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**THE FUTURE OF BUSINESS: THE NEW BOARD AGENDA
TO RESPOND TO TURBULENCE THROUGH STAKEHOLDER MANAGEMENT**

*According to new Bain & Company and The Hong Kong Chartered Governance Institute joint research, over 90% of the senior management of companies in Hong Kong expect more turbulence in the business environment in the near-term future
There is a need for a new board agenda to respond to this.*

Hong Kong – 15 September 2021 – The world is currently experiencing a period of increased turbulence, and disruptions have been commonplace over the last two decades. Companies face turbulence in the form of interstate and civil conflicts & rebellions, public health & environmental threats, financial crises & trade conflicts, and technological disruption and threats. Within Greater China the risks which are currently on the top of mind for companies are asset bubbles, the spread of infectious disease, inter-state conflicts and natural catastrophes. This turbulence is likely to continue and even intensify, with over 90% of the senior management of companies surveyed expecting more turbulence in the business environment in the coming 3-5 years. Large corporates who run regional or global business footprints expect even more intense risks.

These are among the findings from a Bain & Company and The Hong Kong Chartered Governance Institute joint report on Hong Kong Boards entitled '*The New Board Agenda*' released today, based on the survey of over 1,400 members of senior management of companies, in Hong Kong and Mainland China. Throughout the growing turbulence, the report finds that there has been a shift towards managing companies in the long-term interests of a broad set of stakeholders. The collective research shows that boards that have discussed stakeholder management are better at managing turbulence in all dimensions.

While within Hong Kong, companies are generally confident about their ability to manage turbulence, only 50% of boards have discussed about stakeholders and how to manage them. And then only 1 out of 5, or 20% of the boards regularly discuss stakeholder issues in board meetings and strongly agree that they know who their relevant stakeholders are. Even then, only half of these boards, or 10% of the boards surveyed, believe they are meeting the right balance between stakeholder and shareholder interests. As over 90% of the respondents, comprising directors, company secretaries, and other senior management in Hong Kong recognise the positive impacts of effective stakeholder management, there is room for improving on actual stakeholder actions in view of the survey findings.

"Today, we see that 1 in 3 company secretaries, as governance professionals, are working to ensure stakeholders are on their Board members' minds. When this happens, Boards are more involved throughout, from identifying relevant stakeholders to setting goals, ensuring clear actions and accountability, reviewing progress, and achieving the right balance between stakeholder and shareholder

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interests” said Kevin Chang, Bain Partner and co-author of the report. “Hence, company secretaries given their wide governance role and responsibilities play a critical role. When company secretaries shape the board agenda, their boards are more likely to discuss topics that address turbulence and stakeholder management.” said Gillian Meller FCG FCS(PE), President of The Hong Kong Chartered Governance Institute.

Boards can respond with a future proof agenda, focusing beyond the firm's strategy and risk topics, through stakeholder management, including in the following areas:

- **Future proof strategy:** By focusing on the few uncertainties that matter most to stakeholders, boards can begin to develop a vision for the future that addresses potential concerns. They can then build a portfolio incorporating appropriate resource planning.
- **Disruption:** Boards can identify opportunities to win by considering how to respond to potential disruptions, including new consumer demands, ecosystem evolutions, data analytics, new capabilities, and emerging competition.
- **Environmental, Social, and Corporate Governance (ESG):** By ensuring regular discussion of ESG, boards can integrate an ambition for sustainability into the company's core strategy, setting specific goals with clear action plans.
- **Talent:** The best talent strategy ensures that the right talent is in the right roles at the right time by assessing talent gaps and identifying key talent requirements. Successful strategies also include guidelines for mobilising talent.
- **Performance management:** Boards can build financial strength to fuel growth and innovation by achieving operational excellence through cost transformation, agile corporate support, procurement optimisation, and supply-chain resilience.
- **Risk and compliance:** A clean-sheet approach to compliance re-examines the root cause of compliance failure and organisational complexity and identifies which activities are truly needed, who should perform them, and how they should be performed. It also eliminates nonessential tasks, thus reducing complexity and risk.

“Currently, Strategy and Risk are the most common topics on Board agendas, with leadership succession and stakeholder management the least discussed,” explained Mr. Chang. “It is important to note that 17% of company secretaries are already very involved in proposing topics and shaping the board agenda, a number which will need to increase in order to ensure company's ability to weather through turbulence, and the company secretary as governance professional, should seize on the opportunity to do this.” added Ms. Meller.

By adopting a future proof board agenda to address turbulence and stakeholder concerns, firms in Hong Kong can protect themselves from potential issues arising. Evolving board governance, engagement with the leadership team, and engagement with stakeholders will prove to be key for these measures to be successful moving forwards.

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Editor's note: To receive a copy of the report or arrange an interview with Mr. Chang, contact Calla Payne at calla.payne@bain.com or +852-6020-7693. To arrange an interview with Ms. Meller, contact Crystal Tang at crystal.tang@hkcgi.org.hk or +852-2830-6038.

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About The Hong Kong Chartered Governance Institute

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The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS), is the only qualifier of the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications for the governance professional in Hong Kong, and the Mainland, China.

With over 70 years of history, and as the China Division of The Chartered Governance Institute (CGI), the Institute's reach, and professional recognition, extends to all of CGI's nine divisions with more than 40,000 members and students worldwide.

HKCGI is a founder member of Corporate Secretaries International Association Limited (CSIA), which was established in March 2010 in Geneva, Switzerland. In 2017, CSIA was relocated to Hong Kong where it operates as a company limited by guarantee. CSIA aims to give a global voice to corporate secretaries and governance professionals.

The position of HKCGI is in line with the recognition of the governance roles and responsibilities performed by its members, and the global convergence towards the importance of governance.

HKCGI has more than 6,600 members, 300 graduates and 3,000 students.

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