

Crisis Management and the Board

MAY 18, 2016 1 MIN READ

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A company's board plays a crucial role in helping a company prepare for – and manage a crisis. Here's how Canadian board members assess their readiness for a company crisis.

Board members agree

Over 75% Reputation Building & Crisis Management Preparation

Are important parts of their mandate.

A crisis is a litmus test for the effectiveness of the company's reputation so it makes sense that boards view oversight of reputation and crisis management preparation as equally important board responsibilities.

Directors believe they're ready for a crisis...

66.9%

Report having a formal crisis response plan for dealing with a sudden crisis.

79.3%

Believe their management teams have the skills to handle a sudden crisis.



...But there are reasons to question their confidence

Only 27.3% While **27.1%**

Are very confident that their Enterprise Risk Management system has identified material risks.

Admit they either don't or don't know if they have a succession plan in place including a plan to address the unexpected incapacitation of the CEO.

Only 28%

Had an external advisor review their crisis response plan.

More diligence required to protect board members

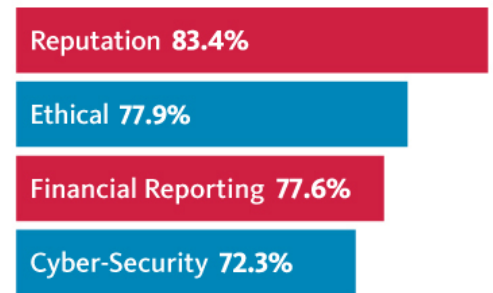
50.6% **44.7%**

Fail to review D&O indemnity agreements annually.

Fail to have D&O insurance policies annually reviewed by an external advisor.

If indemnities and insurance are out of date or lacking altogether, it can be a distraction in a crisis, or even compound the problem especially if liability concerns cause directors or officers to leave.

Key risks flagged by directors are no surprise



But it is a surprise that less than 25% view Social Media as a potential concern. With its pervasiveness and capacity to influence, Social Media can enhance or destroy a company's reputation on an accelerated timeframe.

Directors expect to use existing advisors for advice in a crisis

66.3%

Would retain existing external legal counsel to assist the company.

53.2%

Would use that same advisor to advise the Board as well.



Existing counsel is well-positioned to help guide the company, but if the board needs advice then it is important to have knowledgeable independent counsel to turn to.

Low confidence in whistleblower program

30.9%

Say whistleblower program is very effective.



17.5%

Believe employees and service providers perceive their whistleblower program useful for raising potential concerns.

A solid whistleblower program is key to building a culture of integrity and for addressing concerns about company reputation and ethics. These results indicate that most programs are not fulfilling their purpose.

Although the OSC's proposed whistleblower incentive program encourages whistleblowers to report concerns internally, it does not require them to do so—which will further erode confidence in the company's program and increases the risk of a surprise investigation.

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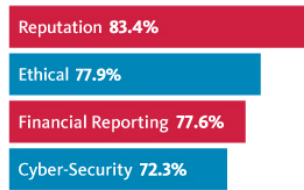
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