


EY Center for Board Matters

Americas board priorities 2023

How to build resiliency
in uncertain times



Building a better
working world



Americas board
priorities 2023:
how to build resiliency
in uncertain times

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Introduction

Amid compounding challenges across the Americas, it's becoming abundantly clear that an actively engaged board is paramount to success

Companies are navigating an unprecedented mix of challenges, from the ongoing pandemic to escalating cybersecurity threats, climate change impacts, evolving regulatory pressures and more.

By overseeing strategies to navigate this complex business environment and provide guidance on transformational investments, boards play a crucial role in helping management teams explore different options, challenge assumptions and thrive under uncertain conditions. This resiliency – the ability to anticipate, prepare for, respond and adapt to a changing environment – is necessary in an increasingly complex world.

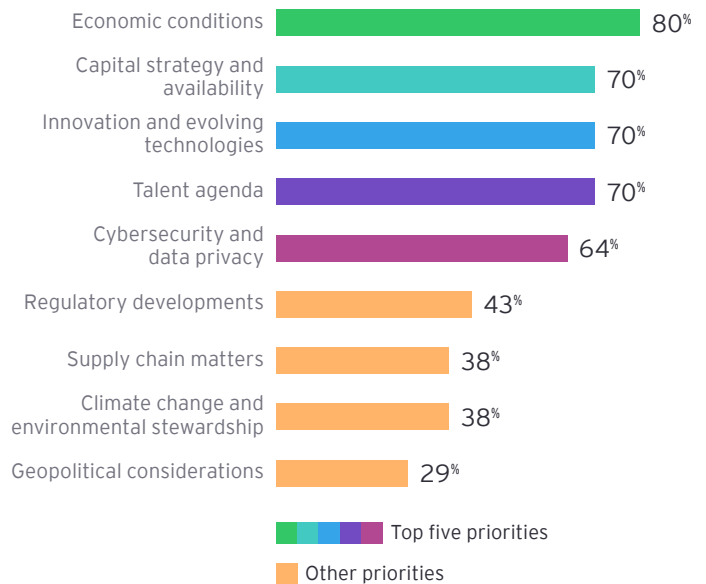
A key challenge with all this uncertainty is how to prioritize the board's time and attention: Where should it dig in and where should it just stay informed? We surveyed more than 400 corporate board members across the Americas, including Argentina, Brazil, Canada, Chile, Colombia, Mexico and the US, to better understand what they plan to prioritize in 2023. Economic conditions and capital strategy rose to the top of the list, which is perhaps expected given the unique challenges companies are navigating in these areas and the board's role in fiscal oversight.

Interestingly, climate change and geopolitical considerations ranked at the bottom, despite being top of mind for many boards (and other stakeholders). However, this may reflect the work boards have already done to enhance their oversight in these areas. Respondents may have also concentrated on what they view as more immediate focus areas for the next 12 months. Nonetheless, the complexity and social significance of the challenges reflected in this ranking of priorities demonstrate the extraordinary responsibility – and opportunity – directors have in guiding companies in 2023 toward a resilient and sustainable future.

Based on the survey results and our direct engagement with hundreds of key stakeholders (including boards, individual directors, C-suite executives and leading institutional investors), we have identified the following five board priorities for 2023.

Board priorities for 2023

(% directors surveyed ranking subject among the top five)*



*Further detail in graphs to follow, which may not add up to results shown here due to rounding. Source: analysis by EY Center for Board Matters

In brief

- ▶ Cumulative impacts of recent crises have created a new era of uncertainty that demands increased business resiliency and board engagement.
- ▶ Directors rank economic conditions, capital strategy, innovation, talent and cybersecurity at the top of the board agenda heading into 2023.
- ▶ Boards will play an essential role in overseeing urgent priorities and guiding investment for the long term despite near-term headwinds.

An aerial, top-down view of a busy city intersection. The scene is dominated by a large, multi-lane road with numerous cars, trucks, and a bus. In the center of the intersection is a large, paved plaza area. A tall, modern building with a distinctive, angular facade is visible in the background, partially obscured by the road and plaza. The overall scene is one of a bustling urban environment.

1

Navigating uniquely
challenging economic
conditions

Americas board priorities 2023:
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Navigating uniquely challenging economic conditions

Focus on five central macroeconomic tenets to enhance oversight amid multiple economic headwinds

Heading into 2023, several signals point to a global recession. These include the ongoing war in Ukraine; tightening financial conditions; and a synchronized economic slowdown in Europe, mainland China, numerous emerging markets, and the US.

The economy is cooling because of persistent inflation, rising borrowing costs, deteriorating private sector sentiment and rapidly slowing global economic activity. Continued cost pressures, weakening demand and elevated uncertainty are prompting some companies to make increasingly conservative talent and investment decisions.

In this environment, drivers of economic activity that were previously taken as a given will now warrant more attention from boards. To transform uncertainty into opportunity, boards will need to focus on five central tenets to support their companies through economic uncertainty.

1. Inflation

The supply-and-demand imbalance on the energy front stemming from geopolitical tensions and climate change is unlikely to be resolved soon. Increased volatility should be expected for energy, commodities and food price inflation.

While this may be a new experience for many US- and Canadian-based directors, others across Latin America undoubtedly have more relevant experience navigating inflation in their boardrooms. Regardless, boards should oversee how businesses are building pricing and supply strategies that are nimble enough to respond to more significant ebbs

and flows in demand than in recent decades. They must also consider the role of cost management and productivity gains in companies' inflation strategy.

2. Labor

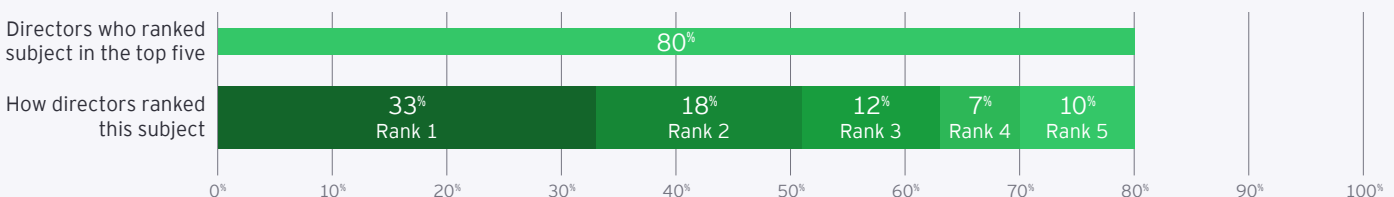
While laying off excess labor has been a go-to for US companies for containing costs in times of economic slowdowns, today talent is not just more expensive, it is also perceived as more valuable. Business executives currently favor strategic hiring freezes, strategic layoffs, attrition and furloughs as cost control measures rather than broad-based layoffs.

Productivity, training and efficiency gains can offset higher labor costs and optimize employee retention in the short term. Boards can concurrently maintain a line of sight into the long-term talent agenda so the organization is prepared when rehiring is possible.



In this environment, drivers of economic activity that were previously taken as a given will now warrant more attention from boards.

Directors ranking economic conditions among top five 2023 board oversight topics (% directors)



Numbers may not add up due to rounding. Source: analysis by EY Center for Board Matters

3. Cost of capital

The rapid and synchronized tightening of monetary policy globally has led to a surge in borrowing rates, a correction in equity prices, and significant foreign exchange movements. The rise in the cost of debt is driving a focus on optionality in meeting strategic goals, while the large fluctuations in equity valuations have created a wedge between buyers' and sellers' perceptions of the underlying value of an asset. Boards can partner with management to explore the business's capital strategy plans.

4. Supply chain

The transition some companies made during the pandemic from just-in-time to "just-in-case" inventory management may not be sustainable, and some businesses may face a new strain as demand cools and inventory accumulates.

Geopolitical developments are also rapidly changing the business environment and redefining supply chain risks and opportunities, with companies exploring reshoring strategies as well. Boards can oversee how management is balancing supply chain risk and redundancy in an increasingly fragmented world.

5. Energy transition

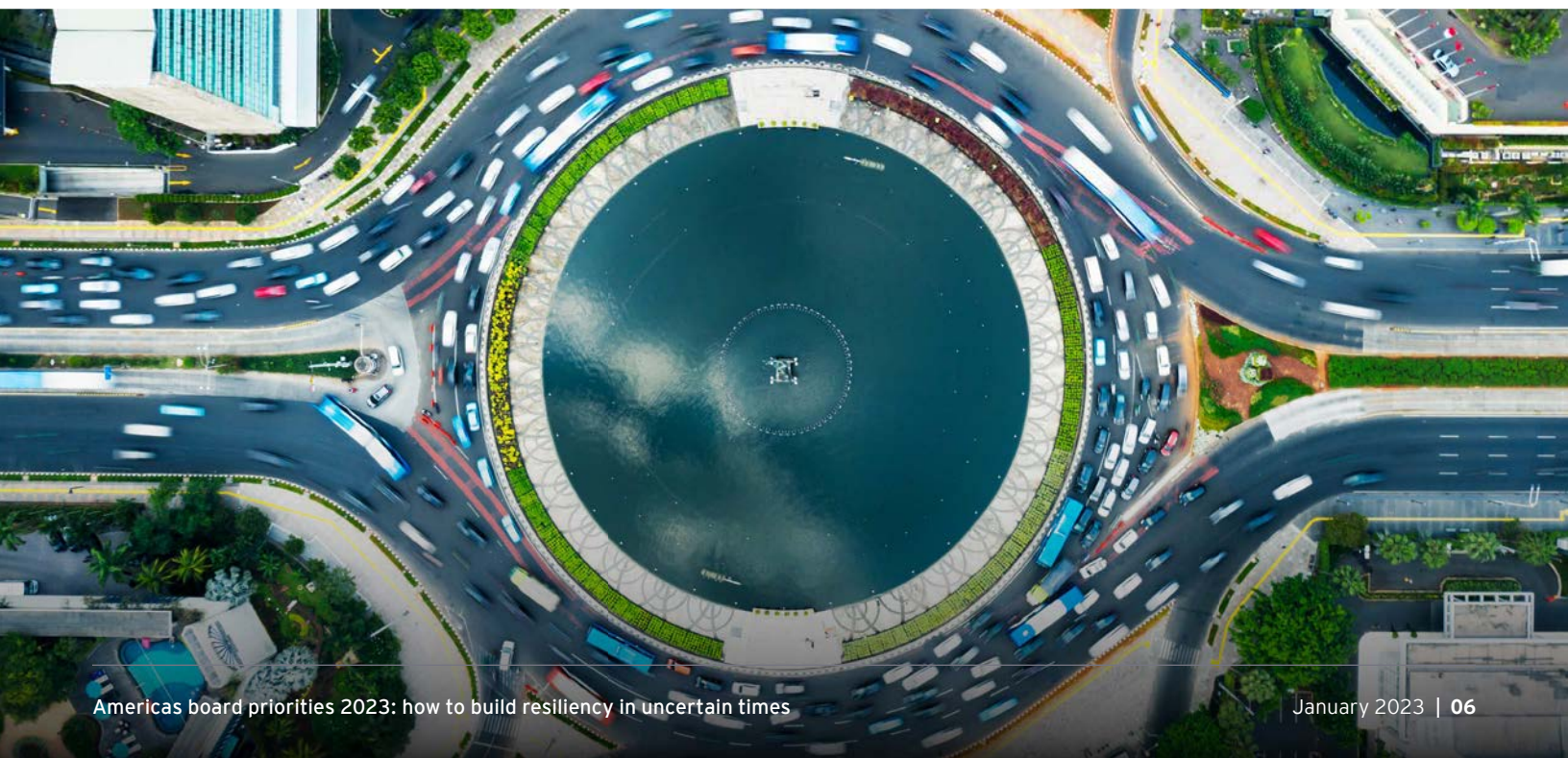
The war in Ukraine's impact on energy supply and energy security concerns, along with other climate impacts, is disrupting economic activity in real time and bringing a

sense of urgency to the energy transition. While inflationary pressures might delay some plans, boards can work with management to consider whether this is an opportunity to accelerate the transition.

Boards have a critical remit to provide guidance to management across these tenets by pressure-testing plans and assessing multiple options for achieving strategic goals under volatile and uncertain micro- and macroeconomic circumstances. Directors are well positioned to ask about what scenarios have been considered (even highly unlikely ones) and the potential impacts to financial performance, growth and strategy. Regardless of what scenario plays out, management needs an appropriate strategy – and balance sheet – for any economic conditions that lie ahead, and boards can help them plan for that uncertainty.

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2

Rethinking
capital
strategy

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Rethinking capital strategy

Explore different options for meeting strategic goals in today's choppy markets

Robust portfolio strategy planning will not pause amid the macro risks. Despite rising interest rates, many companies are intent on transforming their organizations to stay ahead of disruption. And they're holding steady in their investment strategies to build long-term optionality, resilience and value.

An EY study of more than 750 CEOs in October 2022 found that a significant majority (64%) intend to [increase capital investment](#) vs. just 14% who plan to reduce.¹

Across the Americas, investment in digital and technology capabilities is the main area where companies plan to increase spending. Nearly three-fourths of global executives (72%) surveyed for the [EY 2022 Digital Investment Index](#) said they must radically transform their operations during the next two years to compete effectively in their industry.² Placing environmental and social sustainability at the core of the business is also a priority for many companies seeking to create long-term value through cost-of-capital optimization, mitigated operational disruptions and a stronger connection with customers and employees around the environmental, social and governance (ESG) agenda. Companies are additionally looking to invest in early stage businesses to enhance their existing portfolio, access new talent or create new business platforms.

Companies in a strong financial position, or with a countercyclical product offering, may make the opportunistic choice to buy or partner with another organization to enhance long-term growth. In those cases, mergers and acquisitions (M&A) remain a critical option to boost capabilities in technology, talent and innovation as well as sustainability strategies, but companies are considering other levers as well.³ Divestment may also play an integral role in driving strategy by freeing up capital to reinvest in core capabilities and growth areas. A thorough portfolio-focused review may show that even well-performing business units can be candidates to spin off if they no longer fit the long-term strategy, as they tie up capital that could be better deployed.

Ensuring flexibility and preserving multiple options to meet strategic goals will be important, particularly given the rising cost of debt. Boards can play a key role in questioning the options management has considered and challenging the

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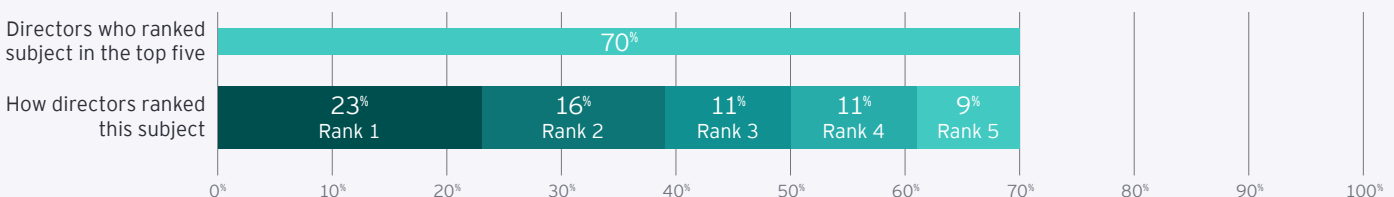
Companies are additionally looking to invest in early stage businesses to enhance their existing portfolio, access new talent or create new business platforms.

¹ *The CEO Imperative: How to remain resolute on investment as inflation surges*, ey.com, October 2022.

² *How can your digital investment strategy reach higher returns?*, ey.com, April 2022.

³ *The CEO Imperative: How to remain resolute on investment as inflation surges*, ey.com, October 2022.

Directors ranking capital strategy among top five 2023 board oversight topics (% directors)



Numbers may not add up due to rounding. Source: analysis by EY Center for Board Matters

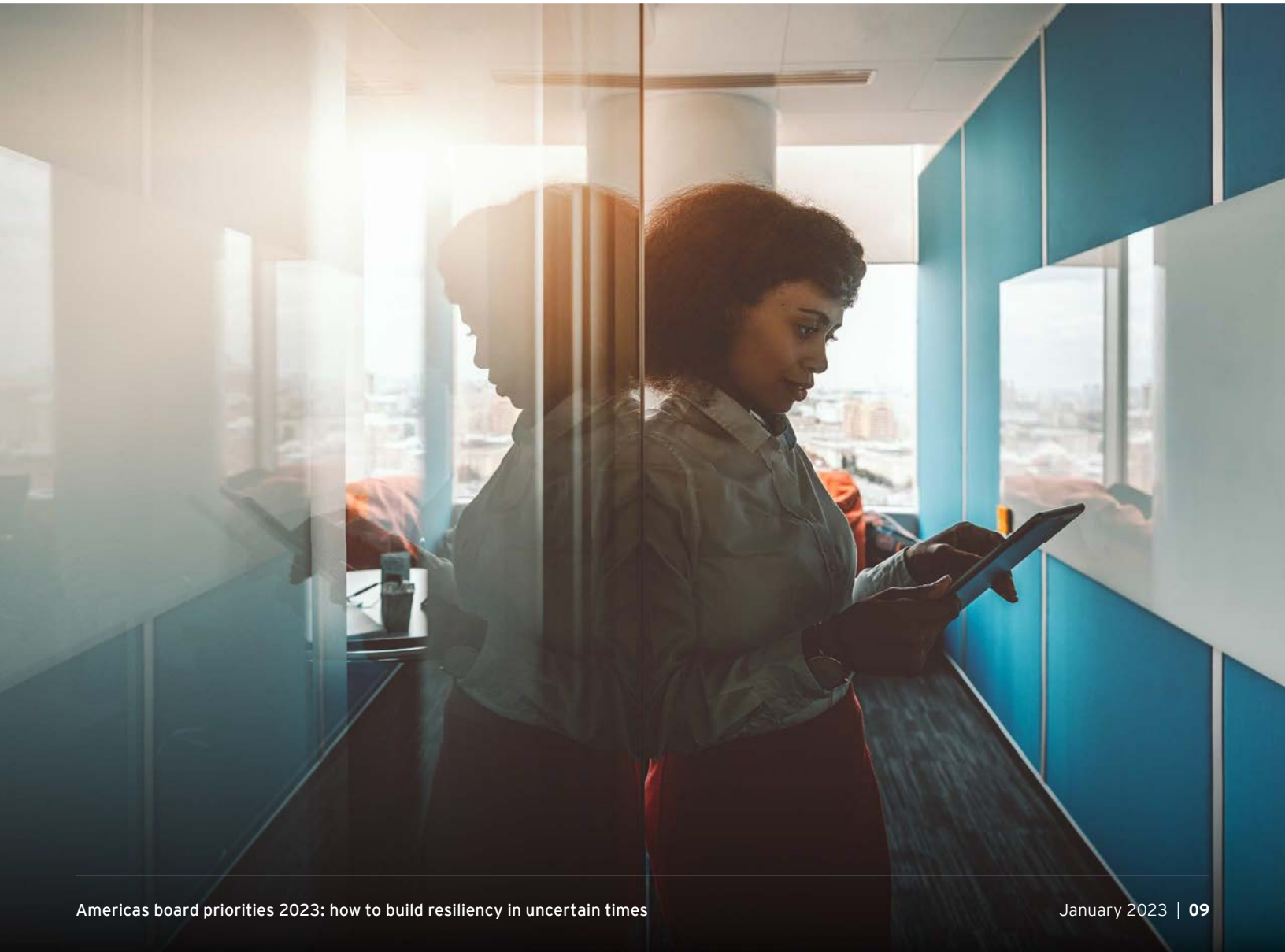
assumptions underlying those decisions. They can also drive conversations that help crystallize strategy and offer a clear view on each business's market and underlying growth drivers, including: demand, competitive advantage, alignment to the company's vision, and potential for long-term value creation from a financial, customer, people and societal standpoint.

Finally, boards have an opportunity to guide management's investor engagement approach as a fundamental part of long-term value creation strategies in today's recessionary environment. A bear market leaves companies more exposed at a time when investors are less forgiving. At the same time, in the US, the new universal proxy rules may make it easier for investors to replace directors. Boards can help challenge whether companies are doing enough to communicate

proactively with shareholders, infusing the company's strategy narrative with vital growth and innovation opportunity discussions.

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3

Enabling innovation
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Enabling innovation and technology transformation

Challenge company leaders to pursue self-disruption to compete and thrive

Disruption through innovation is an imperative. Despite the economic downcycle, companies will need to proactively challenge their legacy business models, look for opportunities where they are vulnerable to competitors and create new capabilities that anticipate, adapt to and drive market shifts.

Incumbents may need to leverage new technologies to begin self-initiated transformational change as they leverage the power of self-disruption from a position of strength.

Whatever economic and business conditions exist, boards play a critical oversight role in enabling innovation. They can help the executive team keep an even hand on the wheel and challenge leaders to think: How can the company deal with new external challenges not just by cutting costs or investing more, but by changing how the company does business?

Boards are uniquely positioned to raise provocative what-if questions around possible new products, services and revenue streams related to megatrends such as how the rise of Gen Z is reshaping consumer and employee trends. One way to jump-start the board and management dialogue on innovation is to use demographic, environmental or social changes as prompts for brainstorming potential strategic opportunities and risks. These “future-back” visioning exercises and scenario planning can build resilience by allowing for the possibility of uncertainty, challenging long-standing assumptions and identifying opportunities to redefine the future of the business through pre-emptive innovation.

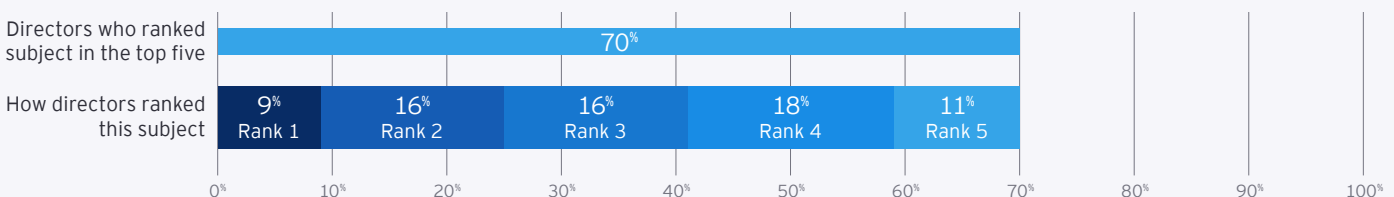
Even as volatility reigns, the longer-term innovations and megatrends defining the future of business must not be overlooked. The world has entered a new era of data centrality that is supercharged by emerging technologies and where advanced data analytics continue to unlock the value of operational, customer and market data. In addition, the next iteration of the internet is on the horizon. The metaverse promises a more immersive web experience powered by augmented and virtual reality, haptic touch feedback and hyper-realistic visualizations. New human-machine interfaces enable deeper engagement, providing new ways to socialize, conduct business, reach customers and design products and services. Boards must stay on top of these emerging technologies and their concepts to best support their companies.

These new technologies, and the human behaviors they drive, hold both promise and peril for our planet and our social systems. For example, technological innovation may

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Directors ranking innovation and evolving technologies among top five 2023 board oversight topics (% directors)



Numbers may not add up due to rounding. Source: analysis by EY Center for Board Matters

lead to a new immersive virtual workplace of the future, the power to reduce unconscious bias, the potential to encourage healthier lifestyles, and lowered carbon emissions by replacing real-world presence and physical goods with nonpolluting virtual experiences. At the same time, emerging technologies may lead to spikes in carbon and energy costs driven by cryptocurrencies, and create profound risks related to data privacy, fraud, misinformation, polarization and disconnection, mental health and safety. Given growing social risks and urgent global climate objectives, better sustainability outcomes should be integral to the future vision and planning around new technologies and customer strategies. This is particularly worth emphasizing at a time when stakeholder expectations and demands are changing dramatically in light of environmental and social developments.

Boards play a crucial role in keeping these longer-term scenarios and technological disruptions in view for the management team, with a lens on potential long-term financial, human and environmental value creation. As pressure to quickly bring technology-enabled products and services to market continues to mount, directors can bring common sense to bear on any overexuberant ideas – keeping social and environmental sustainability front of mind.

Another key role for directors is to support innovation by enhancing their governance of the company's research and development (R&D) portfolio. Innovation-driven companies may set investment horizon portfolios with a focus on 70% current business, 20% near-future and extended markets, and 10% longer term and disruptive innovation programs. Directors can ask for status updates on key technology investments and catalyze conversations on a range of potentially transformative investments and practices, including how the workplace culture enables the company's innovation strategy.

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4

Championing a
future-focused
talent agenda



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Championing a future-focused talent agenda

Connect talent needs to long-term strategic objectives amid cost management challenges

Global macrorends continue to shape the future of work and accelerate the need for companies to adapt to the changing talent landscape. One key challenge is the structural shift underway in labor markets, as we experience the highest global talent shortage in more than a decade.

Workers are reassessing and reprioritizing what they value most from an employer, and they're willing to act deliberately to fulfill those desires: 68% of employers say that employee turnover has [increased in the past 12 months](#).⁴

Strategies that worked to attract and retain workers in the past no longer meet the needs of younger workers, including their expectations for hybrid and flexible work.⁵

Even with a cooling labor market, employees who hold highly skilled jobs that will drive the future will continue to hold more power. The groups expected to have the highest turnover are Gen Z and millennials, particularly those in the technology and hardware sector. The specific demand for talent with technology skill sets is outpacing the supply, and inflation and wage growth are increasing the cost of competitive compensation.

Companies will need to develop talent to encourage the right employees to grow with the organization. The board should question if the learning and knowledge approaches and investments in skill development are adequate.

Keeping a pulse on employee sentiment and culture is critical. Employers and employees have different perceptions of the impact of hybrid, flexible or mobility work options on productivity and advancement potential. Indeed, 54% of respondents to the EY Global Workforce Survey⁶ state they would consider leaving their job post-pandemic if they are not afforded some form of flexibility experienced during the pandemic. Retaining talent may depend on whether companies have the right leadership for the current moment, which includes diverse, decisive, empathetic and human-centered leadership with a focus on innovation, fostering trust and modeling desired traits.

Talent retention may also hinge on employee compensation programs. Global uncertainty connected to inflation and labor costs is creating challenges for companies. However, if companies don't address pay gaps between long-term employees and new hires – as well as pay inequity related to gender, race and ethnicity – then efforts toward improving culture, productivity, and diversity, equity and inclusion (DEI)

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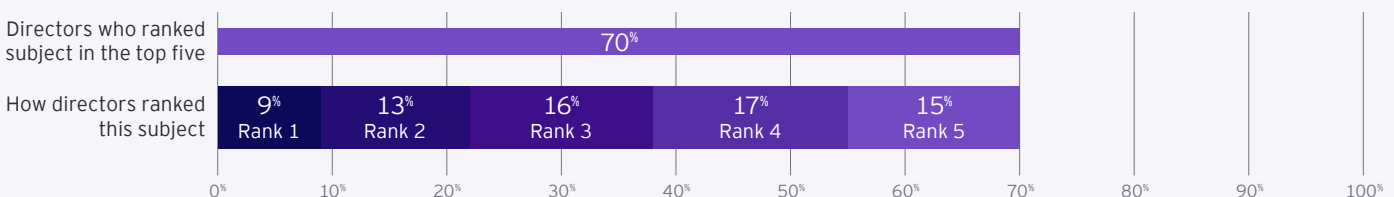
⁴ EY Work Reimagined 2022 Survey, long-form findings deck, ey.com, accessed November 2, 2022.

⁵ ibid.

⁶ EY Work Reimagined 2021 Survey, ey.com, accessed November 2, 2022.

Directors ranking talent agenda among top five 2023 board oversight topics

(% directors)



Numbers may not add up due to rounding. Source: analysis by EY Center for Board Matters

could be neutralized by turnover. Further, inflationary pressures, the broader acceptance of remote work and lower barriers to finding new jobs have accelerated a need for extensive changes to a rewards policy encompassing compensation, wellbeing, flexible benefits, time off and more.

Expanding oversight priorities related to the talent agenda may call for boards to spend more time in dialogue with the chief human resources officer (or equivalent) and obtain a deeper view into employee demands and sentiment that goes beyond assessing the tone at the top. Boards should assess the company's strategy around total compensation, closing any skills gaps, and talent retention. They should also help management maintain a focus on long-term talent strategy needs, amid shorter-term cost management challenges. DEI can be integrated throughout these considerations to further enable innovation and drive performance and value across a wide range of indicators.

Boards may want to evaluate their committee structure and responsibilities. Many compensation committees now have responsibility for broader human capital management oversight, such as DEI, talent recruitment, development and retention, and other related matters. With the U.S. Securities and Exchange Commission (SEC) expected to propose new rules governing human capital disclosures, stakeholder scrutiny of the board's governance in this area is set to increase.

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Many compensation committees now have responsibility for broader human capital management oversight.



A high-angle photograph of two people wearing bright yellow hoodies and blue jeans, walking down a double escalator. The escalators are made of dark metal with light-colored steps. The background is a blurred cityscape with tall buildings. The image is framed by a yellow border at the top and bottom.

5

Overseeing
cybersecurity and
data privacy

Americas board priorities 2023:
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Overseeing cybersecurity and data privacy

Set a tone at the top that cybersecurity is an enterprise risk and strategic opportunity

The high level of cyber risks that companies face is multiplying. In 2022, this was marked by potential threats tied to the war in Ukraine and China-Western decoupling, as well as risks stemming from the continued expansion of digital transformation, flexible working and the rollout of disruptive technology.

Data privacy has been top of mind for many Brazilian executives following the passage of its far-reaching data protection law in 2020. In Mexico, there is limited cybersecurity legislation, but recent incidents are driving focus on the need for a stronger culture of information security. In the US, more guidance on cyber oversight and disclosure is here or on its way. The SEC also proposed new rules earlier in 2022, and Congress recently passed far-reaching cybersecurity legislation.

With the stakes higher than ever and rising, the tone from directors at the top must continue to emphasize the importance of managing cybersecurity as an enterprise risk (not just an IT matter). They must also view it as a strategic opportunity to position companies as trusted business partners. Setting that tone should include the board raising cyber risks in interactions with members of management beyond the chief information officer (CIO), or chief information security officer (CISO). They should be asking executives how cybersecurity is embedded from the start via a “trust by design” philosophy when designing new technology, products and business arrangements.

Boards can also help by understanding new or evolving threats, knowing the value of the company’s risk in monetary terms (including the efficacy of cyber insurance coverage), and

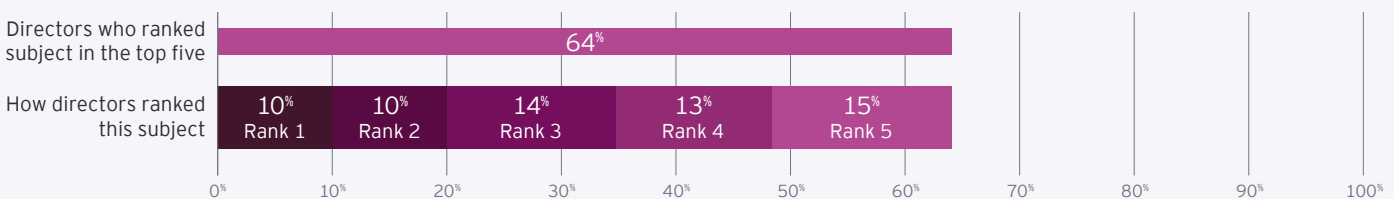
keeping pace with leading cybersecurity risk management practices to ask better questions of management.

Ultimately in today’s environment, cybersecurity risk management is about response preparedness and resilience. That means focusing on early detection, isolating critical assets, making continuity plans for operating in crisis mode, appropriately reporting to and working with authorities while managing litigation, and communicating with employees, customers and investors. Cyber incident simulations and tabletop exercises with management and the board should be a priority. Well-designed incident simulations can stress-test the organization and improve readiness and recovery efforts by providing clarity of roles, protocols and escalation processes, which can include third parties (e.g., a public relations firm, forensic specialists) where needed.

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With the stakes higher than ever and rising, the tone from directors at the top must continue to emphasize the importance of managing cybersecurity as an enterprise risk.

Directors ranking cybersecurity and data privacy among top five 2023 board oversight topics (% directors)



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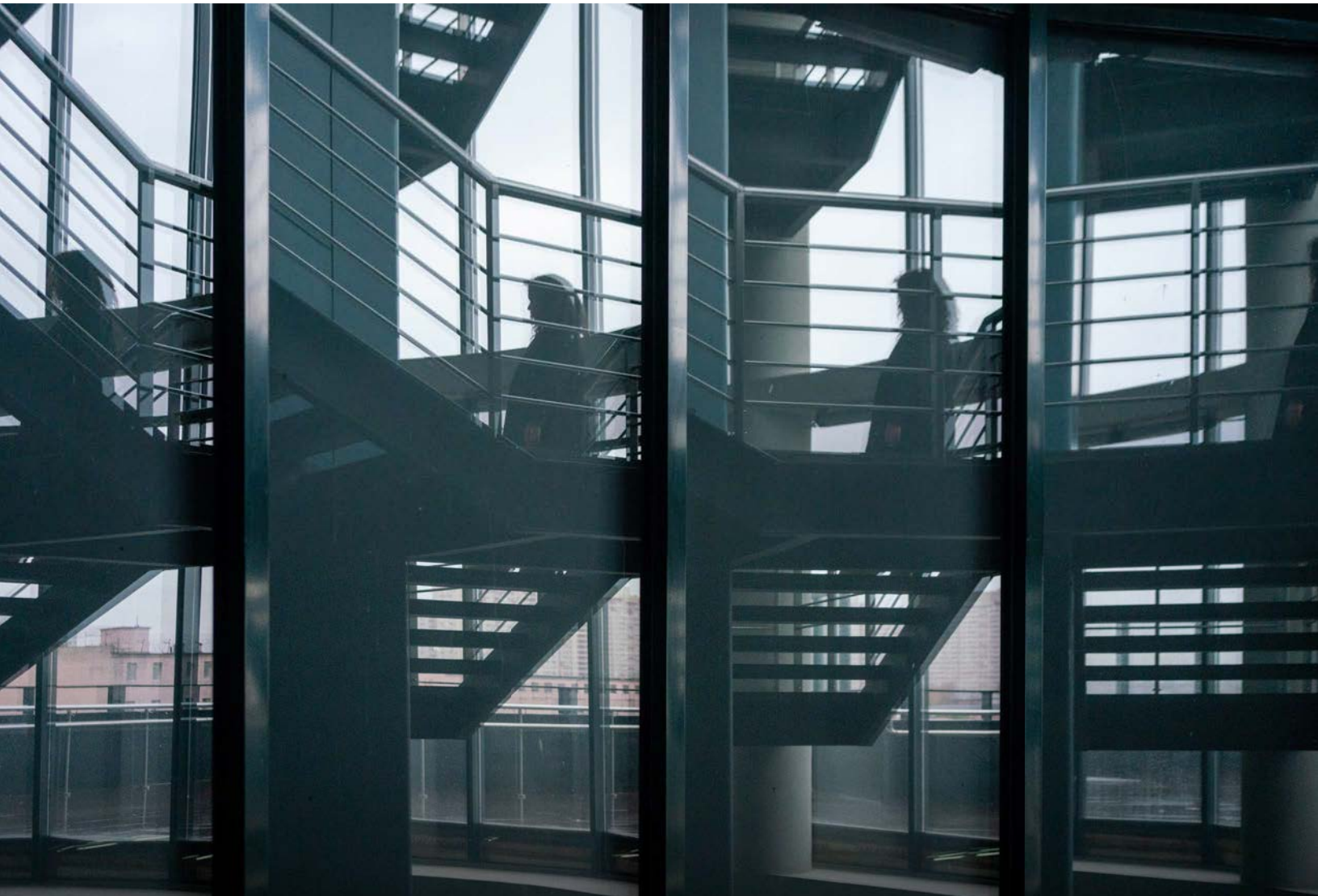
Bringing in an independent outside party to provide a rigorous assessment of the company's cyber risk management program is another key practice that can help expand knowledge bases, strengthen capabilities and identify blind spots in security and risk management. There is wide variability in what goes into a third-party assessment, from something as simple as an inquiry only into certain business segments, to a more rigorous company-wide assessment that includes a significant amount of verification and testing. Boards should understand the level of assessment the company is getting and have direct interaction with the independent assessor.

Finally, boards can also play a role in overseeing enhanced disclosures that clarify for investors and other stakeholders

the rigor of the board's oversight of cybersecurity risks and its competency to provide such oversight. These disclosures are growing in importance as such matters come under increasing stakeholder scrutiny.

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Bringing in an independent outside party to provide a rigorous assessment of the company's cyber risk management program is another key practice.





6

Keeping other
priorities on the
board agenda

Americas board priorities 2023:
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Keeping other priorities on the board agenda

Balance top priorities with additional imperatives, being careful to not overwhelm the board agenda

While the priorities mentioned already ranked in the top five for the directors we surveyed, they are not the only priorities that boards must balance and address in 2023. Boards will need to guide management on additional business imperatives.

Keeping pace with regulatory developments

Policymakers and regulators are working to address a variety of challenges, sometimes with competing forces at play (e.g., tackling inflation and avoiding a widening of the inequality gap; balancing energy security with decarbonization pledges). In the US, companies will need to navigate federal tax changes in 2022 legislation, including the Inflation Reduction Act and the CHIPS and Science Act of 2022, and prepare for any new tax liabilities, incentives and compliance obligations. Another key area of focus for US companies will be the continued rollout of SEC Chairman Gary Gensler's ambitious regulatory agenda, which includes potential changes to rules governing disclosures about cybersecurity risk governance and climate-related and other ESG matters (e.g., board diversity, human capital). There may be similar challenges across the Americas. In Brazil, for example, the recent presidential election may usher in an energetic regulatory climate – especially in environmentally oriented areas. Boards will also need to stay current on rapidly evolving global sustainability reporting developments, such as the Corporate Sustainability Reporting Directive and the International Sustainability Standards Board. Boards can narrow management focus to the regulatory developments that are relevant to the business (separating what matters

from all the noise) and help management recognize potential challenges and opportunities and prepare their organizations to be resilient and agile in response to evolving regulatory pressure.

Overseeing supply chain resilience

Reliance on single-source geographies has led to production system shutdowns and shortages of critical medical and food supplies. Tax incentive regimes that previously drove large operations to lower-cost offshore locations have created long logistical chains and asymmetric talent needs.

Geopolitics is having a significant supply chain impact, both as shared values begin to play a bigger role in developing networks and as protectionism, via trade tariffs, disrupts profit from entire markets. Sustainability concerns are also having an effect. Consumers want transparency in where their goods come from as they move toward circular and sustainable alternatives, and business partners and other stakeholders are starting to apply sustainability considerations to supply

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Another key area of focus for US companies will be the continued rollout of SEC Chairman Gary Gensler's ambitious regulatory agenda.

chains and networks to reach organization-wide sustainability goals. Boards can oversee how management is doing a multidimensional risk assessment of the company's supply chain strategy and considering nearshoring, onshoring or friendshoring (i.e., shifting supply chains to countries that are political allies) strategies, as well as sustainability strategies, to build resilience. These strategies could be a boon to Latin American countries if US supply chains shift in their favor. For example, Mexican businesses may have an opportunity to serve as a supplier to more US and Canadian companies.

Addressing climate change and environmental stewardship

Coming out of COP27, leading businesses are taking action on climate and positioning themselves as a major player in the climate ecosystem when diplomacy falls short. Companies are decarbonizing, but not at the speed or scale needed to meet global targets. Simultaneously, the credibility of corporate commitments on climate is under increasing stakeholder scrutiny. The entirety of relevant company activities are receiving deeper examination from stakeholders in the context of climate commitments. These activities include, the Scope 3 emissions generated across the value chain, corporate capital expenditures, the use (and quality) of carbon offsets, direct and indirect political and lobbying activities, executive compensation incentives, and efforts to support a just transition.⁷ Boards can proactively build their climate competency, understand the material impacts of climate change on the business, challenge the consistency and integrity of company commitments and drive multiple sources of value by overseeing how the company puts climate action at the heart of strategy.

⁷ [Integrity Matters: Net Zero Commitments By Businesses, Financial Institutions, Cities and Regions: Report from the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities](#), un.org, 2022.

⁸ [How to shift strategy for a new geostrategic era in 2023](#), ey.com, 2022.

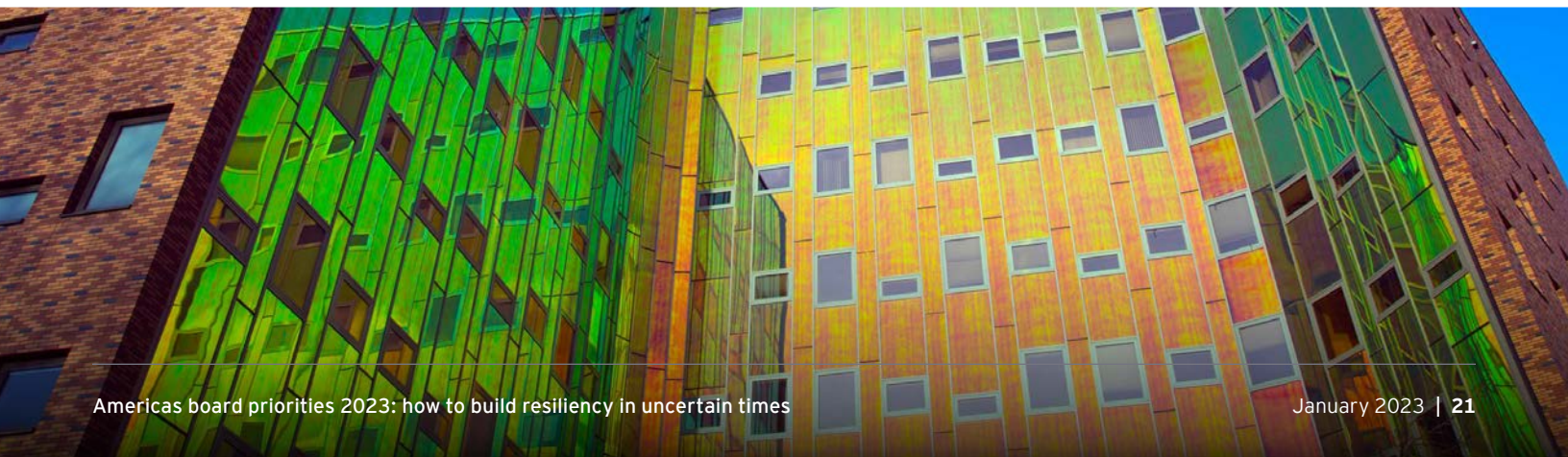
Guiding geopolitical considerations

The era of relatively liberalized global trade amid ever-increasing globalization has ended (at least for now), and the role of geopolitical dynamics is increasing relative to economic considerations in business decisions. A [number of geopolitical developments](#)⁸ will have significant business implications in 2023. Uncertainty around the war in Ukraine and its consequences will remain very high, potentially resulting in more sanctions impacting business; supply chain disruptions and higher prices; and a changing business environment as geopolitical relationships evolve. As the US and EU economies disengage from China and vice versa, there is likely to be a steady erosion of economic connectivity between China and the West, which could result in supply chain reorientation and diverging growth and investment opportunities. At the same time, many governments are pursuing economic self-sufficiency through a variety of incentives and restrictions that will impact business, with technology and energy continuing to be key focus areas. Boards can guide management to proactively consider how geopolitical developments may affect growth opportunities, the supply chain, strategic options and stakeholder expectations.

Across all of these additional priorities, boards can guide management by acting as stewards of the long term and a critical source of effective challenge.

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7

Questions
for the board
to consider

Americas board priorities 2023:
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Questions for the board to consider

Priority 1

Navigating uniquely challenging economic conditions

- ▶ How is the company planning for a range of economic scenarios, including those in which inflation and wage growth stay elevated for longer?
- ▶ How often does the board ask leadership: “What if we’re wrong? What happens if a low-probability, high-impact scenario emerges? What would we do differently if that is the case?”
- ▶ What is the company doing to stress-test its balance sheet and develop a crisis playbook that gives company leaders comfort in their ability to manage even the worst-case scenario?
- ▶ How is the company building a resilient and sustainable pricing strategy? How is scenario-planning supporting that strategy?
- ▶ How is the company evaluating labor costs and decisions in the context of the company’s longer-term talent strategy?

Priority 2

Rethinking capital strategy

- ▶ How is the company investing to mitigate risk and create opportunity despite multiple headwinds?
- ▶ How is the company’s capital investment strategy changing in key areas such as digital and technology, people and skills, innovation and R&D, and sustainability? How are board committees coordinating their oversight of these matters?
- ▶ How is the company considering a variety of transactions (e.g., M&A, divestment, new joint ventures or strategic alliances) to achieve its strategic goals? Are those options explored at the board level, or is the board presented only with management’s decision?
- ▶ What is the company’s approach to capital allocation (i.e., is it data-driven, consistent and enterprise-wide)? Does it focus on qualitative and quantitative metrics?
- ▶ How is the company’s investor engagement program keeping key shareholders informed of the company’s long-term value creation strategies and the board’s related expertise? Do disclosures describing the board’s composition demonstrate that, individually and collectively, the board is fit for purpose?

Priority 3

Enabling innovation and technology transformation

- ▶ How is the company’s innovation budget and program contributing to the creation of an informed strategic plan leveraging emerging technology?
- ▶ How is the board thinking about and redefining competitors or industry boundaries? Who might now be a competitor that wasn’t previously?
- ▶ How are responses to changing stakeholder demands, expectations and operational disruptions leading management teams to innovate?
- ▶ How are investments in innovation tracked and reported to the board? Is the board engaged in innovation discussions as part of the strategy-setting process?
- ▶ How is the board building a foundational understanding of evolving technologies such as the metaverse, including learning through experience?

Questions for the board to consider

Priority 4

Championing a future-focused talent agenda

- ▶ How is the board gaining insight into employee engagement, performance, operating statistics such as retention and turnover, and experience across different segments (seniority level, geography, function or business, etc.)?
- ▶ How is the company providing support for career path and progression, including mentoring, learning and development programs, and updating organizational design to open opportunities for advancement? Are upskilling and retention central to the company's talent strategy, including around key areas such as technology and sustainability?
- ▶ How is the company ensuring pay equity? How is it also creating a human-centered rewards policy encompassing compensation, wellbeing, flexible benefits, time off and more?
- ▶ How is the company enabling productivity and culture alignment in a hybrid working environment?
- ▶ How do the company's policies and practices foster diversity and inclusion, and how can they be more effective? How is the company's DEI commitment integrated into the ways it serves its customers, communities and the market?

Priority 5

Overseeing cybersecurity and data privacy

- ▶ Have appropriate and meaningful cyber metrics been identified and provided to the board on a regular basis and given a monetary value?
- ▶ What information has management provided to help the board assess which critical business assets and partners, including third parties and suppliers, are most vulnerable to cyber attacks?
- ▶ How does management evaluate and categorize identified cyber and data privacy incidents and determine which ones to escalate to the board?
- ▶ Has the board participated with management in one of its cyber breach simulations in the last year? How rigorous was the testing?
- ▶ Has the company leveraged a third-party assessment to validate that the company's cyber risk management program is meeting its objectives? If so, is the board having direct dialogue with the third party related to the scope of work and findings?

Other priorities

Keeping other priorities on the board agenda

- ▶ What systems and processes are in place to monitor international and domestic legislative and regulatory developments and keep the board informed as appropriate?
- ▶ How is the company ensuring visibility across global supply chains and considering alternative suppliers to improve resilience to shortages or price volatility? Is it evaluating supplier relationships for potential geopolitical complications and exploring alternative supplier networks attuned to the new geostrategic environment?
- ▶ Does the company view climate initiatives as a means of protecting and creating more value for the business? How is it exploring opportunities to transform its business portfolios while reducing emissions?
- ▶ How is the company engaging and supporting suppliers to influence emissions reduction through their supply chains? Has the company considered a strategic partnership or joint venture to help achieve its climate agenda?
- ▶ How well do management and the board understand how geopolitical developments affect current and future strategy? Is scenario planning being used to systematically explore multiple plausible future and their potential business implications?

Going forward into 2023

Enhancing the board's effectiveness in a new era of uncertainty

In this new era of permanent uncertainty and volatility, success will be based on resiliency and sustainability, including the ability to sustain shocks, self-disrupt, and contribute to the solution of societal and environmental challenges. To meet the challenges ahead, boards will need to strengthen their effectiveness through continual assessment and improvement. [The EY Center for Board Matters has developed a comprehensive approach and framework for understanding and enhancing board effectiveness.](#)

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Effective corporate governance is an important element in building a better working world. The EY Center for Board Matters supports boards, committees and directors in their oversight role by providing content, insights and education to help them address complex boardroom issues. Using our professional competencies, relationships and proprietary corporate governance database, we are able to identify trends and emerging governance issues. This allows us to deliver timely and balanced insights, data-rich content, and practical tools and analysis for directors, institutional investors and other governance stakeholders.

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