



# The Board's Risk Resilient Strategies

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scan the horizon in search of new forms of progress that work for everyone; that enable societies to prosper without threatening the future of our fragile planet.

You know, these are big questions. The issues sound daunting. But I am confident, looking around this room today and seeing so many brilliant people who are committed to coming together to work for the common good, that the future is in good hands, regardless of how gloomy the outlook may seem at times.

This very event is a perfect example of the activity, and of the leadership, that can turn our world around.

For me, and for ACCA, this convention says so much about the value of building networks of like-minded individuals who are dedicated to the spirit of collaboration, cooperation and mutual understanding.

I have the good fortune to serve as president of ACCA, which sits at the centre of a vast, global network of members and students, educators, employers, regulators, and a vast array of partners – like the IOD - from the worlds of politics, policy making, economic strategy, and just about every area of human endeavour.

ACCA is active in 179 countries across the planet, and I see every day the power and the influence that global reach brings. Every day, that network grows stronger and wider, and I know that today's event will make it stronger still - and every new link in that network gives us a better chance of building the global leadership that the world needs to confront and to combat the risks ahead of us.

I am so happy to share this message with this audience, with you, because this generation of Board directors, CFOs and corporate leaders have it in their power to change the world for the better with leadership that is tailored to the urgent demands of our age.

It is clear to me that the world is crying out for a new approach to risk. We have to be much smarter at calculating what risk means, because in our globalised economy and in our shrinking world, corporate risk poses a threat to more than just a single company at a time.

I believe there is a growing realisation across business that risk is a danger that can engulf entire economies, entire countries, and whole populations. That is why at ACCA we are passionate champions for

I offer my sincere thanks to the Institute of Directors (IOD) for inviting me to speak on **'The Board's Risk Resilient Strategies'**. IOD has done incredible work in bringing people together, in finding solutions to the challenges we all face, as business leaders, as policy makers, and as citizens of our countries and of the world.

ACCA is so proud to be a strategic partner of IOD, and feels privileged to work alongside IOD to foster sustainable development across India and across the region.

The theme for this event is exceptionally well chosen by IOD: the concepts of Leadership and Risk Management are utterly crucial for our future and they will define whether our economic systems can survive and thrive through to the end of the century. It won't be an exaggeration to say that the future of life on our planet also rests on these issues. Whether we like it or not, we live in a world that is built on risk. It is a world -

- facing potentially catastrophic climate change.
- facing endlessly disruptive technological advances.
- of increasing inequality between nations and peoples, with all the social turmoil and international tension that brings.

This is why so much depends on finding and fostering the wise leaders – the men and women with the ability and the willingness to seek long-term answers to long-term problems. Men and women who are able and ready to look beyond the next set of financial results, the next business quarter, or the next election cycle; who are determined to

sustainable development – development that speaks to the needs of society, of people generally and of course the planet. It looks far beyond the insistent demands of a stock price, or the profit-and-loss figures on a balance sheet. In our world today, that is far too narrow a way of keeping score, of measuring the health of a business. Wise leaders know that, and are anxious to build businesses which provide value to wider society.

It is the only way they will survive people's increasing demands for companies and politicians which respond to their needs and interests.

I am certain that we agree with these aspirations. And the good news is that there are several concrete steps Boards can take to mitigate risk in our increasingly stormy world. ACCA compiled a wide-ranging report, 'Risk and performance: Embedding risk management', outlining practical steps which are already making a difference to businesses across the world.

- Managing risk means blending formal mechanisms with informal, cultural change. Boards must champion the whole array of robust risk registers, control assessments, internal audits and risk reports. But informal channels are vital too – how we talk about risk inside our organisations, in our social networks and internal communications.
- Communication is the key. Business units and functions must talk to each other and work together to assess and react to risk.
- Risk management is not an event, or a box to be ticked on a compliance check-list. It is a process, a strategy and a way of seeing the world. Leaders have a duty to champion the benefits of risk management to their organisation all the time, not just when a report or an audit is published, or in response to a setback

Finally, I want to say a few words about a quality that means so much to ACCA, and one that is so vital to the future of our relationship to risk: this quality is all about ethical behaviour - what it means to act, to trade and to govern in a world that is increasingly shaped by digital technology.

This matters more than ever now because in our digital age the human element – the ethical dimension and the proper evaluation of risk - is in danger of being side-lined by artificial intelligence, data analytics and machine learning.

Our philosophy of ethics as we venture further into the digital age – our beliefs as business leaders, as Board members, as citizens – places the human element at the heart of our decision making. Our job is to see the big picture, and to raise our voices in favour of an ethical way of conducting business and public policy so that digital technology is used as a tool for the benefit of society with full respect for the consequences of risk.

I am proud to say that my organisation, ACCA, leads in promoting ethical, human considerations as central to business and policy-making. First of all, by defining what we mean by ethics in the modern business world, because the issues aren't always as clear-cut as they used to be. Just 'Doing the right thing' and 'following your conscience' used to be a good guide. Now, with the prospect of advanced machine learning taking decisions away from people, we need a more active pursuit of good ethics. Good intentions are not enough anymore.

The good news is that we can still seize the wheel and take control of our destiny, with ethics as our guide. It is an area where ACCA has

done and is doing intensive research, especially in our recent report, 'Ethics and trust in a digital age'.

It is not as easy as it used to be to know what good ethics look like. But it is my belief that if we embrace three universal values, we can play our vital role as business leaders working with integrity, dedication, wisdom, and crucially serving as the defender of the public interest with proper regard for risk. They are:

1. A determination to understand this risks of digital technology as it advances, with all its pluses, perils and pitfalls
2. Displaying the confidence to apply our knowledge in real-world situations
3. Thinking globally, with a consistent ethical framework guiding us

These are vital for all of us because a huge challenge for businesses and governments in the decades to come is trust – how far customers and citizens are prepared to support them, vote for them and trade with them, in an environment where all transactions are based on the exchange of data.

So what happens next? What is the next challenge?

Clearly, we need wise and ethical leaders, in business and government.

Leaders are responsible for their legacy. Leaders must ask the tough questions, reveal the unthinkable and face difficult scenarios with imagination, intuition and intelligence. It's about living up to the highest levels of accountability and responsibility.

I have shared a few thoughts about what ethics means for risk in today's world. These are the big questions facing us, and how we answer them will decide the future of business for decades to come.

The ethical element is what separates us from the machines, and the role of leaders is to protect that human element, that ability and willingness to assess ethical consequences and act upon them. It's about blending emotional qualities and digital savvy, and ensuring that our ethical integrity survives and flourishes in the face of risk, however history plays out in the years to come

Excerpts from the Theme Address delivered by

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