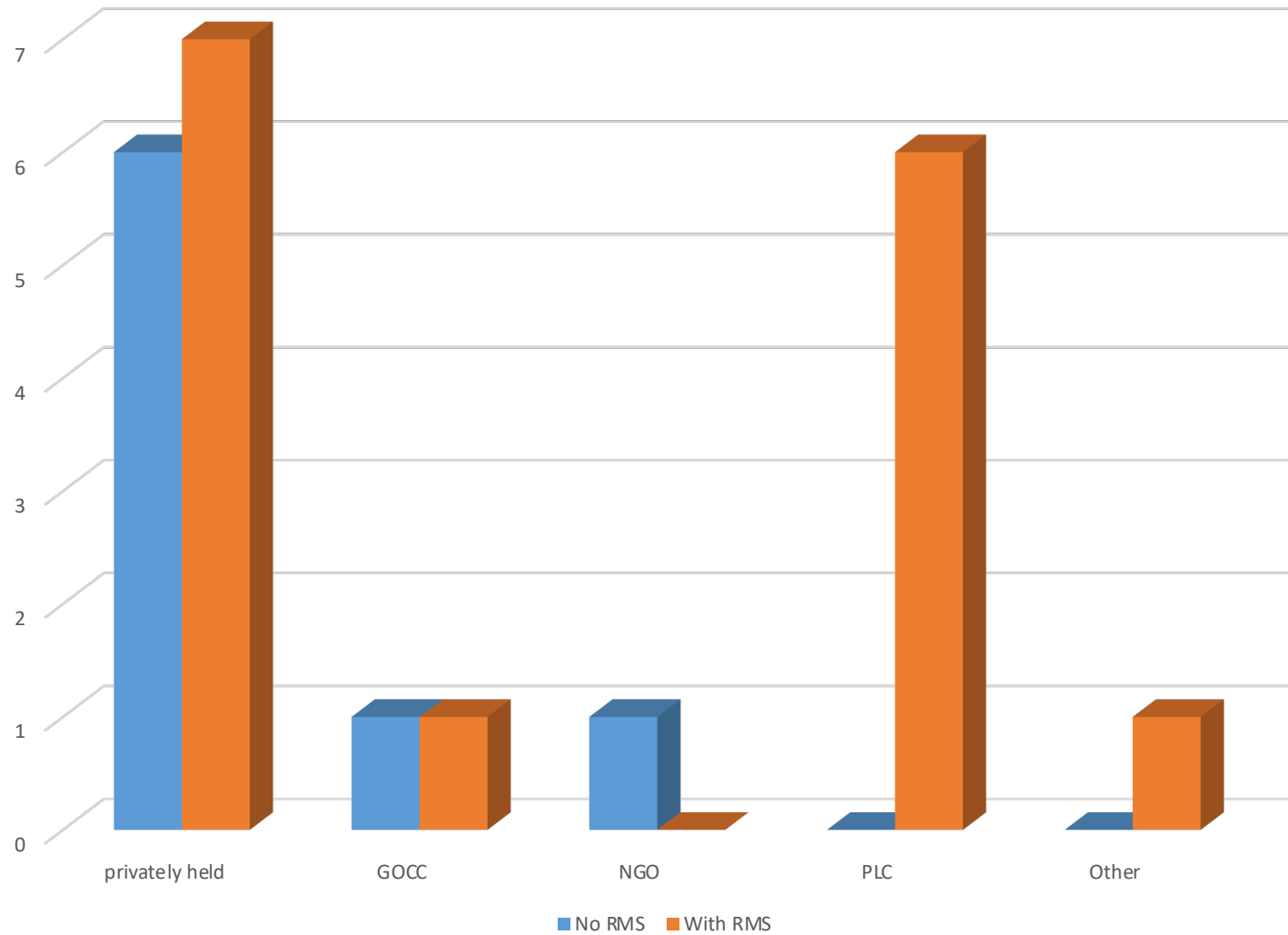# Risk Management in the Age of CoVID
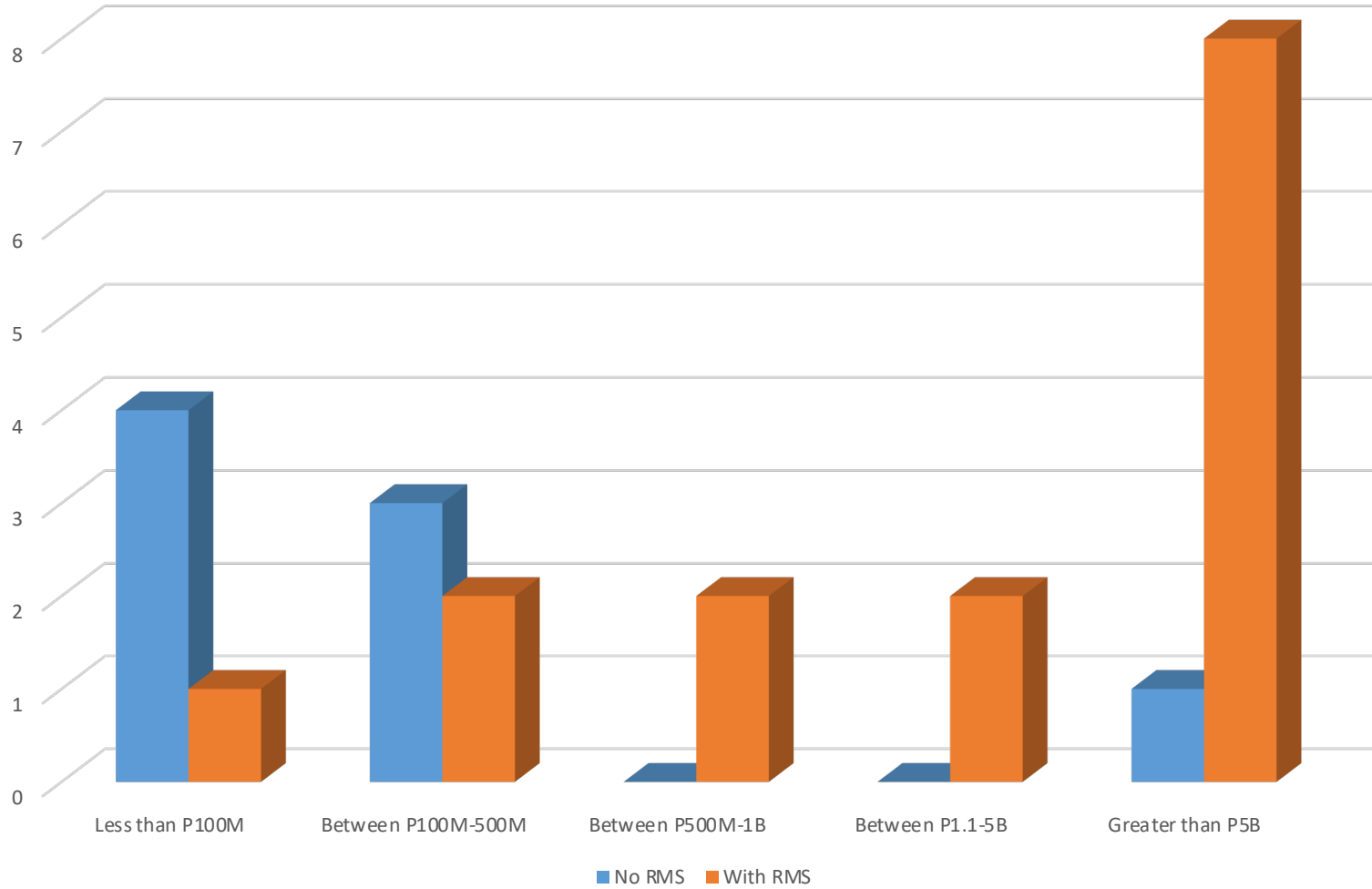
***Rural Bankers Association of the Philippines***
***67th Annual National Convention***
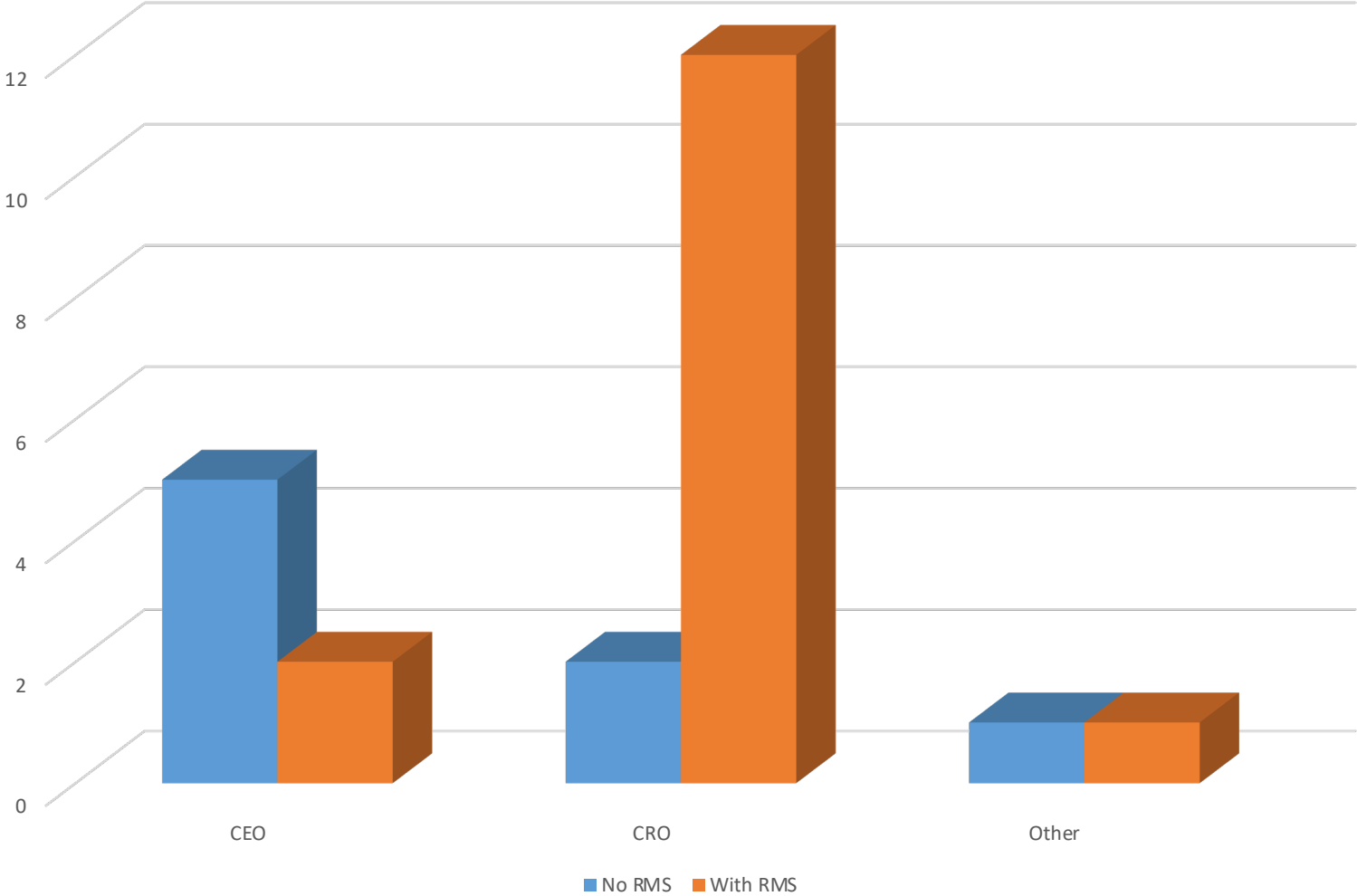***June 25-26, 2020***

Respondents By Ownership

Source: Institute of Corporate Directors
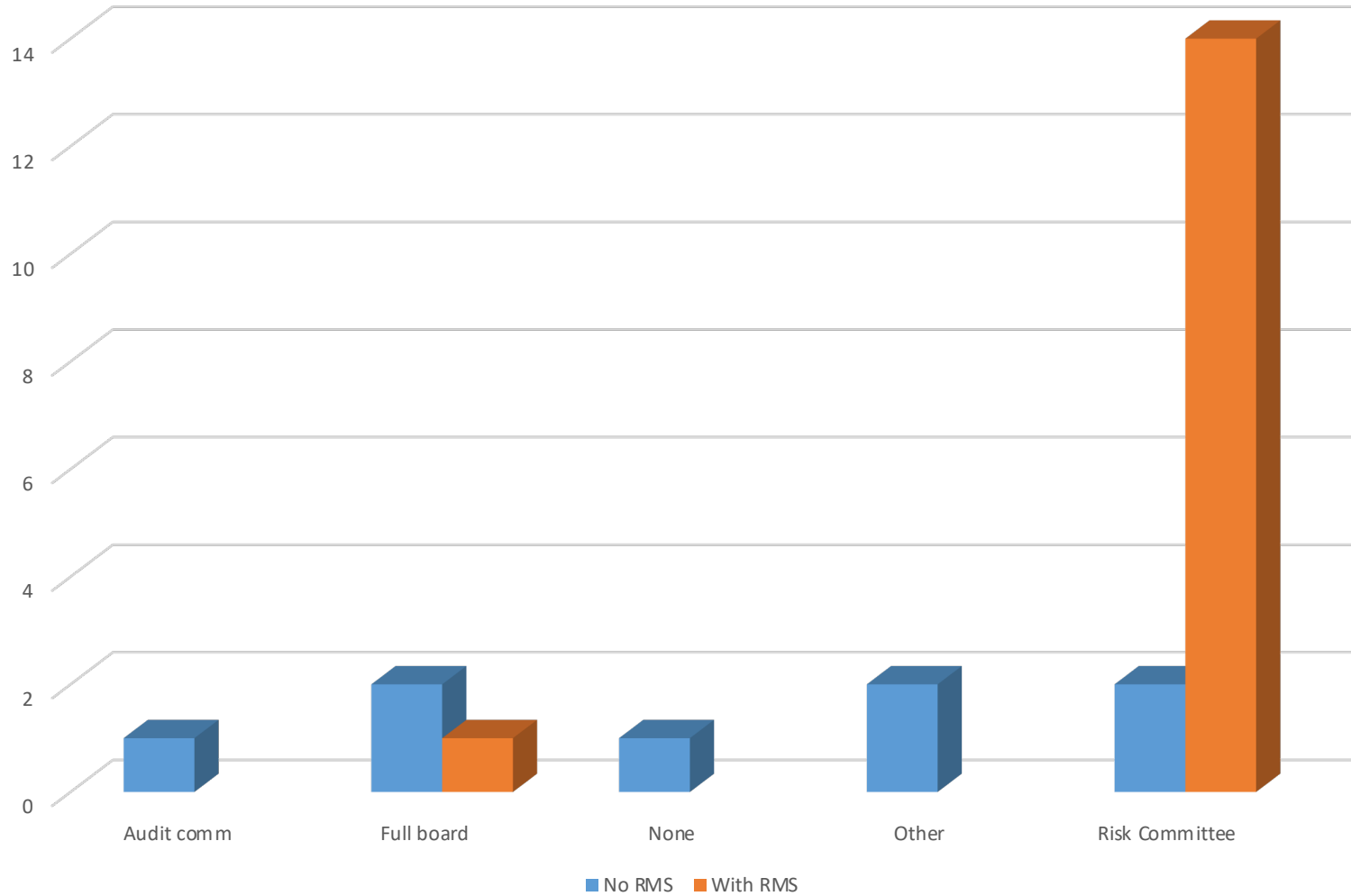
Respondents By Annual Revenue

Source: Institute of Corporate Directors

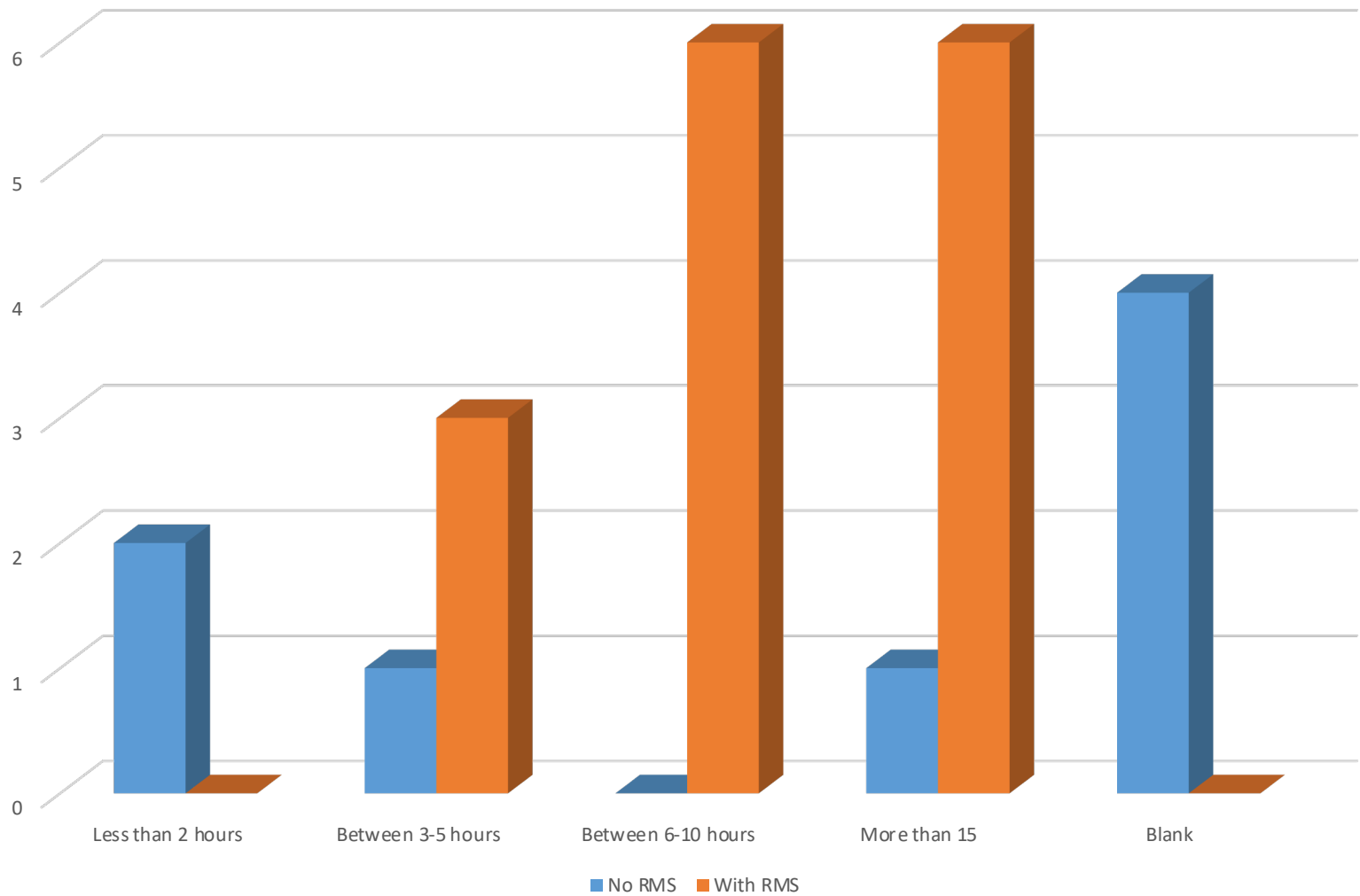Responsibility for Risk at Management Level

Source: Institute of Corporate Directors

# Responsibility for Risk at Board Level



Source:  Institute of Corporate Directors

Time Spent By Board Annually Discussing Risk

Source: Institute of Corporate Directors
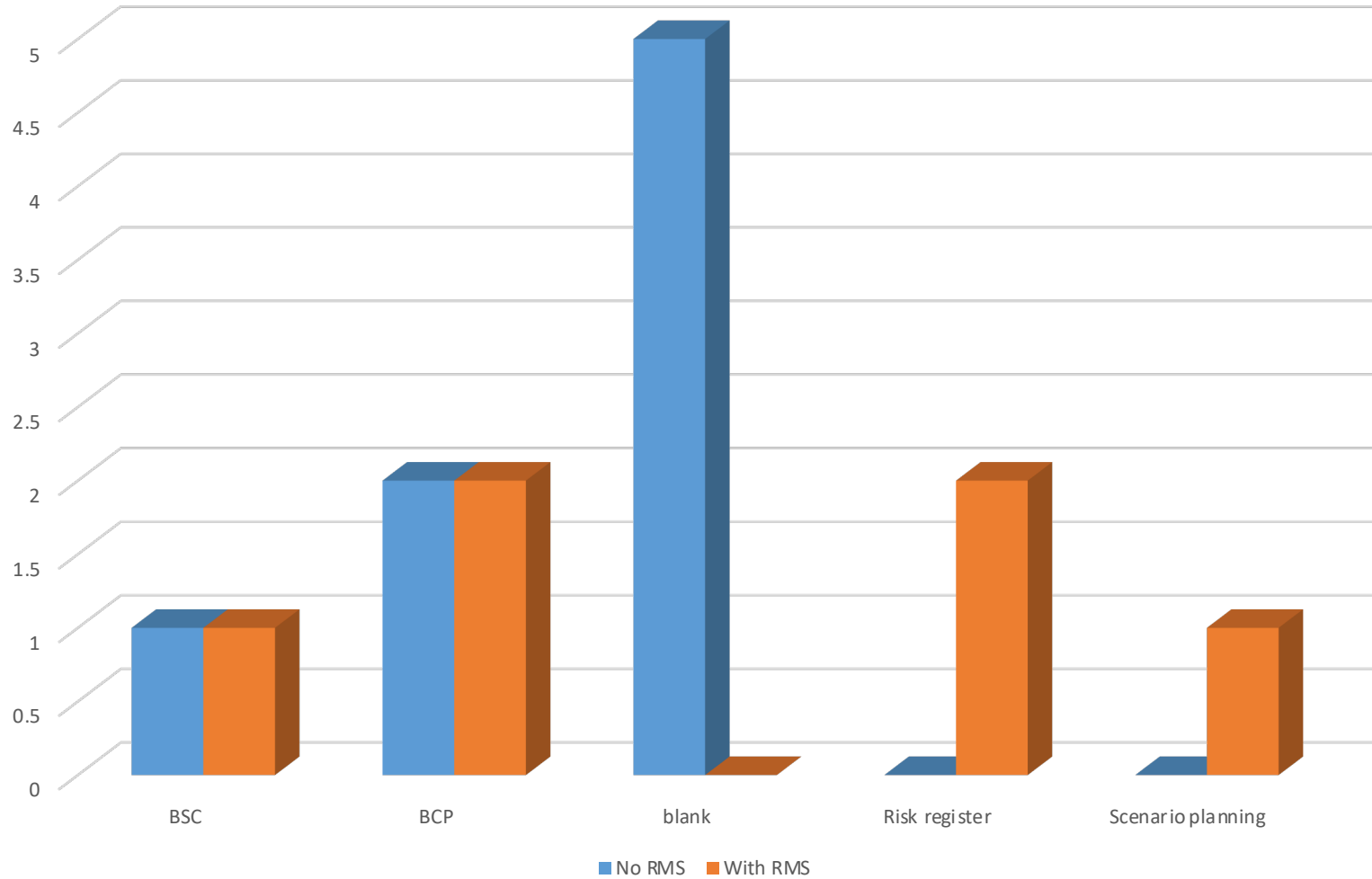
Source: Institute of Corporate Directors

Usefulness of RMS During the Crisis
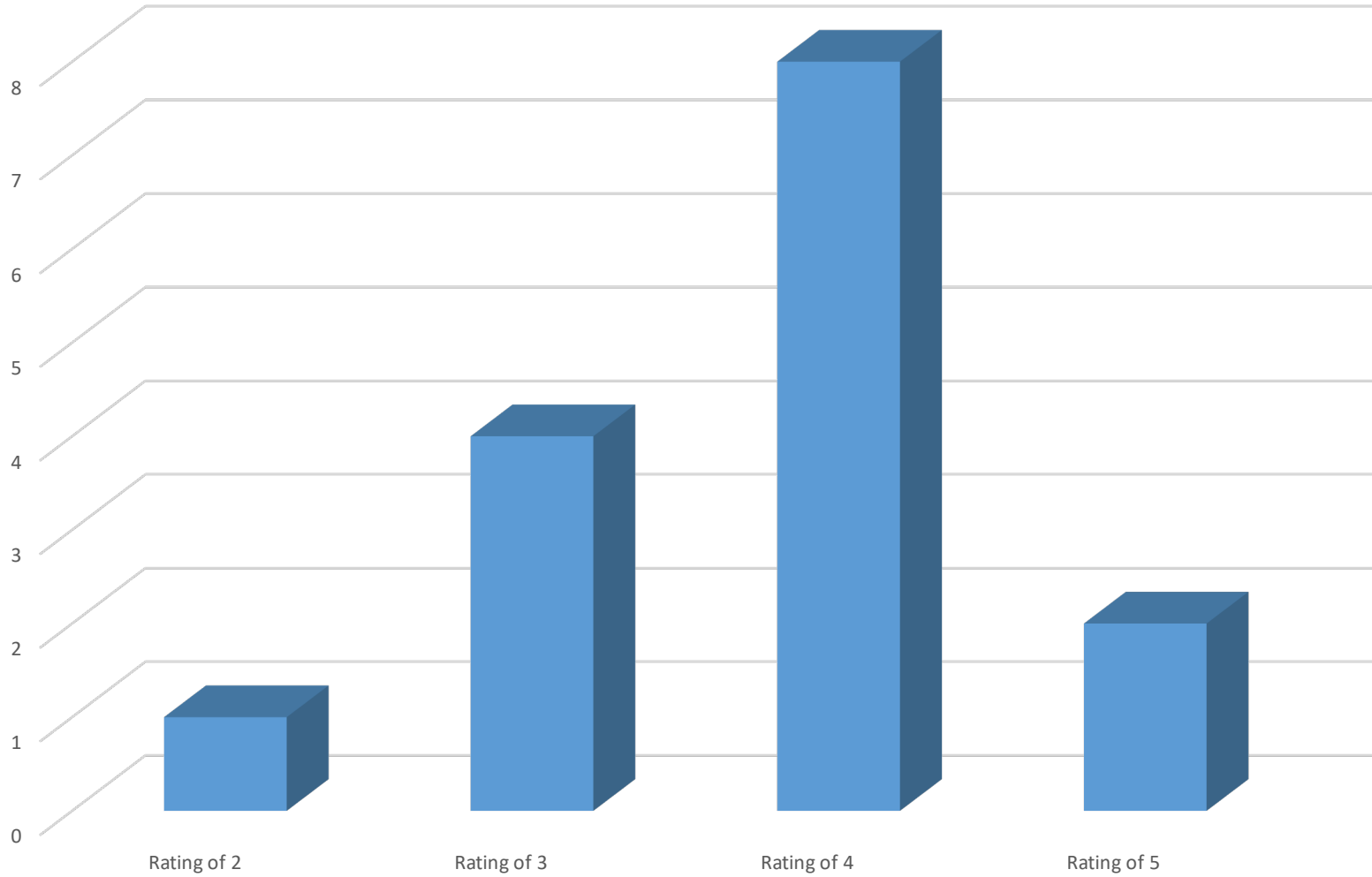
Source:  Institute of Corporate Directors

Did Your RMS Consider a Novel Risk?

Source: Institute of Corporate Directors
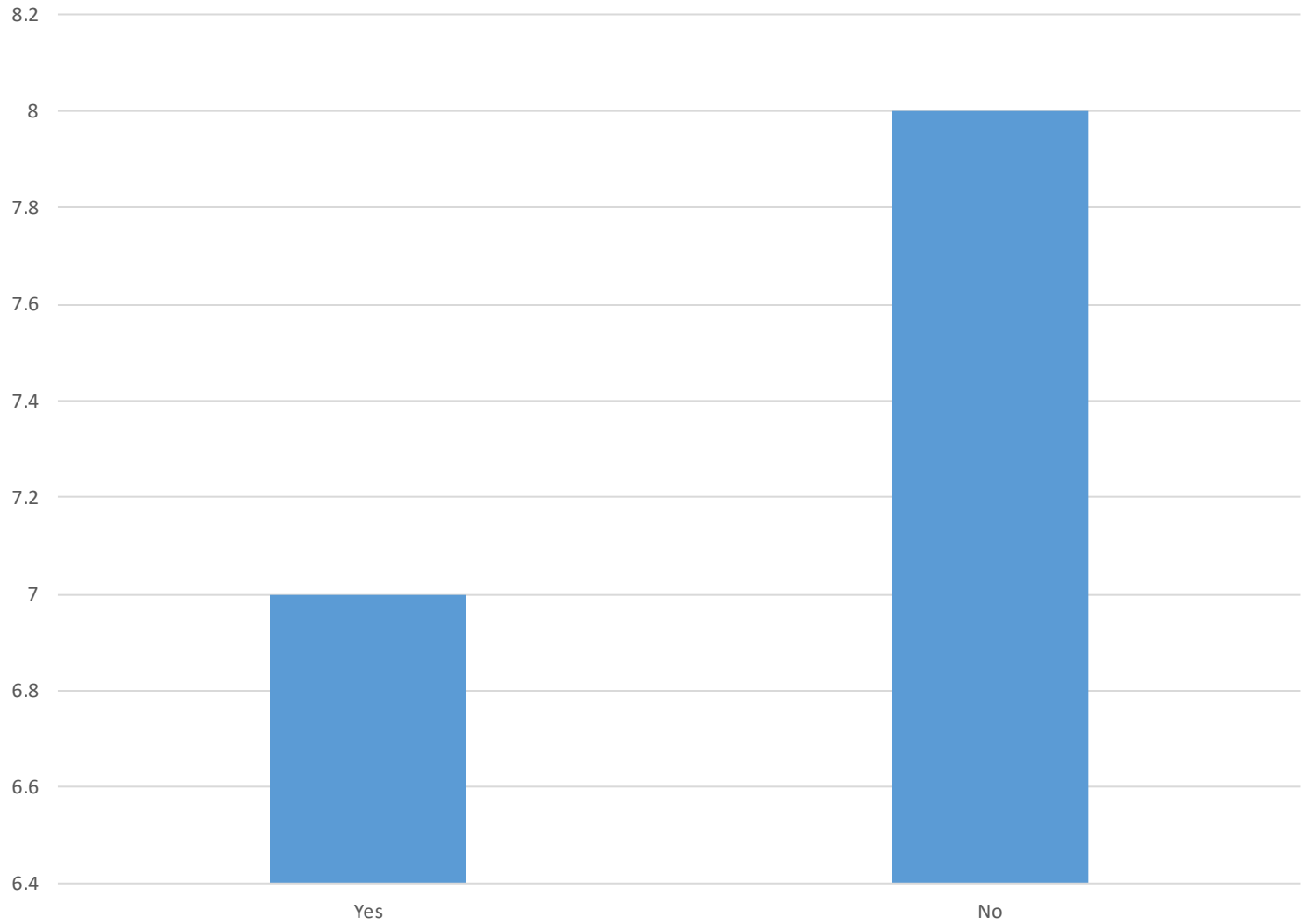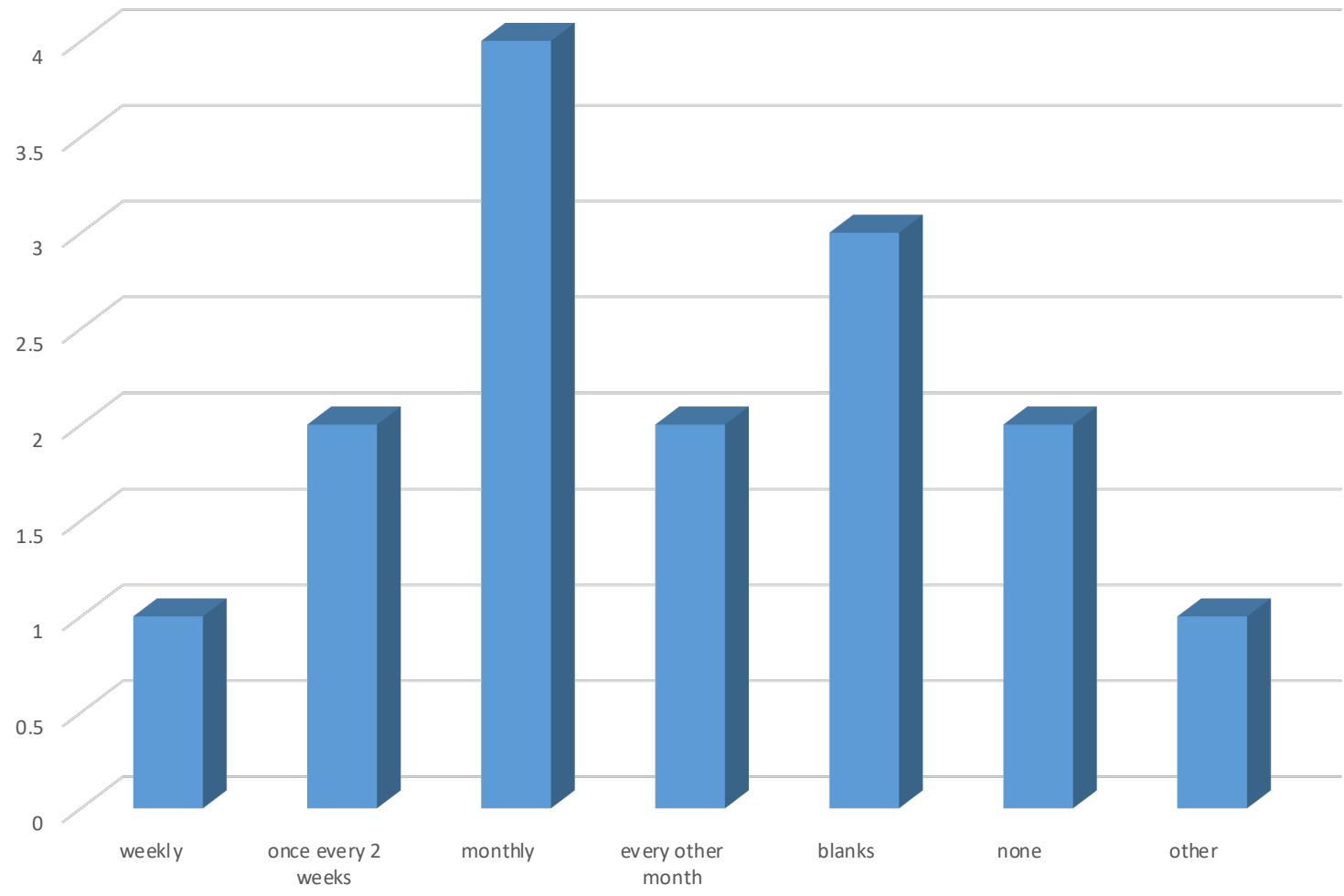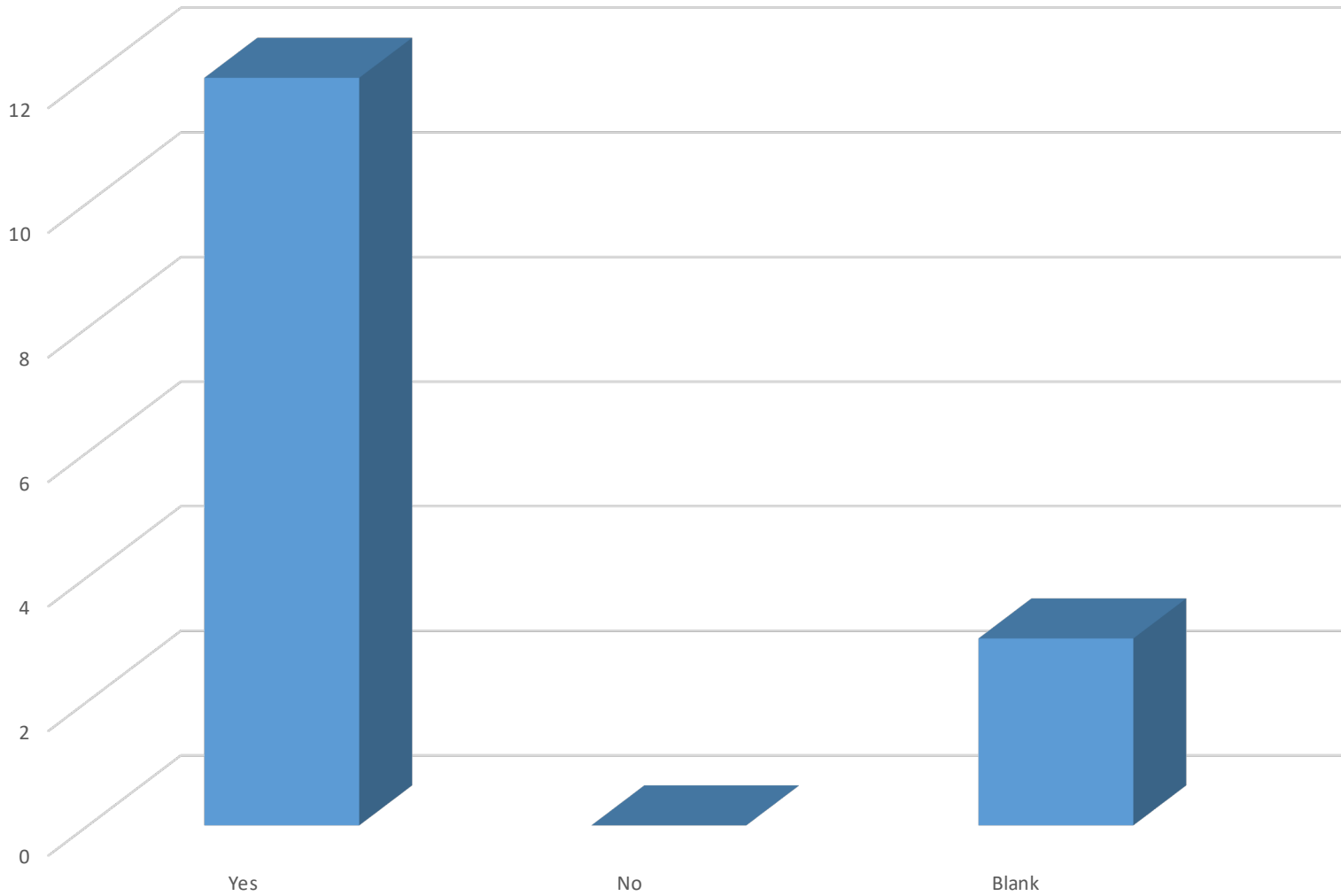
How Often Did Your Board Meet
During the Crisis?

Source: Institute of Corporate Directors

Source:  Institute of Corporate Directors

# Will You Change the Composition of Your Board?
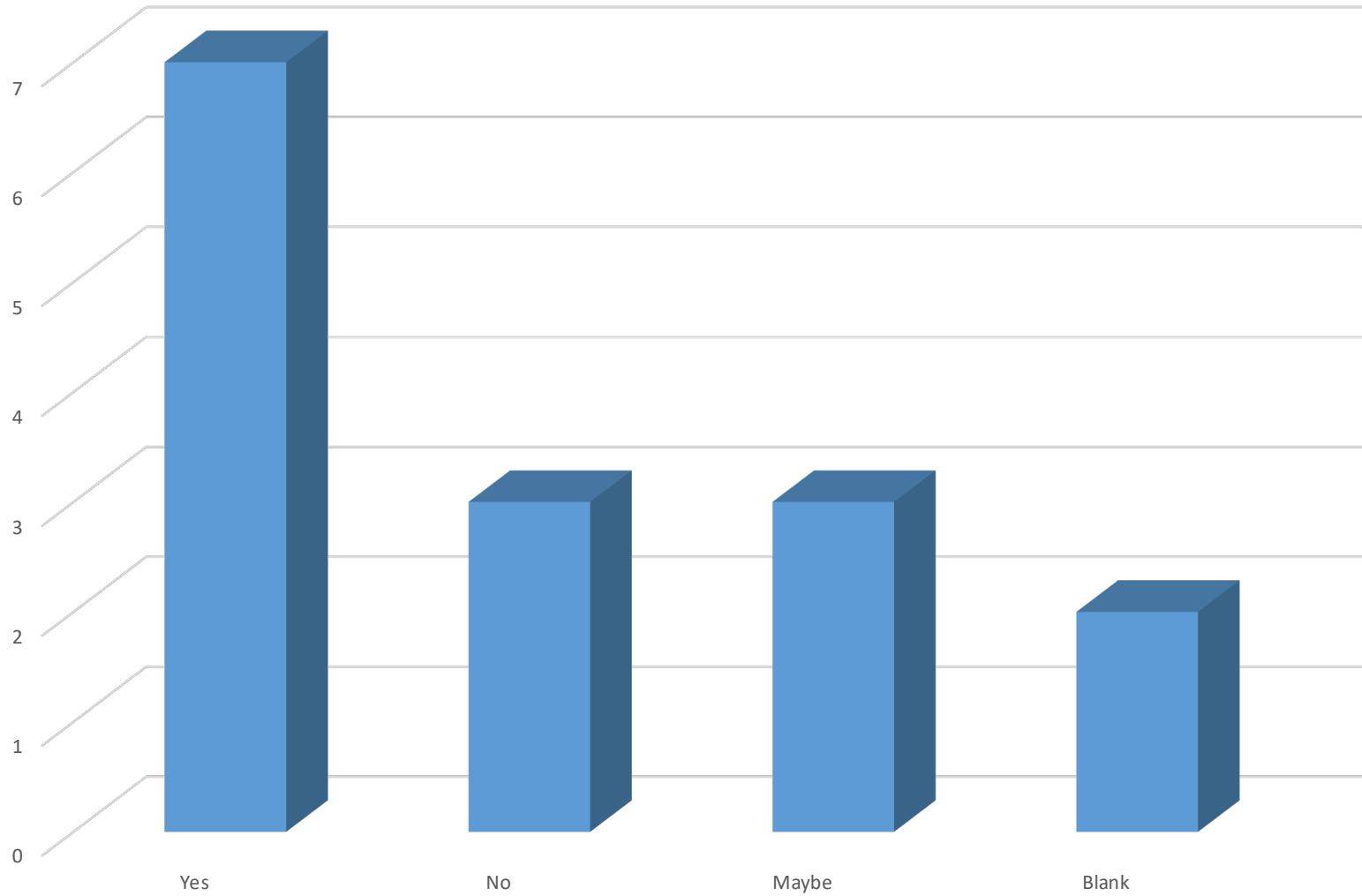


Source:  Institute of Corporate Directors

CASE STUDIES:  PRIVATELY HELD, ANNUALREVENUES LESS THAN P100MN

- Risk function with the Chief Compliance Officer at management level and with Risk Committee at the board level

- Spends –5 hours annually talking about risk

- RMS did NOT cover novel risks; however it did specify risk tolerances and appetites and also utilized a risk register

- Gave its RMS a below satisfaction rating

- Board has not met so far; last meeting was in February before the lockdown

- Intends to improve the RMS; will consider the risks/impact of events such as the pandemic

- Will also consider changing the composition of its board

Source:  Institute of Corporate Directors

CASE STUDIES:  PRIVATELY HELD, ANNUALREVENUES GREATER THAN P5BN

- Risk function with the CEO at management level and with Risk Committee at the board level

- It last updated its RMS in February 2020

- The board spends more than 15 hours per year talking about risk

- RMS included "novel" risks; it also specified risk capacity, appetite and tolerances

- Met every 2 weeks during the crisis

- Intends to improve its RMS

"We are into rehab in this crisis is giving us a lot of work."
" Move more digital consider blockchain.  More tech."

Source:  Institute of Corporate Directors

# How Do Boards Add Value in Covid-19 Crisis Management?

- Understand the medical situation

- Adopt a learning & innovation mindset and retool board processes accordingly

- Start thinking about the new normal

- Oversee communication with stakeholders

- Exercise board leadership

# Understand the Medical Situation

True or False

1. The name of the virus is CoVid 19.
2. Rapid testing kits which test for antibodies can be used to determine whether employees who were exposed to the virus can go back to work.
3. Young people are more likely to get infected.

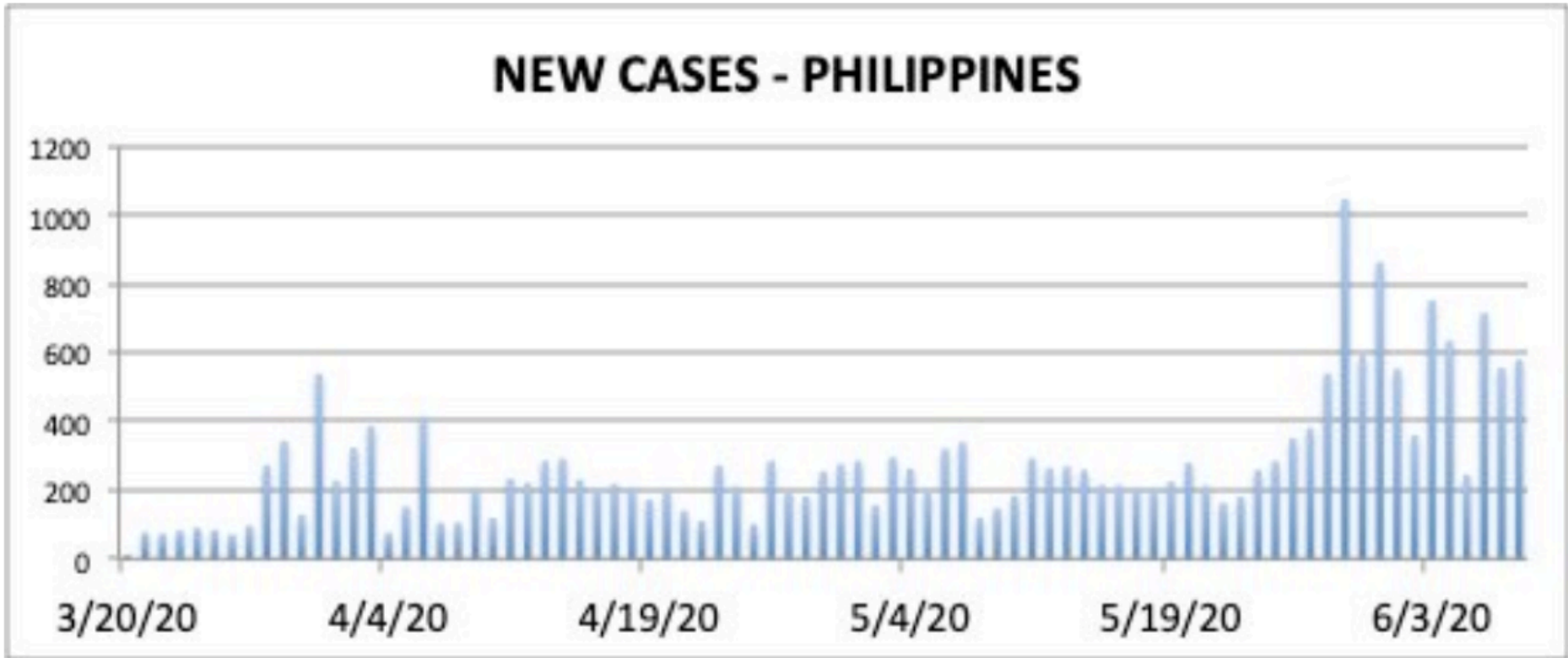Figure 1. The number of new Covid-19 cases in the Philippines from March 20 to June 8.
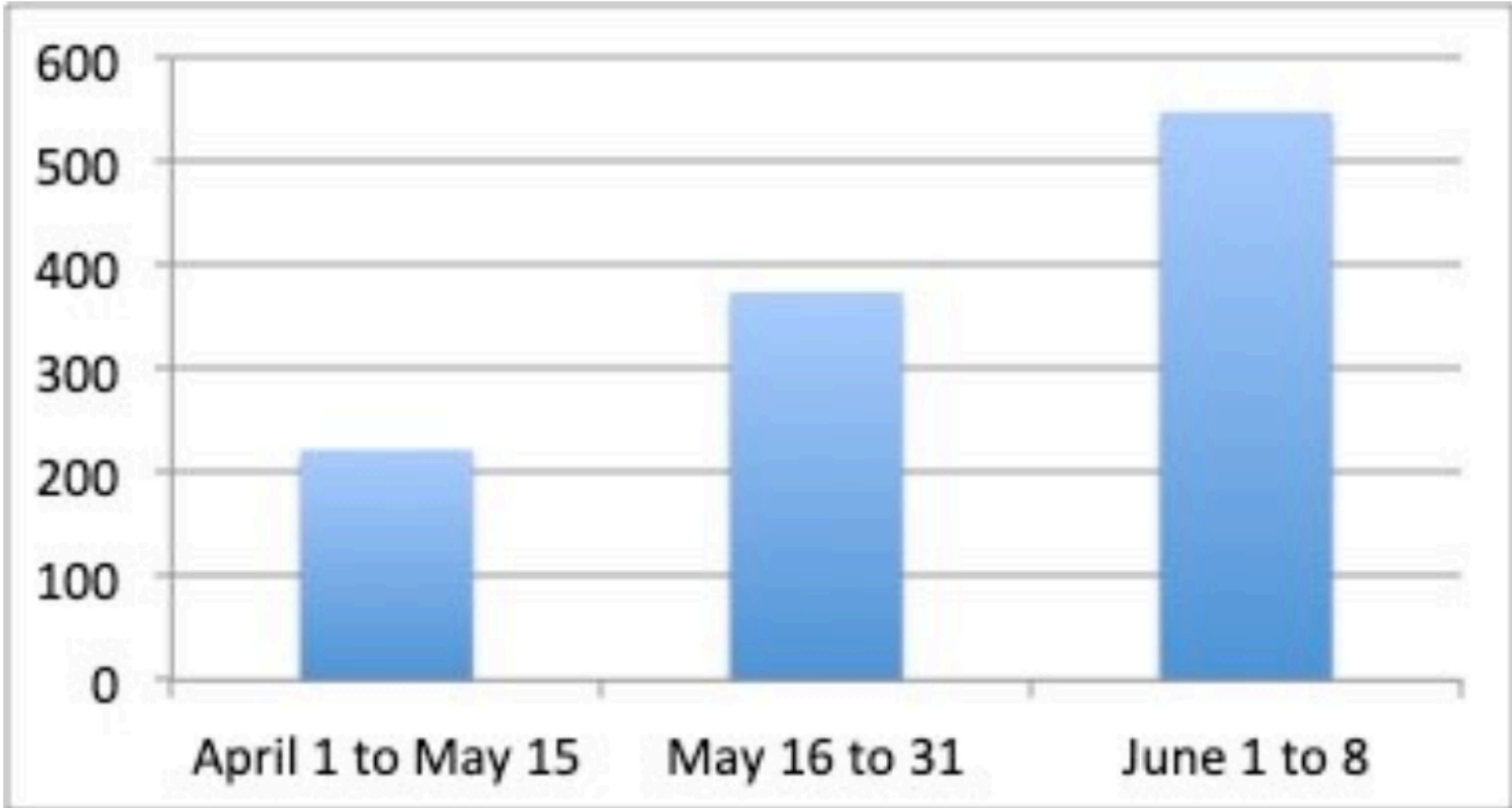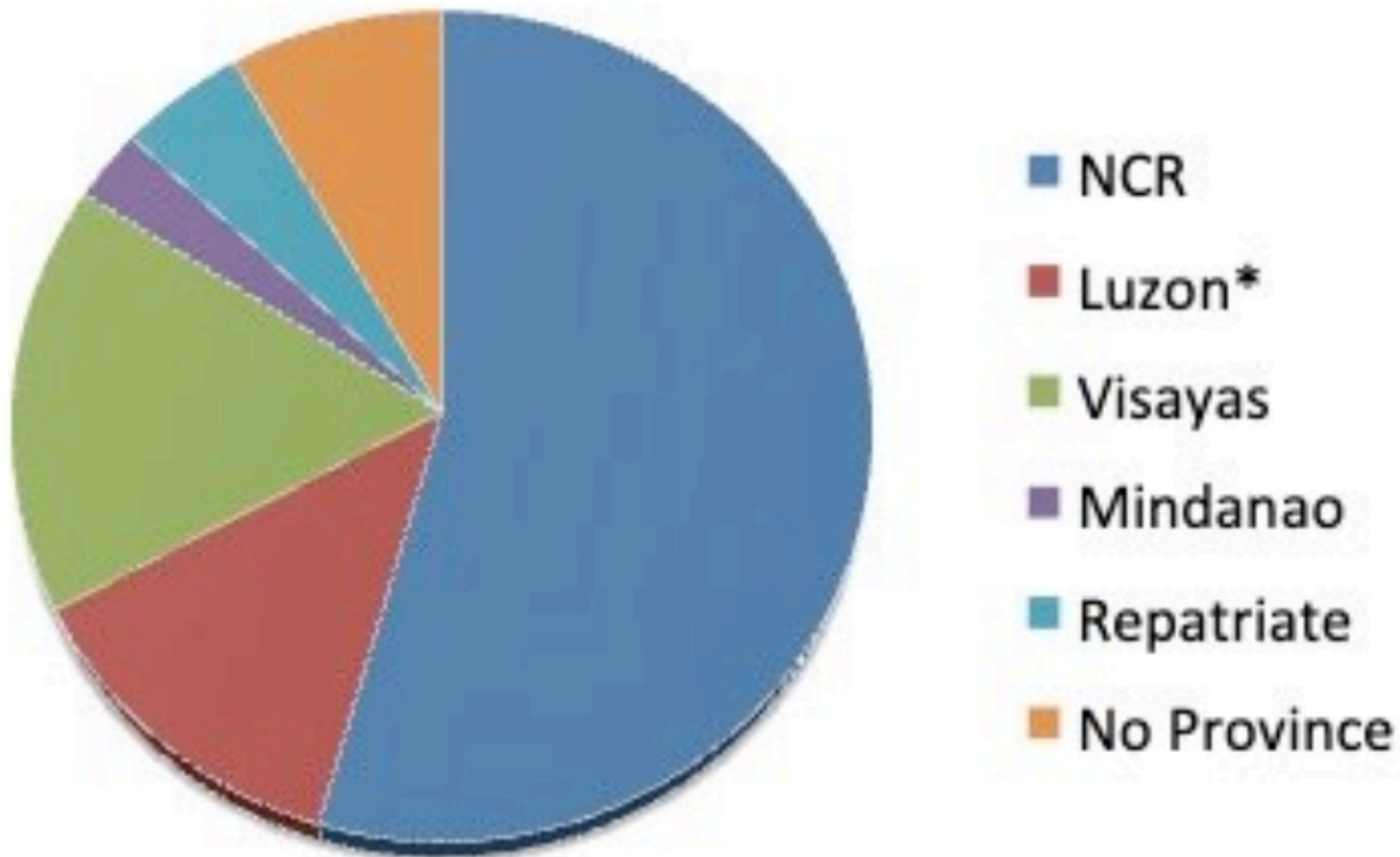
Source: David & Rye, University of the Phils

Figure 2. The average number of new Covid-19 cases per day in the Philippines for the periods: April 1 to May 15, May 16 to 31, and June 1 to 8. These dates coincided with the implementation of ECQ, MECQ, and GCQ, respectively, in NCR.

Source: David & Rye, University of the Phils

Source: David & Rye, University of the Phils

*Figure 4. Distribution of all Covid-19 cases in the Philippines. NCR accounts for 54.5% of all cases, while the rest of Luzon accounts for 12.8%. Visayas accounts for 16.8% of cases while Mindanao accounts for 2.8% of all cases. There are 1,105 cases (4.9%) classified as repatriates, while 1,855 cases or 8.3% are currently uncategorized (i.e. it is not indicated the region of residence of the Covid-19 case, and it is not indicated if the case is a repatriate).*

Severe or Critical
Asymptomatic
Mild
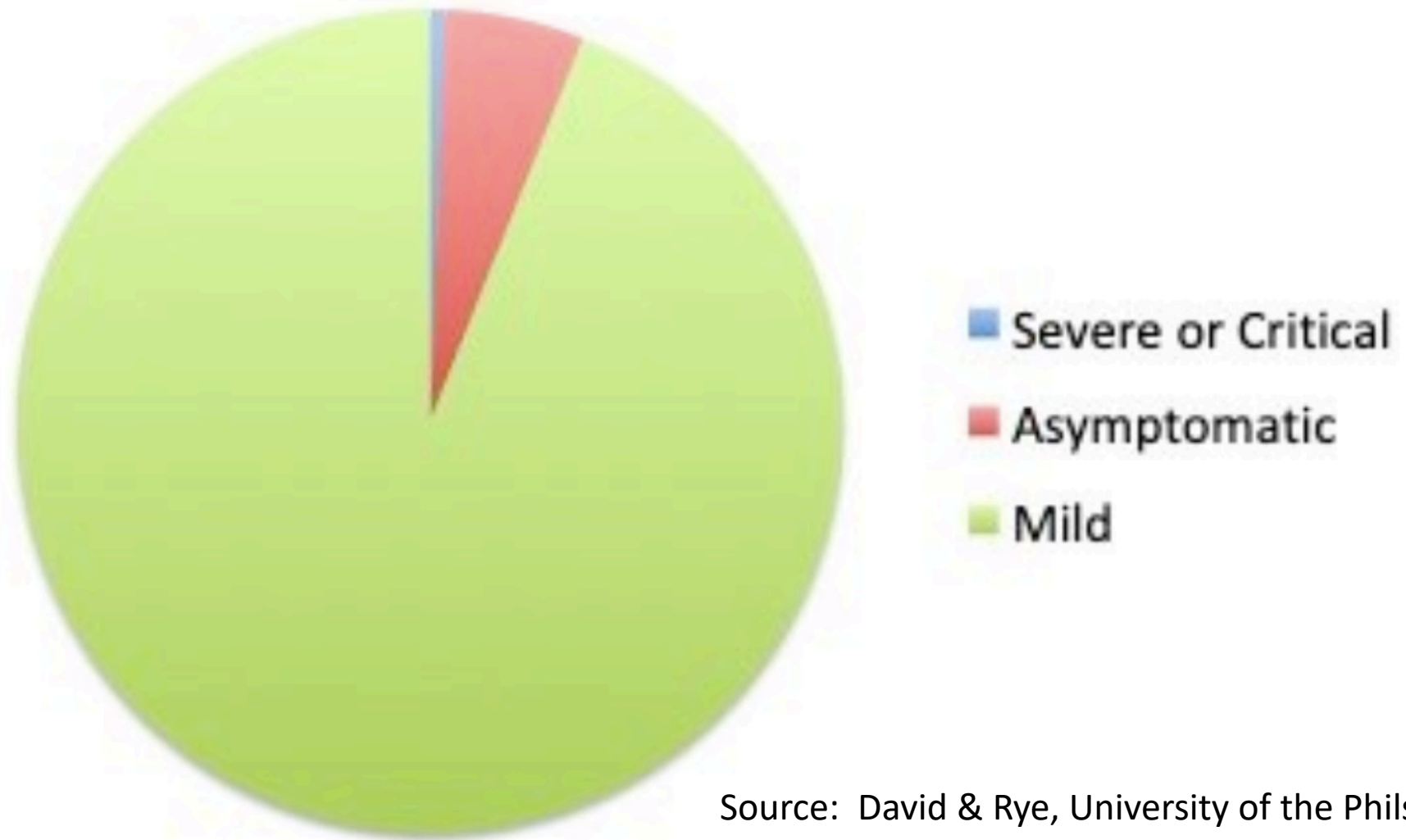
Source: David & Rye, University of the Phils

Figure 7. Distribution of active cases (total cases less recoveries and deaths) in the Philippines. The asymptomatic cases account for only 5.5% of all active cases, much less than the 30% to 70% reported in other countries. This opens the possibility that the official number of asymptomatic cases in the Philippines is underestimated.
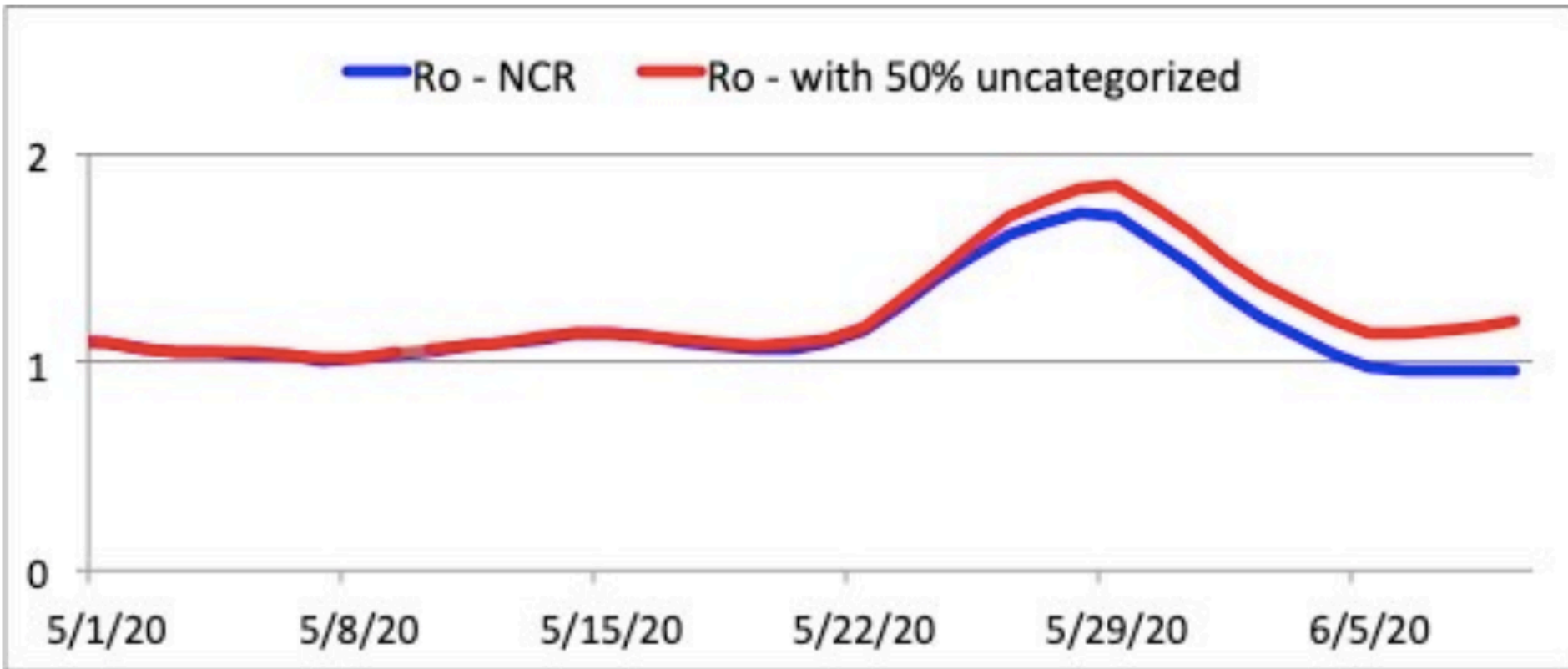
Figure 8. Reproduction number $R_o$ for NCR, shown as a 7-day moving average, based on the number of new Covid-19 case reports per day (blue). The second estimate assumes half of uncategorized cases are in NCR (red). In the first estimate, the current value of $R_o$ is around 0.96, while in the second estimate, the current value of $R_o$ is around 1.2, approximately the same value in the Philippines.
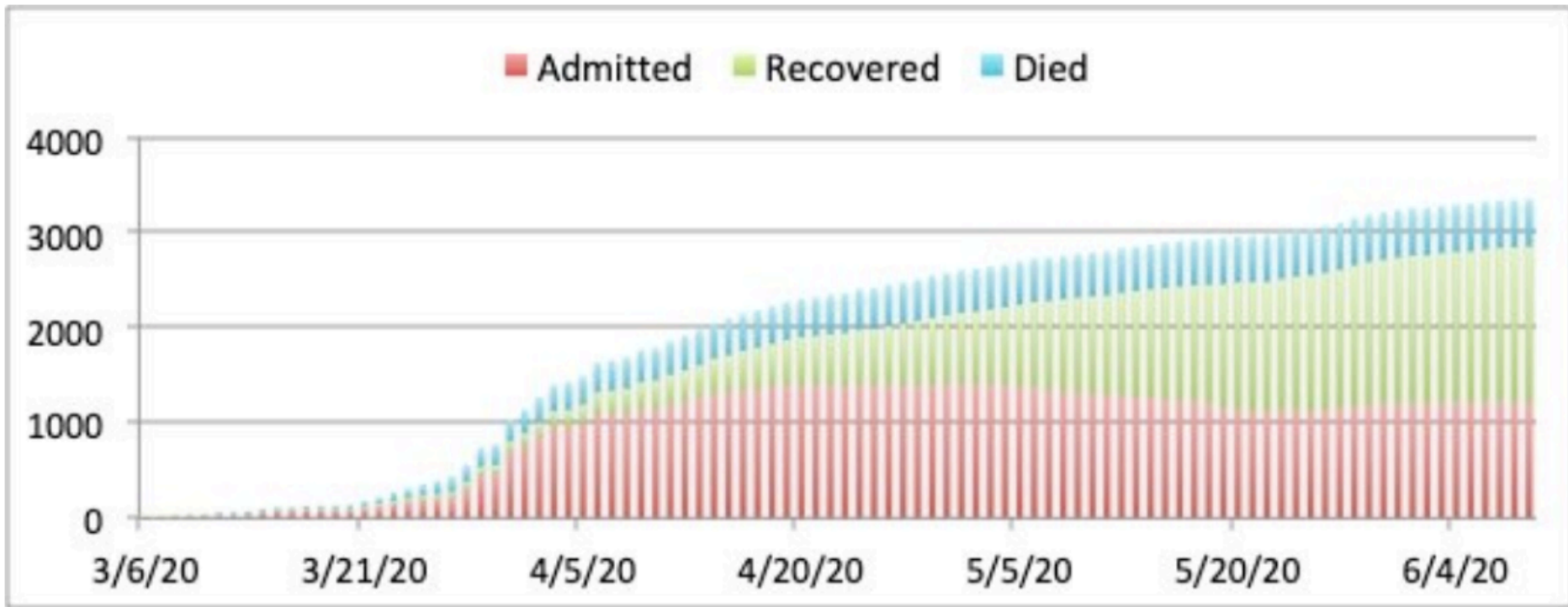
Source: David & Rye, University of the Phils

Figure 10. Number of Covid-19 cases in NCR who are currently admitted in hospitals (red), who recovered after being admitted to a hospital (green) and who died after being admitted to a hospital (blue). The current hospital load in NCR is 1,200 Covid-19 patients.

Source: David & Rye, University of the Phils
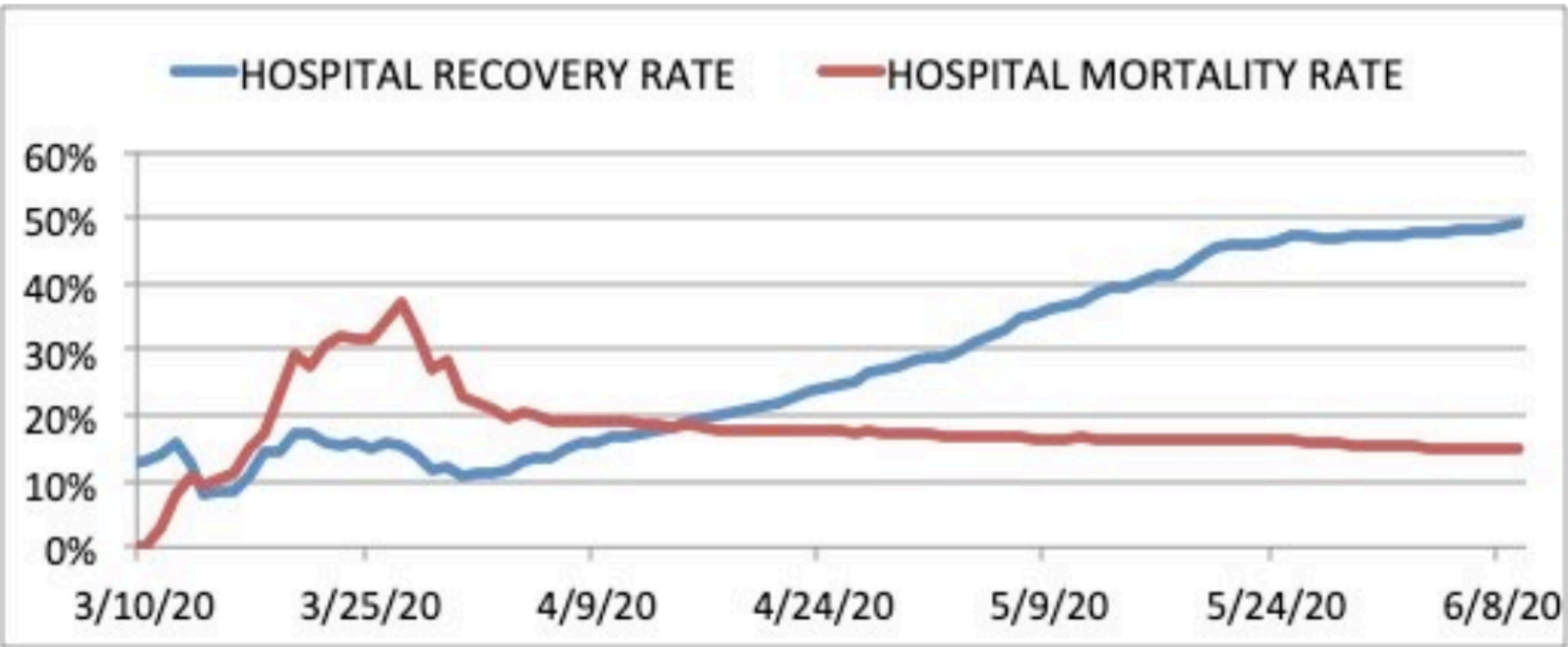
Figure 11. Hospital Recovery Rate (fraction of those admitted to hospitals who recovered) and Hospital Mortality Rate (fraction of those admitted who died) in NCR, from March 10 to June 9. The hospital recovery rate is at 50%, while the hospital mortality rate is at 15%. The hospital mortality rate is higher than the mortality rate for Covid-19 due to the higher proportion of severe and critical cases admitted to hospitals.

Source:  David & Rye, University of the Phils

Figure 12. Reproduction number $R_o$ for Cebu province, shown as a 7-day moving average, based on the number of new Covid-19 case reports per day. The current value of Rois around 2. Assuming that this value of $R_o$ is maintained, the province of Cebu is on track for 11,000 Covid-19 cases and 90 deaths by June 30.

Source: David & Rye, University of the Phils

# Understand the Medical Situation

- Consider getting a board adviser who can help the board and management make sense of all the medical data & its implications for your business

- Arrive at OUR VERSION OF TODAY'S TRUTH whenever possible

- Accept that the situation is fluid and you may have to reverse some of your decisions

# Adopt a Learning & Innovation Mindset



" innovation on steroids"

" rapid innovation under stress embedded in fear"

" every business is a start-up now"

" acknowledge/embrace the uncertainty"

# Adopt a Learning & Innovation Mindset

Take a "Team B" approach

Be directive – but with the process, not with tactics

Favor agility, responsiveness over control

Persist through failure

Create an atmosphere of "safety" and information-sharing

Take action before you have no choice

# Start Thinking About the New Normal

➢ Go Digital

➢ Change the Business Model

# "Jobs To Be Done" Theory

**job to be done** *noun:* the progress a customer is trying to make in a particular circumstance.

# Communicate With Stakeholders



"You must never confuse faith that you will prevail in the end – which you can never afford to lose – with the discipline to confront the most brutal facts of your current reality, whatever they might be."

- Admiral James Stockdale

# Exercise Board Leadership

➢ Document learnings
- create or update your risk management strategy

➢ Take ESG seriously!
- Succession
- Employee safety and benefits
- Impact on the supply chain
- Relations with customers

# Exercise Board Leadership
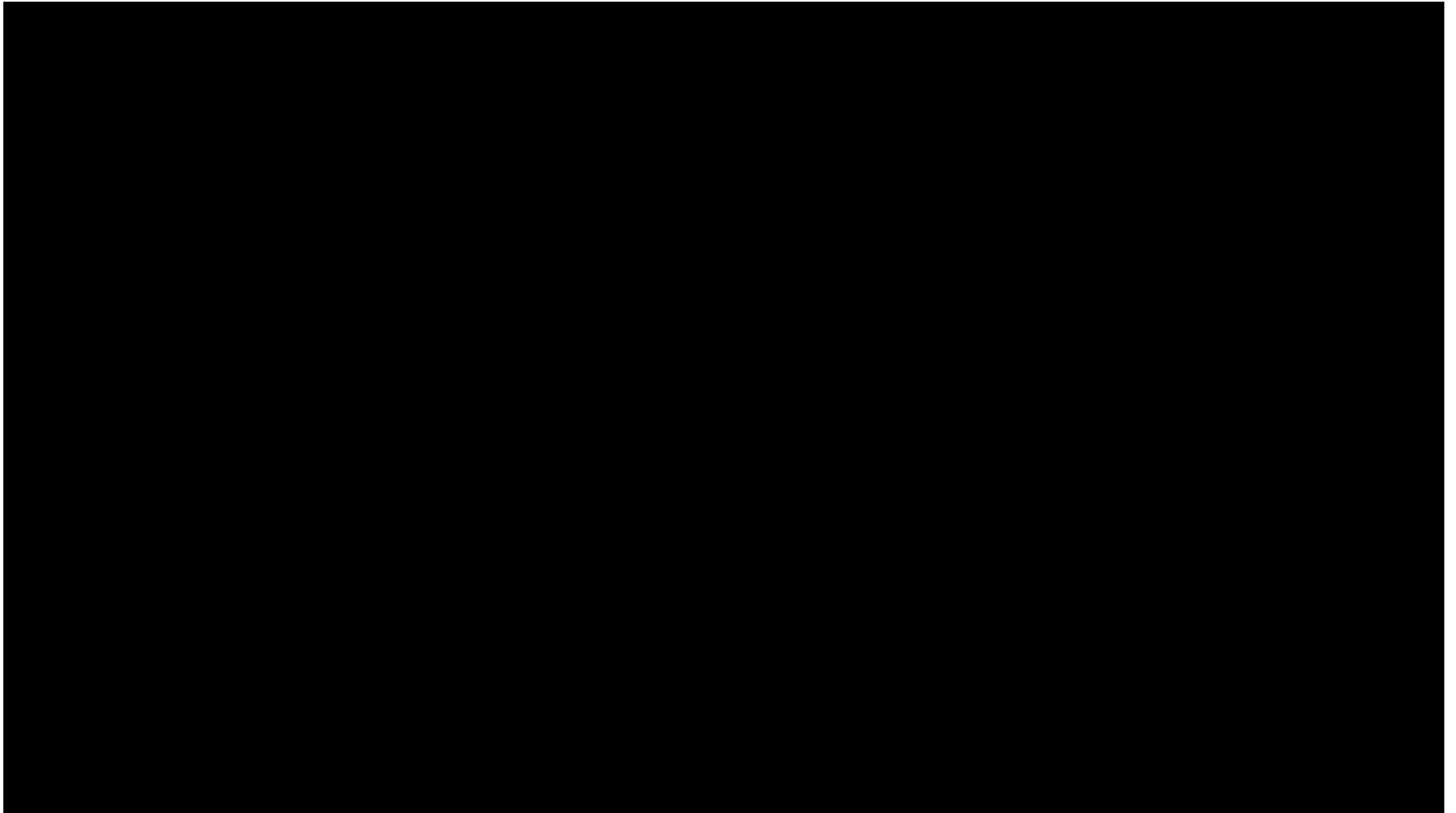
What do we want our stakeholders to say about our organization after the crisis?

## *Financial Turmoil Evokes Comparison to 2008 Crisis*

**By Nelson D. Schwartz**

# Global economy set for worst fall since WWII

The world's leading developed countries are on course for the worst economic slump since the Second World War, according to the Organisation for Economic Co-operation and Development (OECD), as it dramatically revised down its

## *ILO warns that 51 millions jobs could be lost globally this year*

# In Closing

"The darkness is that momentary blindness before we walk into the light."
-    Fr. Vic Baltazar, SJ

"A truly dire situation, as tragic as it is, drags us into emergencies that require we act, and act altruistically, bravely, and with initiative in order to survive or save our neighbors, no matter how we vote or what we do for a living."
-  Rebecca Solnit, A Paradise Built in Hell

# In Closing

ICD is a not-for-profit organization founded in 1999 to professionalize the practice of corporate directorship in and raise the corporate governance standards of Philippine companies.  It accomplishes these by providing
- Continuing education
- Board services such as corporate planning, director evaluation
- Research and publications
- Corporate governance scorecards

For further details (or to submit questions to Ricky),  please contact: