



## Managing the impact of COVID-19 at the Board of Directors level

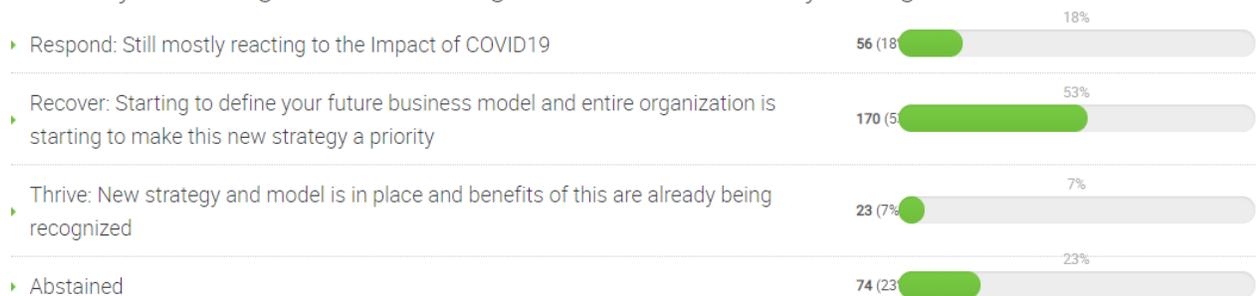
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When the World Health Organization formally announced a global pandemic in March 2020, leaders of industry were faced with a rapidly evolving, uncertain landscape. The economic impact was felt immediately for many, as businesses and industries sharply reduced output or even shut down due to COVID-19 and countries closed their borders.

In June 2020, MNP organized a panel of board of director chairs from a broad range of industries across Canada on a virtual panel to discuss what changes they've seen, where their boards are at and where their organizations are headed. The panelists, involved in retail grocery, passenger trains, utilities, life sciences, were candid about their experiences, lessons learned and how they navigated the stages of respond, recover and thrive.

Closed questions

Currently what stage of crisis management best describes your organization's current state?





## New World, New Strategies

More than three million jobs have been impacted in Canada since the government initiated restrictions due to COVID-19. Many who have jobs are working remotely for the first time, connected via digital networks, raising concerns about cyber security, productivity, and morale. Organizations are asking what they can do to help their employees, customers and the third parties they rely on.

As the governing body of an organization tasked with leading its direction, boards are asking what the optimal strategy and business model is in this new world. How do you define that vision and how do you build scenarios and forecasts to align with it?

### Calgary Cooperative Association – Front Line Workers and Food Trends

Patricia McLeod, Q.C., ICD.D, MBA, is the board chair of Calgary Co-op, North America's largest retail cooperative, and Calgary's fifth-largest real estate property manager. While Calgary Co-op's grocery and liquor sales increased during the first phase of the pandemic, revenue from its petroleum business dropped dramatically and its commercial real estate group revenue dropped as 60 percent to 70 percent of its tenants stopped paying rent (there has been some recovery since).

"So, there are very definitely immediate operational issues," Patricia said. "Absolutely everything is topsy-turvy to our forecasts; even supply chain forecasts have changed dramatically because the way we all shop as consumers has changed and food vendors adjust their production lines."

During the react stage, the board put aside its forecasts, budgets and executive compensation discussions as health and safety topped the agenda. They had to deal with supply chain disruptions, employee burnout and maintaining brand, on top of the city's already high unemployment and soft economy due to the crash in oil prices.

What provided support were several strategic operational shifts which had been in motion for two years, including changing suppliers and enhancing its internal and external communications strategies. Now in what Patricia terms the recovery phase, the board is trying to determine which consumer trends have changed permanently – will people continue to eat more at home, for example - and what is a temporary aberration.

As well, the board is guiding how Calgary Co-op will deal with a second or third wave of COVID-19 and a tenuous economy impacted by enormous government debt and decreasing support programs.

Which leaves the door open to a third stage, of re-imagining where Calgary Co-op will go, what opportunities exist and how its strategy fits into the new future. For example, prior to COVID-19 Calgary Co-op had, with partners, announced more than \$2 billion in capital developments over the next five years.

"I'm going to go out on a limb and imagine that's not all going to happen," Patricia said. "And that's a significant part of our capital development and strategic plan."

However, with its strong financial base, Calgary Co-op will keep its eyes open to acquisition and new business opportunities over the next three to five years.

The pandemic and associated safety measures and processes also dramatically advanced plans around Calgary Co-op's e-commerce platform. Originally set to launch in 2021 or 2022, the board expects the service to pilot late summer, early fall 2020, responding to consumer demands for a touchless, online shopping experience.

## Via Rail – Blockades and COVID-19 Double Whammy

As the board chair of Via Rail, Canada's intercity passenger rail service, Francoise Bertrand was slightly envious of the Calgary Co-op story. Via Rail started 2020 with multiple blockades disrupting commuter traffic in the hearts of Canada's most populous provinces, Ontario and Quebec. Then the pandemic hit.

"We just had completed a strategic plan at the end of 2019, and we had a clear view of where we were heading and the changes that had to occur. And then comes those two crises, after having a year that was fantastic and, you know, that was following five years of growth," Francoise said.

As a Crown corporation charged with serving the entire country, Via Rail is subsidized. But that subsidy became more of a deficit this year as revenues plunged, she noted. The corporation went from five million passengers using the rail service in 2019 to sometimes having 200 passengers a week. So, the board had to find ways to provide the service at a reasonable cost with the knowledge the workforce has changed dramatically – impacting ridership between hubs such as Toronto and Ottawa and Montreal, as more work from home.

She said she has to smile at the concept of being in one stage as she sees Via Rail being in all three at the same time. The corporation is developing scenarios for travel to be safe and not costly to entice passengers back, working to keep employees so they can be ready to roll when ridership comes back, but also trying to control costs.

"There is always that balancing act, between trying to restore our revenues but spending money means investing more taxpayer's money," Francoise said. "For the board we shall usually not get into the operations but certainly in such challenging times given our role as a fiduciary we ought to challenge some views, not look only at immediate operations today but what's coming, what's next? And the temptation is to say, we'll wait and see and just develop as it goes.

"That creates inevitable tension between the board and management, to strike the right balance between public service and limiting costs. It's quite a challenge."

## SaskEnergy – Virtual Workplace / Meetings Challenges

As another Crown corporation, SaskEnergy, Saskatchewan's natural gas distribution and transportation company, jumped into reactive mode when the pandemic hit. Safeguarding the health and safety of its workforce was paramount, and while not in the middle of winter, natural gas services are essential to the residential, farm, commercial and industrial customers, said board Chair Susan Barber, Q.C., CDir.

Safeguarding its workforce included having more work remotely, which raised other issues of cyber attacks, fraud, monitoring productivity.

During the crisis, the board also had to balance allowing management to do its job while ensuring it was responding to issues and managing risks, including looking at what the future might look like. But that's all part of being an active board member, Susan said.

"When we talk about managing the impact of COVID-19 at the board level, for me and for our organization from a governance perspective, I don't think that the role of the board changed, nor in my view should it change," she said, on the virtual panel.

"The role of the board, crisis or not, continues to be one of oversight, albeit likely more focussed than normal on ensuring that the business continuity planning that you hope you make and never have to look at again, is actually being adhered to and being followed."

And while technology and necessity has shown that boards don't have to be in the same room to be effective, Susan is not a proponent of virtual meetings becoming the norm. Nothing beats a face-to-face meeting to develop the relationships with management and other board members, she said.

"I think from a governance perspective those are some of the things that we have done to cope, but I don't see those necessarily as long-term permanent changes. I see them as temporary adjustments in response to the crisis, but I don't see them as long-term overhauls."

## Life & Co, Khiron Life Sciences – Hands On versus Hands Off, Nose In

Deborah Rosati, FCPA, FCA, ICD.D is the founder and CEO of Women Get on Board Inc., and serves on the board of two cannabis companies, Lift & Co in Canada and Khiron Life Sciences in Colombia. When the pandemic was announced, Lift & Co was in the middle of a transaction, had to cancel its biggest trade show, temporarily lay off all its staff and deferred all fees to directors.

And while a board's role is governance and the big picture, when you're a small board of a company in crisis, you lean in, Deborah said.

"It was hands-on from the beginning," she said. "So, everything from how do you mitigate your lease obligations? How do you return deposits to customers? We're a small board of four at the time.

"I chair the audit committee. So weekly cash flows, daily cash flows coming into the pipeline, it was a really hands-on exercise."

As a board member of Khiron Life Science, Deborah had to deal with the pandemic delaying the Colombia-based medical cannabis company's certification to be a licensed producer. Plus, the operational aspect of managing the health, safety and well-being of employees who worked remotely.

Both companies are public so the board had to deal with the immediate response from shareholders on whether the company would be delaying their financials reporting dates, and if so for how long. Apart from the board's fiduciary duties, there were questions about the reporting obligations. If the auditors couldn't go to Colombia, how would the audit be completed?

"It created a bunch of challenges but with challenges comes opportunity," she said. "I would say ... there're lots of opportunities from a transactional perspective, and I think again, you had to run a process, continue to run a process. How do we maximize them? What are the opportunities going forward?"

Cash is king during a crisis and so the executive and board of Khiron reduced their compensation immediately and upped communications with its people. They also continued to look at their growth strategy, which countries did they want to be in, the regulatory compliance environments and reports from the field.

"I think I've kind of gone through the response into recovery, but I really can't wait to thrive because that's where we all want to get to," Deborah said. "But I think we don't know when that's going to be, and I think we've had to put in processes - good communication is really important."

She agreed that virtual meetings can be challenging but added it can be just as challenging getting people based in different cities and countries together in a room. She sees Khiron going to a hybrid model, changing the dynamic of onboarding and communication as people on the board might not be able to travel in person to see a cultivation facility.

"We will not go back to the normal," she said. "I think we just all have to be very open and agile, and pivot in the direction from a good governance perspective."

Board directors have the fiduciary duty to stay current on all affairs and what's going on from a compliance and regulatory perspective, which today means participating in webinars and virtual meetings with auditors, outside counsel and other advisors, Deborah said.

"It's been a wild ride. It's going to continue that way. I don't think you join a board for the fun of it – it's not for the faint of heart in any way. And governance is a big topic and it's about process and ensuring that you're making good decisions from those process."





## Q&A with Panelists

Every organization has faced and responded to unique situations as a result of COVID-19. In this section, we focus on specific situations and lessons learned.

### **Q: How is the board managing employee burnout and how did you respond to the outbreaks identified at Calgary Co-op locations?**

**A:** “One of the things we did very early in this, and I probably guess this is true of every single director that’s on this call and many of our listeners, is that we radically changed our communications immediately,” said Patricia.

As the impact of the virus started being felt around the world, in late February the board of Calgary Co-op initiated a weekly check-in process to track preparations. The meeting gained urgency when the first outbreaks in Calgary were announced – and then at Calgary Co-op locations.

Calgary Co-op had to respond to two stores with outbreaks of COVID-19 and made several unexpected discoveries during the process. The logistics of shutting down a store or changing hours to do a deep clean were part of the process. What the board really wanted to understand was where the cases came from; did they come from outside or were the cases spread from within. And what they found out in the process was that a substantial portion of their 4,000 staff are casual, as well as live with other people and often have other part-time jobs.

“One of the biggest issues was carpooling. And the living arrangements of employees,” she said. To better understand their employees, the company did an audit, through their human resources department. Then they also started testing every employee and now do a temperature check before each employee starts their shift.

“I think the COVID-19 situation was fascinating because it was an evolution,” Patricia said. “There was a lot of learning that came from peers and government. But also, as we experienced it, we were moving with it and trying to adopt best practice as quickly as we could.”

The board became even more engaged with the executive team, from the chief executive officer to the chief financial officer to centre managers. Grocery store employees were considered front line workers and there were concerns about employee burnout.

Generally, board members don’t communicate directly with centre managers, but did during the crisis, to discuss wellness and how they were supporting employees and the worries of employees as centres started to have positive cases. In speaking with the managers, the board realized their management had mental wellness and burn out issues personally as well, which led to counselling support being brought in.

“I think, again, it’s turned into a learning experience. And what is the board’s role in that? The board’s role is listening. Listening, listening, listening... And it led to a different conversation.”

“I think our board culture will continue to change,” Patricia said. “And while I agree with the nose in and finger out perspective in oversight, I think governance has changed dramatically over the last five years. And issues like MeToo, Black Lives Matter, cyber security, and all kinds of other issues are coming forward where you can’t rely on that compliance checklist or a cadence of quarterly meetings anymore. I think that COVID-19 virus pandemic is a great example of how a crisis-ready board that has a plan and has the right people in place can pivot and shift and monitor and make good decisions.”

**Q: Are the boards focussed on getting back to “business as usual” and revised objectives in the short to medium term? Or are they looking at new and revised business models?**

**A: Via Rail** – While Via Rail is a traditional transportation business, the Crown corporation also is more in tune with sustainable growth, as a safe and green mode of transportation, Francoise said.

“And that’s why we’re saying the recovery, the new model and the thriving is kind of every day in our conversations. And there is tension among ourselves between what’s the moment now - and that’s why it’s so interesting to have a strong management with a strong board where there is constantly that necessity to look at ‘yes, we’ve got to make sure we do the proper moves today.’ But that those moves don’t prevent us re-imagining our future and getting ready, or at least knowing what we need to do if we want to change a few elements of our model.

“Of course, in a Crown corporation as you can imagine, there are also collective agreements. So, there is not always the agility a public company has,” Francoise added. “It’s a different world. I’m in a province sector-type of board as well. It is very different. It’s a balancing act; thinking of the employees, thinking of the wellbeing of either the employees, the management or clientele and our shareholders, the taxpayers.”

The board has to weigh current challenges with what the future might hold, including public reaction when Via Rail releases accounts of the cost to maintain and develop services during this crisis.

“I would be lying to you if I tell you that it’s easy. It’s not easy,” she said. “But the dialogue is good. It’s very dynamic. Maybe some will find that it’s too dynamic sometimes. But I think that’s a kind of a necessary tension if we are as a fiduciary body playing our role.”

**SaskEnergy** – As an essential service, SaskEnergy isn’t getting back to business so much as continuing to provide services under a modified business model, Susan said. And while not having to be in the trenches as much as a public company, the SaskEnergy board still faces having to meet the fiscal challenges ahead of returning to a revenue base without federal supports, and getting the economy growing.

“As a result of the pandemic, to be looking at either a different way that you can deliver the service or provide the service that you do,” Susan said. “But some things can’t change. And our biggest stakeholder is the government. So, we receive a fair bit of direction as a result. But I think for sure we challenge management to look at different ways of delivering things, and we as a board at different way of governing things. That’s just the reality.”

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**Q: Do you think the COVID-19 crisis will accelerate, decelerate or stay the same in terms of the diversity agenda for boards?**

**A:** Deborah, with Lift & Co and Khiron Life Sciences, noted only 18.1 percent of companies listed on the Toronto Stock Exchange in 2019 had women on their boards.

“The fact that we’re still having conversations on boards need more diversity around the table still surprises me,” she said. “There are a lot of studies going out that through this process of environment, and social, governance and sustainable and viability, women tend to have some more of those skills around the table.”

Everyone can be an agent of change in diversity, and in this period of abrupt change, boards need people who are diverse in thought – and age, she added. “We’ve never been here before and I can tell you diversity includes younger demographic... I think boards are changing, and the skills that you needed yesterday are different than the skill sets you need tomorrow. The diversity of thought is going to be critical for that viability, and it just makes good business sense.”

**Q: What are the top two risks on the minds of boards today?**

**A:** Calgary Co-op’s Patricia placed people – their health and safety – first. The second was harder to pin down among a myriad of choices.

“I think the second one I would probably put as monitoring trends and social change. I think the risk to a retailer, a bricks and mortar organization, is not only responding to trends like the consumer focus on healthy and fresh and local, and climate change and carbon footprint, but on e-commerce and technology disruptions as well.”

The risks are purely COVID-19 related as boards make sure their organizations can get people back to work, safely and effectively, noted Susan. Some employees don’t want to come back to prior work environments and are concerned about a second wave.

“And then I think it’s what we look like going forward. Because to me, that recovery phase is still very much reactionary. And so, reacting to what we need to do to move forward is going to be one of our significant risks to manage.”

Deborah echoed that people’s safety is the foremost risk boards across the country are focused on and added technology as the second risk.

“Technology is pervasive in how you do business and the way you do business, and I think that’s going to be so critical. So, we have to innovate and stay ahead. We don’t know what that being ahead is.”



## Conclusion

As the impacts of the pandemic continue to unfold across the country and through all industries, it is clear boards continue to be agents of change for their organizations. All boards have a responsibility to understand the unique ways their industries have changed, be open to the changes and be innovative in capturing value in new environments. Maintaining communication and agility while working closely with stakeholders will be crucial to moving forward, together, during these uncertain times

The following table highlights current risk trends and early warning signs indicating these risks may be impacting your organization.

2020 Risk Trends	Key Questions	Red Flags	Common Mitigations
<b>Effectiveness of Business Resilience Plans During COVID-19</b>	<ul style="list-style-type: none"> <li>Did your business effectively and efficiently minimize strategic and operational adversity related to COVID-19?</li> <li>Did employee morale decline materially while working remotely?</li> </ul>	<ul style="list-style-type: none"> <li>System and operations down time</li> <li>Lost sales</li> <li>Poor morale</li> <li>Unusual expenses</li> </ul>	<ul style="list-style-type: none"> <li>Proactive and frequent communication from leadership</li> <li>Investment in required technology</li> <li>Internal audit of business resilience plan effectiveness</li> </ul>
<b>Cyber Tsunami</b>	<ul style="list-style-type: none"> <li>Did cyber attacks increase in the first half of 2020?</li> <li>Did your organization experience some form of data breach?</li> <li>Were your systems unable to function due to a cyber incident at any point?</li> </ul>	<ul style="list-style-type: none"> <li>Increase in hacking attempts and data breaches</li> <li>System failure</li> <li>System and operations down time</li> </ul>	<ul style="list-style-type: none"> <li>Increased cyber security controls</li> <li>Increased employee training</li> <li>Internal audit of cyber security risk assessment and related controls</li> </ul>
<b>Fraud and Data Ethics</b>	<ul style="list-style-type: none"> <li>Have suspicious transactions increased in the first half of 2020?</li> <li>Have assets gone missing since employees started working remotely?</li> <li>Have you seen a spike in tips to your whistleblower hotline?</li> <li>Do you know whether confidential, restrictive, or private data has been accessed by unauthorized individuals?</li> <li>Are your assurance functions working together to minimize costs and optimize value?</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of accounting issues</li> <li>Missing assets</li> <li>Increased hotline activity</li> <li>Improper access to, or loss of, confidential, restrictive or private data</li> <li>Contact from external authorities or regulator</li> <li>Audit or assurance fatigue</li> </ul>	<ul style="list-style-type: none"> <li>Fraud risk assessment by Internal Audit</li> <li>Employee and vendor training on code of conduct and anti-fraud controls</li> <li>Continuous monitoring systems</li> <li>More frequent and comprehensive investigations</li> <li>More urgent tone from the top communication from leadership.</li> <li>Coordinated integrated assurance</li> </ul>
<b>Disruptive Innovation : Digital Transformation Strategy</b>	<ul style="list-style-type: none"> <li>Is your company's digital presence inferior to your competition and is this causing you to lose sales and market share?</li> <li>Has your digital transformation slowed down in the first six months of 2020?</li> <li>Are you able to access the talent and resources to complete your digital transformation?</li> </ul>	<ul style="list-style-type: none"> <li>Customer complaints regarding the lack of a sufficient digital presence</li> <li>Decline in sales and market share</li> <li>Employees are unable to complete critical work tasks remotely</li> </ul>	<ul style="list-style-type: none"> <li>Investment in new technology or third-party support to complete digital transformation</li> <li>Internal audit or advisory to benchmark your digital capability versus your competition</li> </ul>
<b>Investor Evolution - ESG: Environment, Social, and Governance</b>	<ul style="list-style-type: none"> <li>Are investors asking about your organization's willingness to disclose more on initiatives related to ESG?</li> <li>Is your organization reporting much less than your competition on ESG?</li> </ul>	<ul style="list-style-type: none"> <li>Continuous questions from investors in relation to ESG</li> <li>Investors or financial capital providers identifying opportunity to improve ESG disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Enhance quality of ESG reporting and disclosure to meet or exceed the expectations of investors</li> <li>Create a three-year ESG initiative plan that aligns strategy with the interests of stakeholders and investors</li> </ul>

2020 Risk Trends	Key Questions	Red Flags	Common Mitigations
<b>Evaluating Culture &amp; Strategy (including employee engagement)</b>	<ul style="list-style-type: none"> <li>Has your organization ever audited your culture to ensure it aligns with your strategy?</li> </ul>	<ul style="list-style-type: none"> <li>Signs that your current culture is not aligned with your strategy include: <ul style="list-style-type: none"> <li>Increase in whistle blower hot line calls since the COVID-19 impact started indicating potential non-compliance to the code of conduct, controls, and company policies.</li> <li>Decisions are being made that direct key resources away from critical strategic initiatives.</li> <li>There is a lack of tone from the top enforcing ethical and cultural principles.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Internal audit which focuses on cultural / strategic alignment and identifies major gaps.</li> </ul>
<b>The Future of Work &amp; Knowledge Management During and After COVID-19</b>	<ul style="list-style-type: none"> <li>Have productivity and employee engagement increased or decreased during COVID-19?</li> <li>Has your organization struggled to access high-quality insight and decision support information since the start of COVID-19?</li> <li>Is your organization's knowledge management set up to ensure insight and information are easy to find and readily available in case key individuals are not available or have left the company?</li> <li>Are organizational knowledge and data classified and stored according to compliance requirements?</li> </ul>	<ul style="list-style-type: none"> <li>Material changes in productivity and employee engagement</li> <li>Employee and customer complaints related to difficulty accessing required insight or data</li> <li>Decision speed has slowed since the start of COVID-19 because current systems and knowledge management processes make it difficult to access what is needed</li> <li>Critical knowledge is lost when key individuals leave your organization</li> </ul>	<ul style="list-style-type: none"> <li>Continuous assessment of acceptable productivity and morale strategies to maintain an acceptable range</li> <li>Implement a data governance and management strategy that optimizes your organization's ability to provide key insights and information to employees as required</li> <li>Internal audits focused on data governance, management, related systems, process, and compliance requirements</li> </ul>
<b>Cost Management Analytics &amp; Automated Assurance</b>  <b>Leveraging audit technology</b>	<ul style="list-style-type: none"> <li>Has there been an immediate need to reduce expenses and optimize cash flow management?</li> <li>Have expenses grown excessively in the first half of 2020?</li> <li>Have internal controls been effective since employees started working remotely?</li> <li>Can your organization leverage data analytics or continuous monitoring?</li> </ul>	<ul style="list-style-type: none"> <li>Immediate need to reduce expenses (i.e. material layoffs)</li> <li>Excessive growth in expenses</li> <li>Increase in control failures</li> <li>Inability to monitor financial trends effectively</li> </ul>	<ul style="list-style-type: none"> <li>Scenario planning and related forecasts</li> <li>New expense analytics and continuous monitoring</li> <li>Internal audits related to expenses</li> </ul>
<b>Third Party Risk, Vendor Audits, &amp; Capital Projects</b>	<ul style="list-style-type: none"> <li>Have any of your vendors / partners declared bankruptcy or made material changes?</li> <li>Are your construction projects experiencing unusual delays, cost overruns, or quality issues?</li> <li>Have there been project continuity issues in the first six months of the year?</li> </ul>	<ul style="list-style-type: none"> <li>Inability to receive goods or services</li> <li>Material quality issues</li> <li>Adverse trends in costs, schedule delays, and quality issues</li> <li>Issues with the reliability of third parties.</li> <li>Inability to accurately forecast the cost at completion</li> </ul>	<ul style="list-style-type: none"> <li>Assess contingency options</li> <li>Utilize data analytics to assess cost, time, and materials issues.</li> <li>Internal audits on contracts compliance and trends analysis.</li> </ul>
<b>Data Governance, Management, Privacy and Security</b>	<ul style="list-style-type: none"> <li>Does your organization have too much data, or does data lack integrity — and this is causing reduced productivity?</li> <li>Does your organization lack access to the data or insights needed for optimized decision making?</li> <li>Have you experienced data privacy issues?</li> <li>Does data categorization, organization, and storage meet decision support needs and external regulations?</li> <li>Has important data gone missing?</li> </ul>	<ul style="list-style-type: none"> <li>Complaints regarding excessive time required to access data and insights</li> <li>Inability to access what is needed remotely</li> <li>Data privacy and security issues</li> </ul>	<ul style="list-style-type: none"> <li>Create an organizational data governance and management strategy</li> <li>Use data analytics to assess data integrity</li> <li>Invest in technology that allows secure remote access to required data</li> <li>Internal audits of data governance and analytics capability</li> </ul>



## About MNP

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