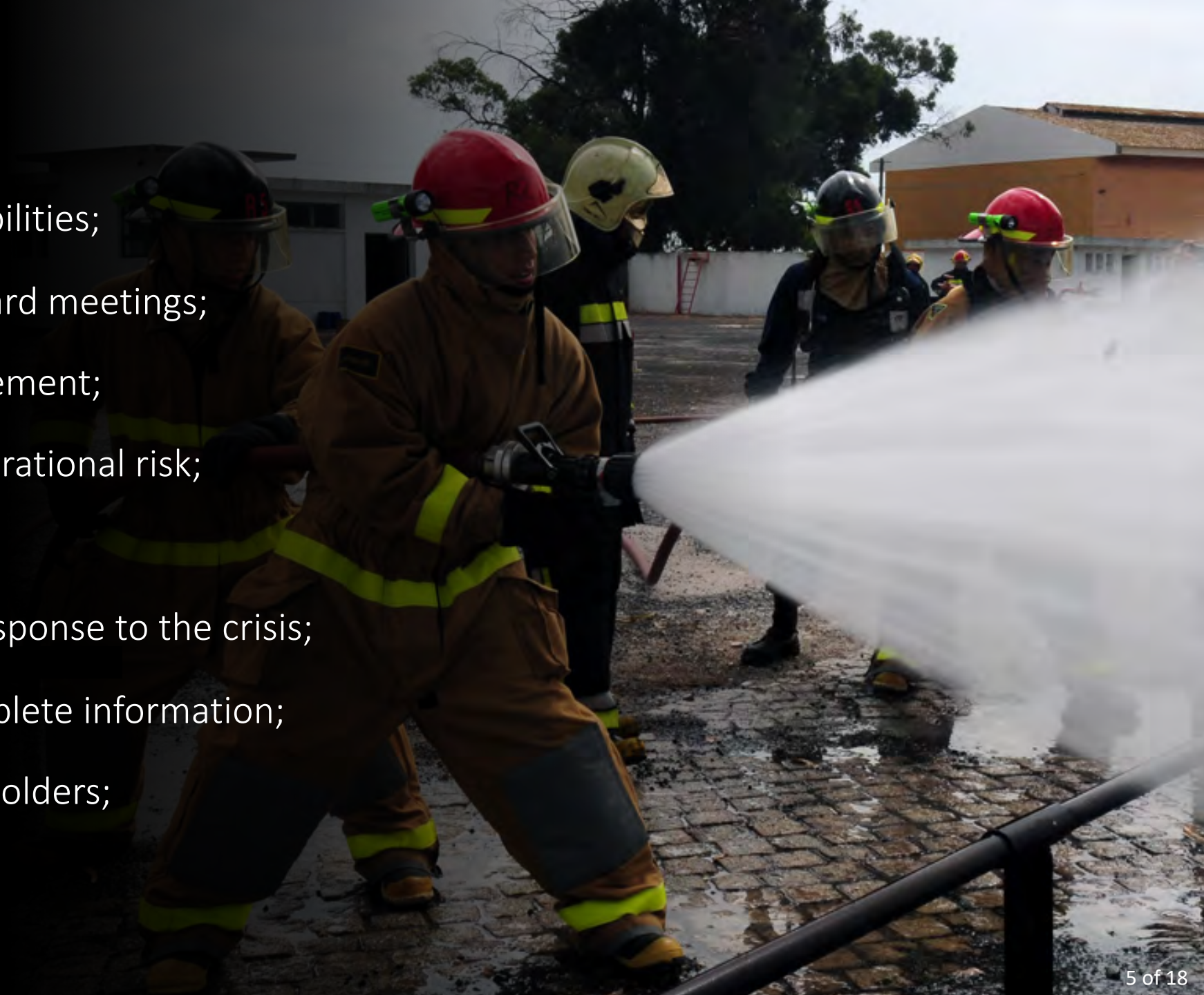
## 2. During a crisis

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## In any crisis:

- Clarity of roles and responsibilities;
- Regularity and locality of board meetings;
- Advising and guiding management;
- Monitoring finances and operational risk;
- Health and safety;
- Evaluating management's response to the crisis;
- Decision-making with incomplete information;
- Communications with stakeholders;
- Seeking opportunities.



## In an extreme crisis:

- Stress-testing succession and business continuity plans;
- Effectiveness of internal control and risk management arrangements;
- Management performance weaknesses;
- Integrity of operating systems in remote working environment;
- Capacity and resilience to support remote and virtual operations;
- Adherence to cyber standards and policies;
- Impact of decisions made in absence of complete information,
- Continuous communication with stakeholders.





# 3. Practical guides in a crisis

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### 3. Practical guides in a crisis:

- Advising and guiding management;
- Succession and business continuity planning;
- Integrity of internal control and risk management arrangements;
- Assessing management performance;
- IT capacity, resilience and cyber-risk.



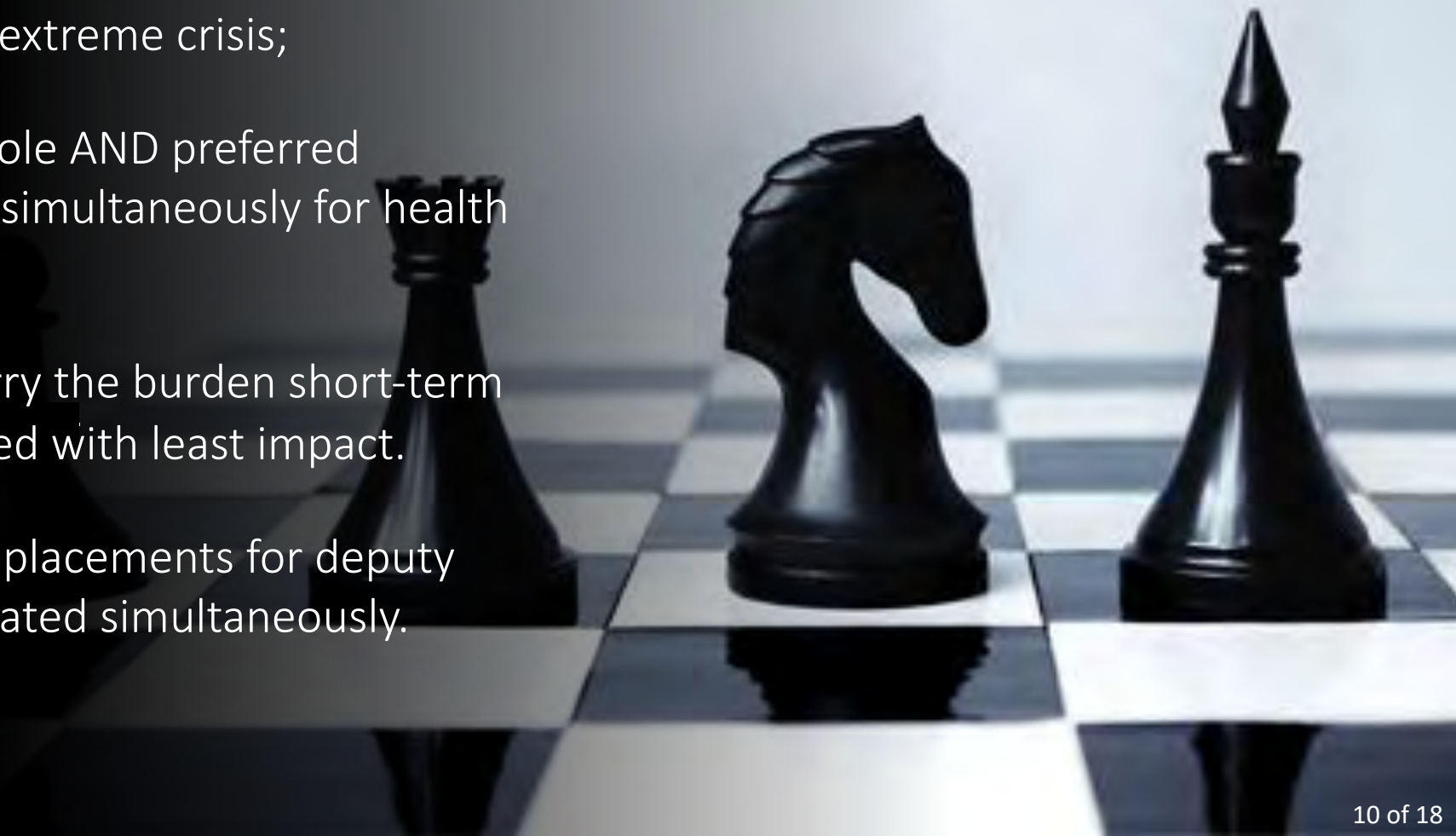
## Advising and guiding management:

- Board's priority should be to support without encroaching unnecessarily, while safeguarding longer-term shareholder and stakeholder interests;
- Independent board members bring different and diverse perspectives;
- Ongoing, two-way communication between CEO and chair, and chair and directors is essential;
- Directors act as sparring partners and counsellors providing candid advice and personal support;
- Retain external professional support where the board lacks specific areas of expertise.



## Succession and business continuity planning:

- Adapt succession and business continuity plans for additional risks created by an extreme crisis;
- When a key person in a core role AND preferred replacements are unavailable simultaneously for health or other reasons;
- Understanding of who can carry the burden short-term or which roles can be combined with least impact.
- Designate deputy chair and replacements for deputy chair should they be incapacitated simultaneously.



## Integrity of internal control and risk management arrangements

- Beware of the impact significant loss or movements of personnel will have on integrity of internal controls and risk management;
- Ensure core controls, such as segregation of duties, new business acquisition, signing authorities, cash management, financial and system user access controls, remain operational and effective;
- Ensure that core businesses are not constrained due to staff movements and are resourced to ensure professional delivery;
- Recognise when it's better to stop operations than to struggle through in reduced capacity and potentially cause long-term damage.

## Assessing management performance:

- Actively support and encourage management;
- Timely performance information and insights essential;
- Be present and be seen to show your support for management AND staff;
- Don't be slow to act if the CEO and/or other critical roles are struggling to cope under extreme pressure where potential for long-term damage is high;
- Be aware that the strongest CEO under normal conditions might not necessarily be the appropriate individual to lead the company during a prolonged crisis.

## IT capacity, resilience and cyber-risk:

- Can core systems support a significant increase in remote working, virtual operations and online or mobile customer activity?
- Is access to and integrity of information systems and data secure at all times:
- Are employees alert to the dangers of cyber risk, organisation policies and standards on cyber security?
- Is electronic communication facilitated only through secure company email and other secure proprietary systems?



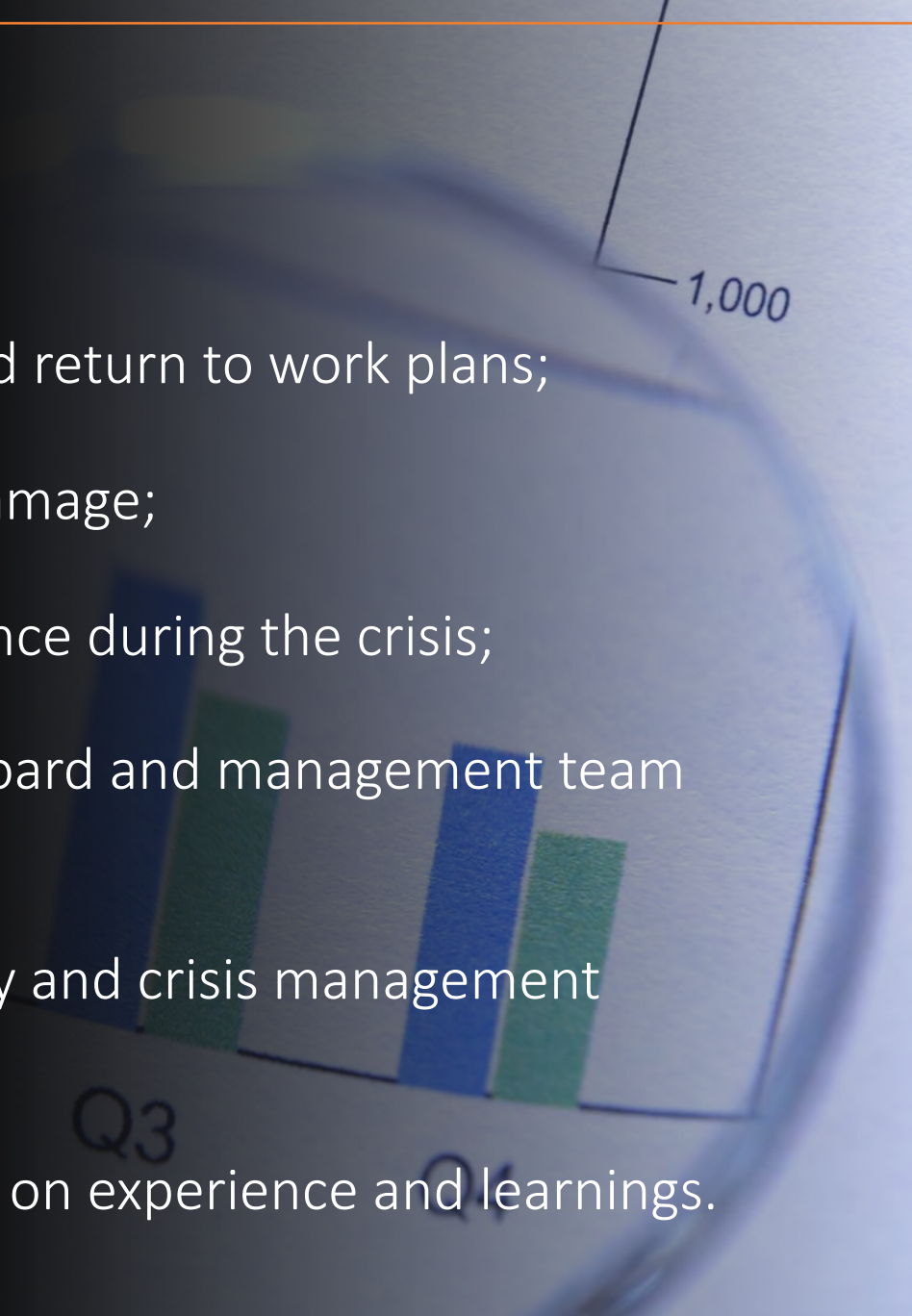
# 4. Following the crisis

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## Following the crisis:

- Monitor management's reconstruction and return to work plans;
- Survey the aftermath; assess and repair damage;
- Review board and management performance during the crisis;
- Review appropriateness and diversity of board and management team composition;
- Review effectiveness of business continuity and crisis management plans and revise accordingly;
- Engage employees and other stakeholders on experience and learnings.







# 5. Board's role in a changed world

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## Board's role in a changed world:

- The world has changed – so must we – so must the way in which we think about our businesses;
- Assess capabilities of business and stakeholders to adapt;
- Manage shareholder and stakeholder expectations;
- Evaluate and respond to challenges and opportunities;
- Review current strategic, business and financial plans;
- Develop integrated approach to risk management, crisis management, business continuity and succession planning;
- Plan for the next crisis.



## In summary ...

- Coronavirus has inflicted unprecedented social, political, economic and cultural change;
- Plan and prepare for continuing turmoil;
- Board must support management in balancing short-term priorities with long-term goals;
- Boards must extend a greater level of trust that allows management respond rapidly;
- Directors' wisdom, insights, experience and oversight have never been more important;
- Boards should seize the opportunity to provide critical guidance and support to their organisations.



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