

# Effective Corporate Governance in Transition

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The landscape of corporate governance is undergoing a profound transformation, driven by increasing complexities and pressures that boards face today. As organisations navigate this transition, effective governance has become more critical than ever. In the current climate, effective corporate governance demands these key elements: informed decision-making, proactive risk management and the integration of cyber security and artificial intelligence (AI) into governance frameworks.

### The evolving complexity of governance

According to the sample of US public company directors polled as part of the *2023 What Directors Think* report conducted by Diligent Institute and Corporate Board Member, 75 per cent say they expect the roles and responsibilities of the board to continue expanding over the next three to five years.

Directors are now required to possess a comprehensive understanding of both internal and external risks that could impact their organisations – and in some cases can be held personally liable if they make the wrong decisions. Consequently, having a holistic view is essential for making informed decisions that align with the long-term objectives of the company.

In this context, access to accurate and timely data is paramount. Boards must ensure they have the appropriate information at their fingertips, presented in a way that enables them to assess risks effectively and make strategic decisions that foster resilience and sustainability.

### The importance of cyber security expertise

One of the most pressing challenges facing boards today is cyber security. As digital threats continue to evolve, organisations must prioritise cyber security as a fundamental aspect of their governance framework. In November 2023, Diligent Institute and Bitsight analysed over 4,000 companies on mid to large cap indices around the world to understand their board oversight of cyber risk. The report examined board structures and director skillsets background, and identified companies with specialised board committees dedicated to cyber, risk, or safety oversight (or “specialised risk committees”).

The analysis indicated that having cyber security expertise on the board not only helps organisations build resilience, but correlates with improved performance as well. Only 5 per cent of the companies analysed as part of this research had a cyber expert on the board, despite the finding that companies with advanced cyber security ratings create nearly four times the shareholder value.

Incorporating cyber security professionals into the boardroom not only enhances the organisation’s resilience and boosts performance, but also instils confidence among stakeholders. As cyber incidents continue to become more frequent and sophisticated, boards must be equipped to proactively incorporate cybersecurity into their strategic initiatives to safeguard the organisation’s assets and reputation.

### Navigating the AI landscape

The advent of artificial intelligence presents both opportunities and challenges for corporate governance. On one hand, AI can drive productivity gains across governance, risk management and compliance functions. On the other hand, it necessitates careful oversight to ensure compliance with emerging regulations and ethical standards.

Boards must strike a delicate balance in overseeing AI usage within their organisations. This includes understanding the implications of AI on decision-making processes, ensuring that AI systems are transparent and accountable, and complying with new regulatory frameworks. As AI technologies continue to evolve, boards must remain vigilant and adaptable, ready to demonstrate compliance with regulations and new disclosure requirements.

## Compliance and disclosure requirements

The regulatory landscape in Singapore is constantly changing, with new requirements emerging that demand greater transparency from organisations. The Singapore Code of Corporate Governance emphasises the importance of clear disclosures regarding corporate governance arrangements. Companies must not only comply with these regulations but also be prepared to explain any deviations from established provisions.

Effective corporate governance requires a proactive approach to compliance. Boards should implement robust governance frameworks that facilitate transparency and accountability. This involves regular assessments of governance practices, ensuring that they align with both regulatory expectations and stakeholder interests. In doing so, boards can demonstrate their commitment to ethical business practices and long-term sustainability.

## The role of data and technology in governance

In today's data-driven world, the role of technology in corporate governance cannot be overstated. Boards must leverage data analytics and technology to enhance their decision-making processes. This includes utilising data to identify potential risks, monitor compliance and evaluate the effectiveness of governance practices.

When deployed effectively, technology can facilitate better communication and collaboration among board members. By adopting digital tools that streamline information sharing and reporting, boards can ensure that all members are informed and engaged in the decision-making process. This collaborative approach fosters a culture of transparency and accountability that is essential for effective governance.

## Preparing for the future

As corporate governance continues to evolve, boards must be prepared to adapt to new challenges and opportunities. The complexities of today's governance landscape require directors to possess diverse skillsets, including expertise in cyber security, AI and data analytics. By embracing these elements, boards can enhance their decision-making capabilities and navigate the intricacies of modern governance with confidence.

Effective corporate governance in transition hinges on a comprehensive understanding of risks, a commitment to transparency, and the integration of technology into governance practices. As organisations strive to meet the expectations of stakeholders, boards must lead by example, demonstrating their commitment to responsible governance and sustainable business practices. By doing so, they can build trust, foster resilience and drive long-term success in an increasingly complex world.

Ultimately, board members and directors in Singapore must recognise that they are stewards of the organisation's values and long-term vision, tasked with ensuring that governance practices not only meet regulatory requirements but also reflect the ethical standards and expectations of society.

Embracing this broader perspective will empower boards to navigate the complexities of corporate governance effectively, ensuring their organisations thrive in the face of evolving challenges while contributing positively to Singapore's reputation as a leading global financial centre.

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