



Asia Pacific Board Leadership Centre webinar

2023 Board and audit committee priorities

6 July 2023



Agenda

Time	Topics	Speakers and panelists
10:00 am	Opening remark and welcome note	BLC leaders
10.15 am	2023 Board and audit committee priorities	Irving Low Head of Advisory (Consulting) KPMG in Singapore
10.35 am	Geopolitical and economic overview	Dr. Brendan Rynne Partner, Chief Economist KPMG in Australia
11.05 am	Panel discussion on evolution of ESG reporting, climate-related risk considerations and operationalizing decarbonization	Moderator: Cherine Fok , Partner, ESG, KPMG in Singapore Panelists: <ul style="list-style-type: none">• Nurul Hasanah Ahamed Hassain Malim, Head of Group Sustainability, FGV Holdings Berhad ("FGV")• Yohanes Jeffry Johary, CEO of PT OCS Group Indonesia• Dr. Alinnettes Adigue, Head, GRI ASEAN Regional Hub
12.05 pm	Closing remark	Emcee



Our BLC leaders



Ma. Gracia (Monette) Diaz
Partner, Risk Management
KPMG in The Philippines



Harry Widjaja
Partner, Audit and Assurance Services
KPMG in Indonesia



Bunyarit Thanormcharoen
Partner, Audit & Assurance Services
KPMG in Thailand



Mohd Khaidzir Shahari
Partner, Head of Risk Consulting
KPMG in Malaysia



Tran Thanh Tam
Director, Head of Markets Group
KPMG in Vietnam and Cambodia



Irving Low
Head of Advisory (Consulting)
KPMG in Singapore



Asia Pacific Board Leadership Centre webinar

2023 Board and audit committee priorities
Irving Low, Head of Advisory (Consulting)
KPMG in Singapore



Recap from last two years – are we in the new normal?

Avalanche of events such as COVID-19, catastrophic weather events, war in eastern Europe ..

South China Morning Post

Deadly South Asia heatwave a once-in-3,000-year event before climate change, experts say

 Agence France-Presse [+ FOLLOW](#)

Published: 9:51am, 24 May, 2022

THE WALL STREET JOURNAL.

NFT Sales Are Flatlining

Is this the beginning of the end of NFTs?

By [Paul Vigna](#) [Follow](#)

Updated May 3, 2022 7:15 am ET

Bloomberg
Asia Edition

Global Trade Rebound Stalls as War, Covid Hit Supply Chains

- Russia's war triggered sharp price rises for food and energy
- China's virus lockdowns have disrupted trade and production

23 May 2022, 23:04 GMT+8

Bloomberg
Asia Edition

Compensation Is Becoming an Even Bigger Headache in the Remote-Work Era

By [Matthew Boyle](#) and [Olivia Rockeman](#)

20 May 2022, 22:00 GMT+8

South China Morning Post

Economy

China's economic slowdown casts shadow over Southeast Asia as US steps up engagement

 [Kandy Wong](#) [+ FOLLOW](#)

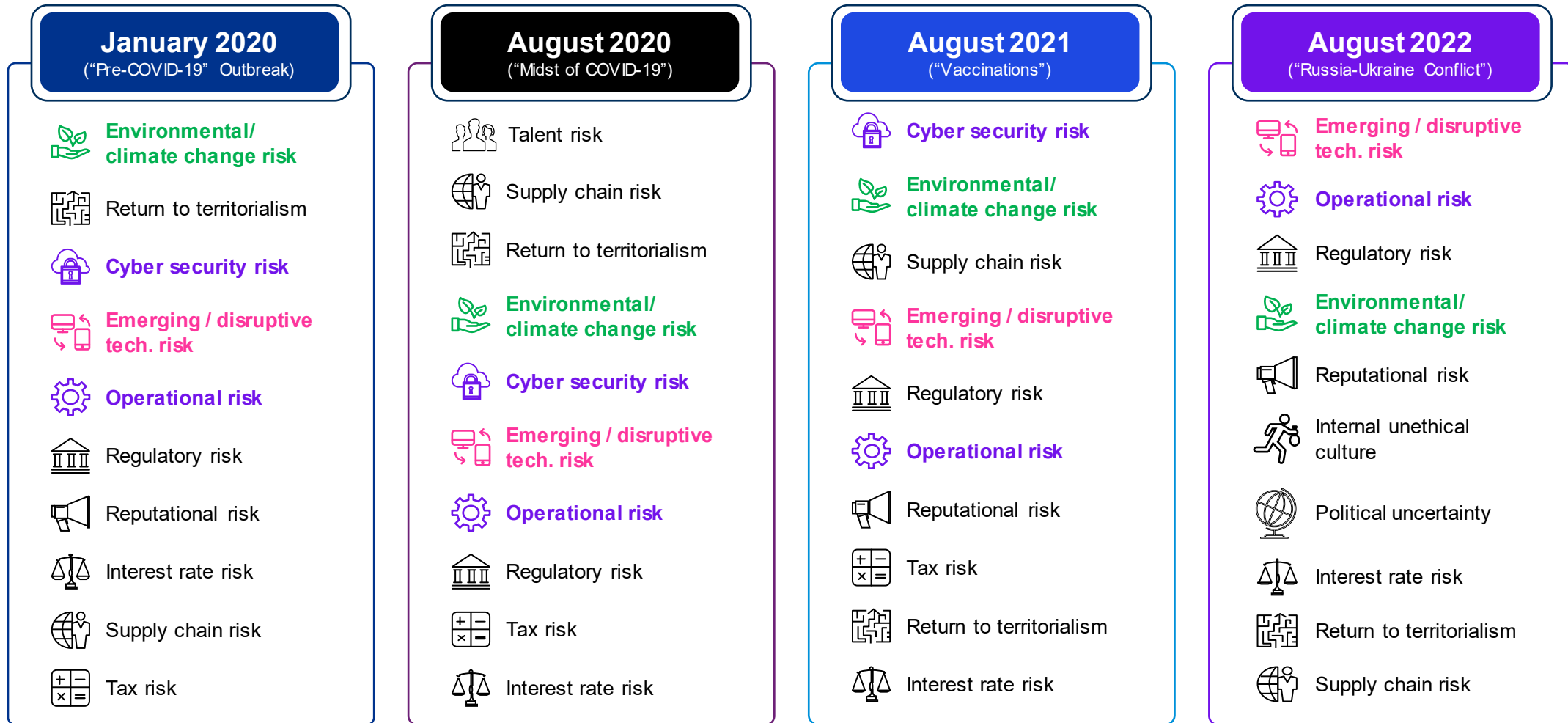
Published: 4:00am, 21 May, 2022



McDonald's says it will sell its Russia business after previously pausing operations due to Ukraine war

PUBLISHED MON, MAY 16 2022-6:10 AM EDT | UPDATED MON, MAY 16 2022-1:08 PM EDT

Recap from last two years – CEOs' top risks



Source: KPMG CEO Outlooks



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In the latest study, CEOs anticipated challenges ahead

The possibility of recession was looming and many CEOs were preparing for it with a deep focus on planning and agility. Some see opportunities through this fog of uncertainty brought on by the promise of technology, talent and ESG. Themes are as follow:

86%

believe **there will be a recession** in the next 12 months even though confidence is up over the next 3 years.

81%

have adjusted or plan to adjust their risk management procedures **due to geopolitical risk**

77%

see **information security as a strategic function** and a potential competitive advantage.

70%

say they need to be **quicker to shift investment to digital opportunities**

45%

agree that **ESG programs improve financial performance**

72%

of CEOs believe stakeholder **scrutiny on ESG will continue to accelerate**

Risks to growth over the next 3 years

- 1 Emerging/disruptive technology
- 2 Operational issues
- 3 Regulatory concern
- 4 Environmental/climate change
- 5 Reputational risks

Source: 2022 KPMG CEO Outlook draws on the perspectives of 1,325 global CEOs across 11 markets to provide insight into their 3-year outlook on the business and economic landscapes. Fieldwork is conducted between 12 July and 24 August 2022

And earlier this year, our survey of audit committee chairs and members showed that business complexity weights on them

When asked which macro-trends will have the greatest impact on their audit committee's focus and agenda in the months ahead, AC chairs and members selected the following:

Top 3 macro-trends of concern for ACs



Undoubtedly, these macro trends put pressure on the company's risk and internal control environment, as well as the finance and internal audit functions.

**Based on KPMG survey of 768 AC Chairs and members around the world in February and March 2023.*

Quick mid-year pulse check suggests that the business landscape is murky

Bloomberg

Euro-Zone Activity Almost Stalls as Recession Rebound Fades

By Andrew Langley

June 23, 2023 at 4:00 PM GMT+8 Updated on June 23, 2023 at 4:04 PM GMT+8

 **CNBC**

China cuts a key policy rate for first time in 10 months as economic rebound cools

PUBLISHED WED, JUN 14 2023·9:27 PM EDT | UPDATED THU, JUN 15 2023·12:51 AM EDT

 **REUTERS®**

World Bank cuts 2024 global growth forecast over rate hikes, lifts 2023 outlook

June 6, 2023 10:55 PM GMT+8 ·

THE STRAITSTIMES

Rate hikes echo around the world as inflation proves unrelenting

 **REUTERS®**

Oil climbs on concerns Russia political issues may impact supply

By Florence Tan and Sudarshan Varadhan

June 26, 2023 10:57 AM GMT+8 · Updated 12 min ago

The Economist

China's economic recovery is spluttering. The prognosis is not good

Jun 22nd 2023

B B C

Germany falls into recession as inflation hits economy

🕒 25 May

Some notable trends that are reshaping industries and societies



Emerging Technologies – Harnessing the power

Rapid shifts in technology requires boards to have clarity on risks and opportunities of emerging technologies.



ESG assurance - Shaping the business landscape

Boards are increasingly becoming aware of the risks associated with greenwashing, so how can they ensure that the company is not overstating their ESG efforts




Global economy - Deciphering the economy's mixed signals

How can we get back to sustainable, long-term growth is the big question facing boardrooms and political chambers around the world.

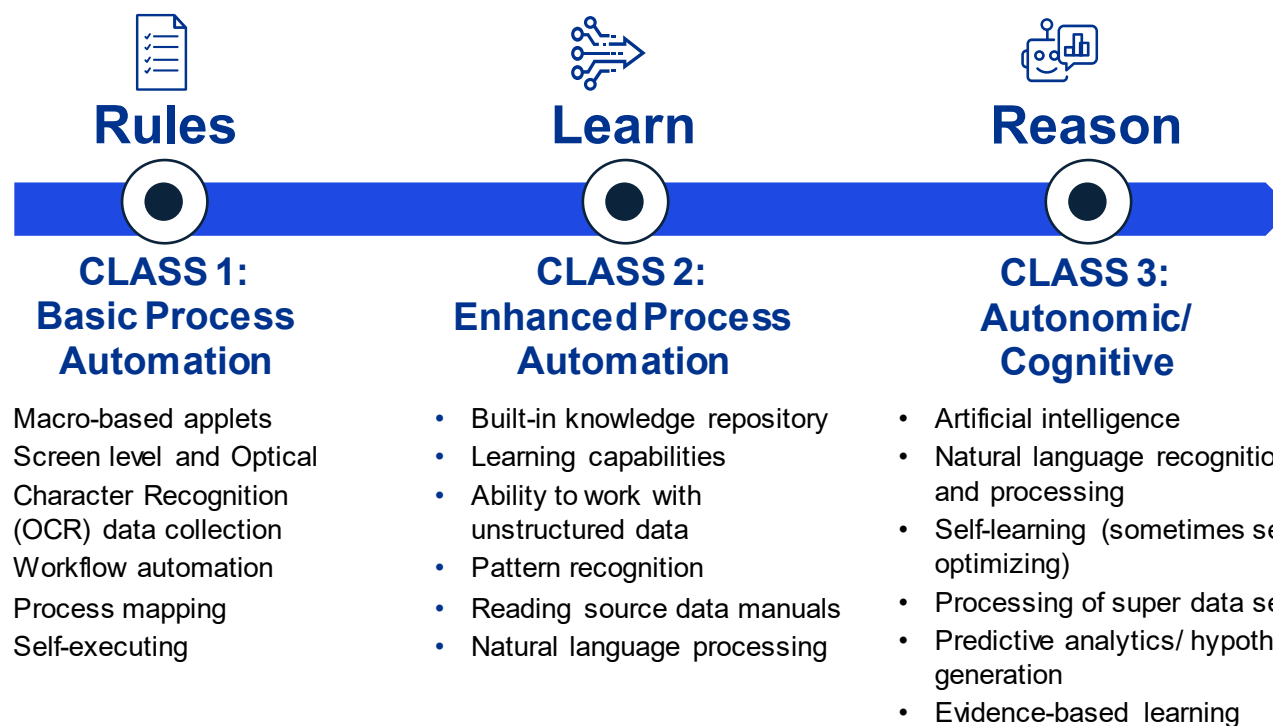
#1 Disruptive trends: Generative Artificial intelligence (AI)

 **REUTERS®**
ChatGPT sets record for fastest-growing user base - analyst note
 February 2, 2023 11:33 PM GMT+8

 **DIGITAL INFORMATION WORLD**
ChatGPT Takes the AI Chatbot Market by Storm with 5 Million iOS Downloads

 **Bangkok Post**
ChatGPT spurs rise in AI investment
 PUBLISHED : 20 JUN 2023 AT 04:00
 NEWSPAPER SECTION: BUSINESS

Artificial intelligence (AI) and machine learning (ML) are revolutionizing business processes, software, and products. Generative AI models, like GPT-3 (which powers ChatGPT), utilize deep learning techniques and focuses on **creating and generating new content**. This AI comes under Class 3 Cognitive Automation



#1 Disruptive trends: Risks from Artificial Intelligence

AI and ML create new challenges

78%

agree that AI and ML raises **unique cybersecurity challenges** which require **special attention**

76%

AI/ML adoption raises **fundamental ethics questions** for us which require **careful governance and oversight**

76%

AI/ML adoption requires us to **be more transparent** in the way we communicate how we use AI/ML techniques

75%

say AI/ML adoption raises **key privacy concerns** over the way we aggregate and analyze data from customers and business partners

Bloomberg

Samsung Bans Staff's AI Use After Spotting ChatGPT Data Leak

- Employees accidentally leaked sensitive data via ChatGPT
 - Company preparing own internal artificial intelligence tools
- May 2, 2023 at 8:48 AM GMT+8
Updated on May 2, 2023 at 1:54 PM GMT+8

Forbes

Google Warns Employees About Chatbots—Including Its Own Bard—Out Of Privacy Concerns, Report Says

Jun 15, 2023, 10:25am EDT

Bloomberg

ChatGPT Poised to Expose Corporate Secrets, Cyber Firm Warns

- Risks are manageable if firms take security precautions
 - Israel-based Team8 authored report with feedback from CISOs
- April 19, 2023 at 1:24 AM GMT+8

THE WALL STREET JOURNAL.

AI Poses 'Risk of Extinction' on Par With Pandemics and Nuclear War, Tech Executives Warn

More than 350 people, including OpenAI and Google executives, sign a statement sounding an alarm about the technology



OpenAI CEO Sam Altman spoke to the news media after testifying before a Senate subcommittee earlier this month.
JIM LO SCALZO/SHUTTERSTOCK

By **Alyssa Lukpat** [+ Follow](#)

Updated May 30, 2023 09:48 a.m. EDT

Source: KPMG Cyber trust insights 2022



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#1 Disruptive trends: Upside of Generative AI

Generative AI such as ChatGPT has the potential to transform businesses by automating and executing language-based tasks with unprecedented speed and efficiency

THE WALL STREET JOURNAL.

Walmart Finds AI—With Human Control—Is Useful for Cybersecurity

Retailer actively uses AI in its security systems, and sees promise in ChatGPT-style tools

By James Rundle

May 31, 2023 5:24 pm ET | WSJ PRO

The New York Times

When Doctors Use a Chatbot to Improve Their Bedside Manner

Published June 12, 2023 Updated June 13, 2023

The Star

Minister: Higher education ministry to allow ChatGPT use at local universities, guidelines must be followed

Wednesday, 14 Jun 2023 2:30 PM MYT

AI can be embedded into every function, business process and product

Commercial Effectiveness

Operational Excellence

Dynamic Planning & Pricing

Prescriptive Analytics

Workforce Optimization

Human Engagement & Experience

Business & Product Development

Deals & Negotiations

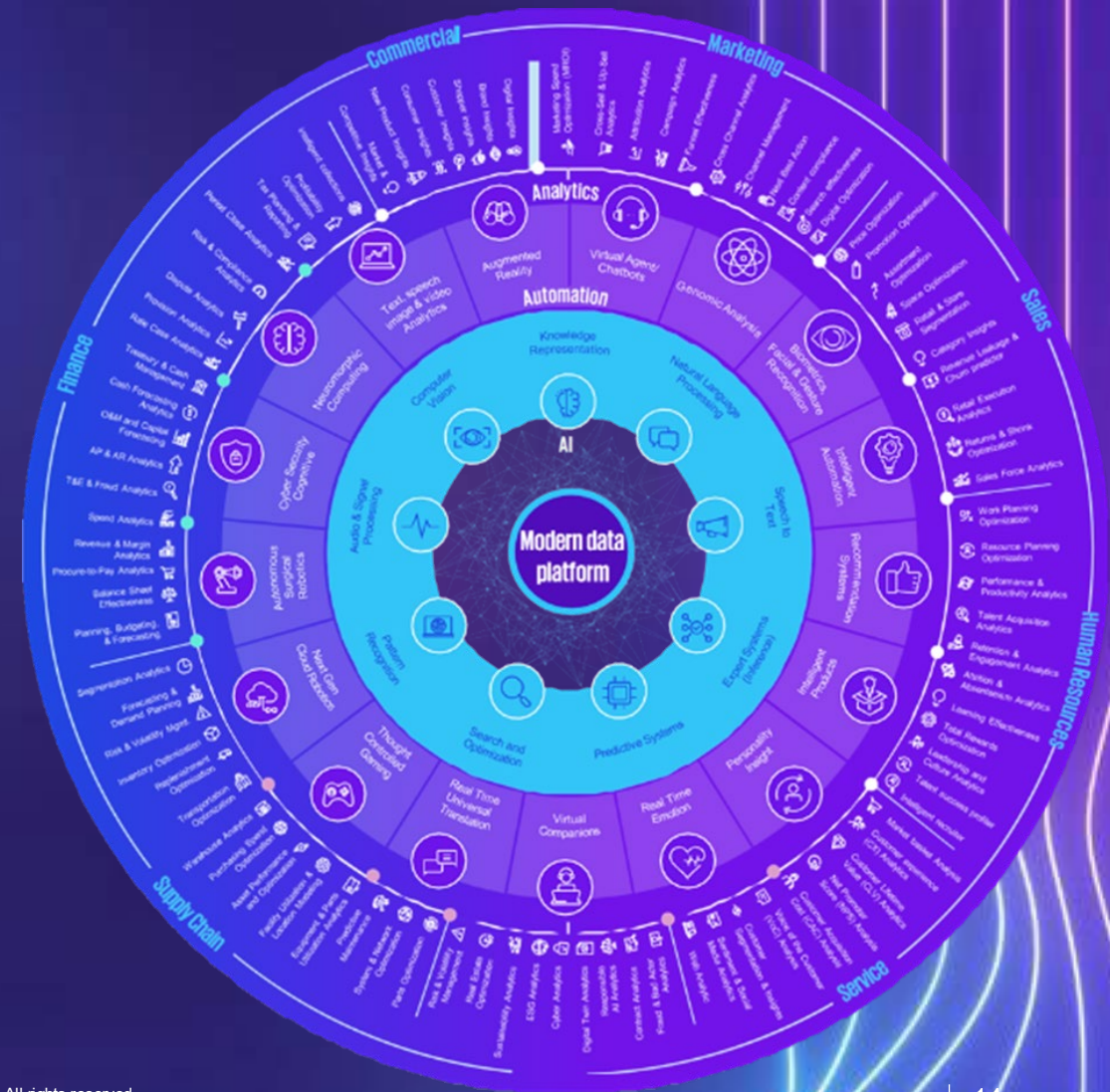
Fraud & Security

Risk Mgmt & Compliance

#1 Disruptive trends: Understanding risks to make informed decision

Some Boardroom Questions

1. What is our appetite for AI risks?
2. Does Board have right skills and knowledge to consider the risks and issues?
3. Does our company have a generative AI strategy?
4. What are the significant impacts of AI on our industry, business model, long-term viability, and competitiveness?
5. Are our AI governance activities aligned with cybersecurity and broader data governance activities?
6. Do we have the right tools for assessing AI risks? Have we built AI application risks into our Risk Register?



#1 Disruptive trends: more to come?

Over the next 3 years, businesses say they will increasingly ramp up their investment in IoT, Edge and 5G and, to a lesser extent, VR and AR, despite tense operating conditions

78%

say they will be investing in **Bitcoin and other Cryptocurrencies** within next 6 months to 2 years

56%

Intend to invest in **Metaverse** within next 6 months to 2 years

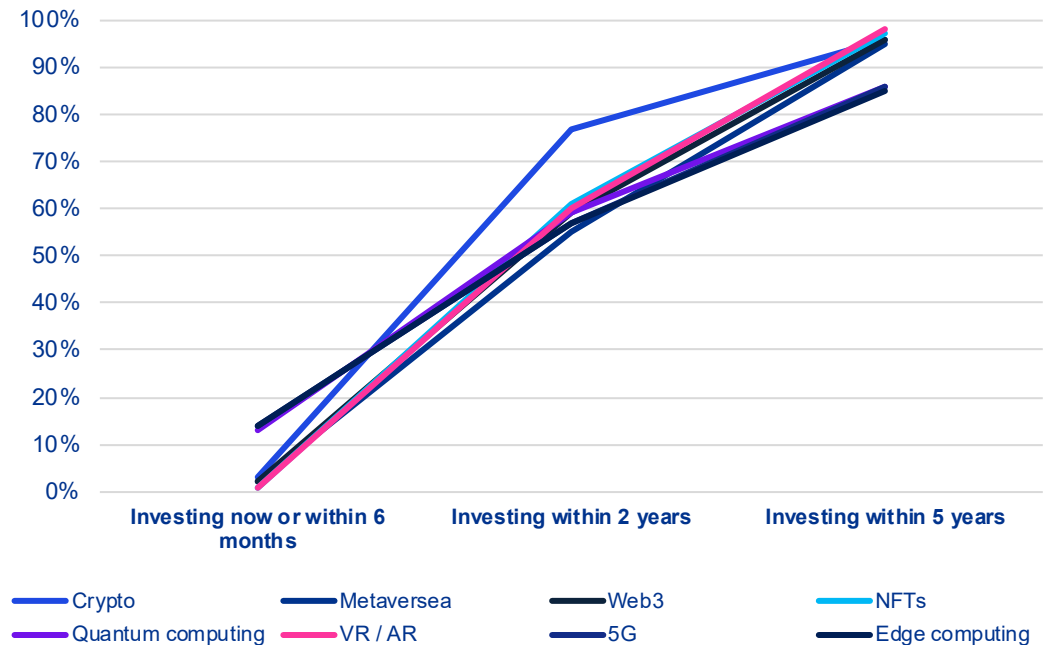
6%

say they have already invested in **Quantum and in Edge Computing**

61%

say they will be investing in **VR / AR and other virtual technologies**

To what extent do you think you will invest in the following technologies?



Source: [KPMG Global tech report 2022](#) – Survey of more than 2,200 technology executives and industry experts

#2 ESG: Increasing focus around greenwashing, including potential censure and legal action



New rules aim to clamp down on corporate greenwashing

June 27, 2023 4:21 AM GMT+8



2 minute read - November 23, 2022 6:53 AM GMT+8

SEC charges Goldman Sachs Asset Management with not following ESG investments policies

The Telegraph

Drax power station giant investigated over greenwashing concerns

31 May 2023 • 12:17pm

THE STRAITSTIMES

Britain bans Shell, Repsol and Petronas 'greenwashing' ads

UPDATED JUN 8, 2023, 12:07 AM SGT -



Shell's board of directors sued over climate strategy in a first-of-its-kind lawsuit

PUBLISHED THU, FEB 9 2023•4:07 AM EST
UPDATED THU, FEB 9 2023•AT 4:44 EST

Bloomberg

Australia Regulator Sues Mercer Pension Fund for Greenwashing

- Regulator takes first court action over sustainable claims
 - New case comes as global scrutiny on funds intensifies
- February 28, 2023 at 7:27 AM GMT+8

#2 ESG: Climate-related litigation is on the rise globally



Upward trajectory in cases

The number of climate litigation cases has risen steeply over the last five years, increasing the overall risk facing corporate boards



Greater sophistication in litigation approaches

Human rights and soft law are increasingly sighted for cases, with litigants building “copycat cases” and using litigation to raise awareness and promote change



Director scrutiny on the rise

Directors are being held accountable for the commitments of their companies, and are increasingly targeted by shareholder activists and third parties



Mindful of what the law is

Remain mindful of the law (including soft law) and regulation and track the direction of travel. Companies are at risk of litigation based on domicile, incorporation and operation is growing

1,500

Laws and policies on climate change globally

1,800

Litigation cases since 2015 Paris Agreement

800

Litigation cases raised over last year alone

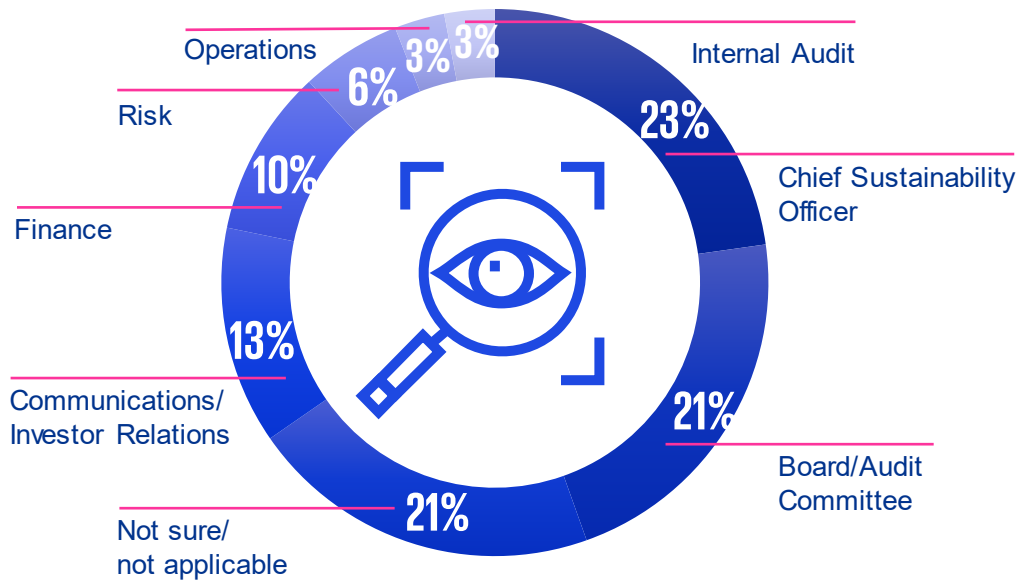
75%

Proportion of global litigation cases held in the US

#2 ESG: Current state of ESG reporting is widely disparate

Responsibility was scattered, with top-down influences from boards, committees and specialized sustainability roles.

What function has the greatest focus and input regarding your company's ESG reporting strategy?



Internal audit's undeniable role in ESG reporting: ESG systems and controls should have adequate time to mature and have internal audit's first look prior to facing inevitable external auditor scrutiny.

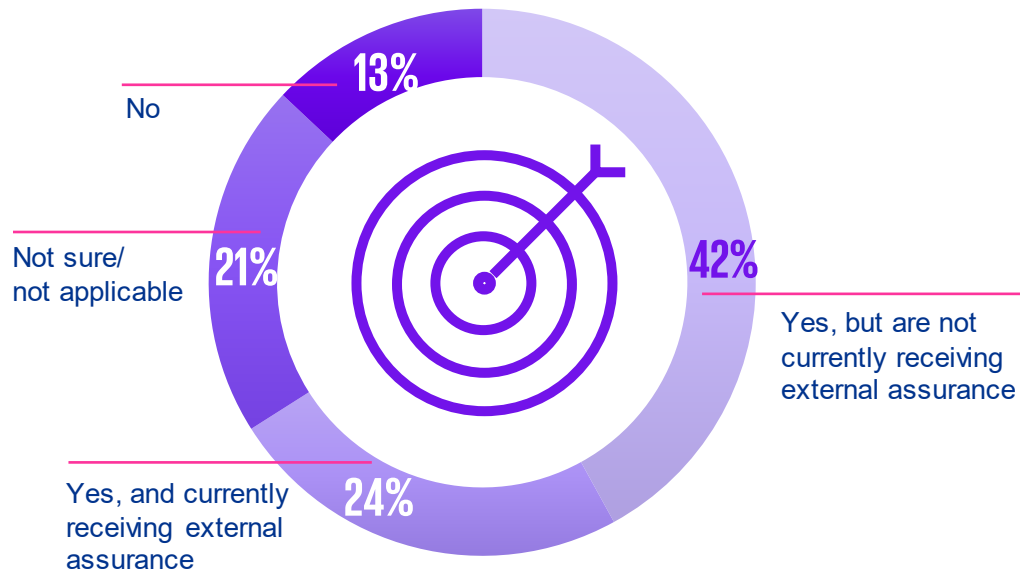
Source: 2022 KPMG survey on companies' ESG reporting efforts, <https://audit.kpmg.us/articles/2022/the-esg-journey-to-assurance.html>.

N=246 financial reporting executives from companies representing a broad cross-section of industries and revenues

#2 ESG: Current state of ESG Assurance

But two-thirds of those surveyed valued external assurance, with 24 percent already receiving external assurance on their ESG reporting.

Do you view external assurance as critical to the comparability, transparency, and accuracy of companies' ESG reporting efforts?

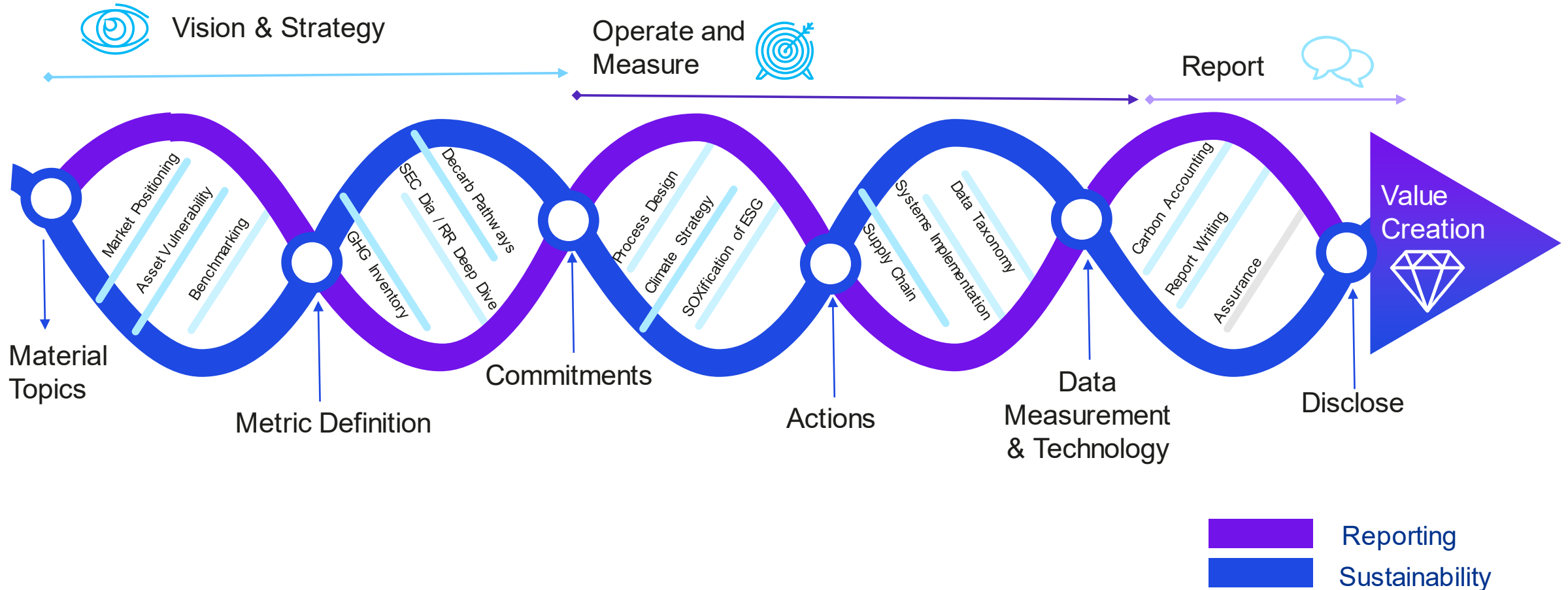


As companies increasingly recognize the importance of environmental, social, and governance factors in their operations, there is growing demand for independent verification and assurance of their ESG performance and reporting.

Source: 2022 KPMG survey on companies' ESG reporting efforts, <https://audit.kpmg.us/articles/2022/the-esg-journey-to-assurance.html>.

N=246 financial reporting executives from companies representing a broad cross-section of industries and revenues

#2 ESG is the DNA of an organization but it takes both a defined strategy and effective reporting to tell your story



#2 ESG reporting journey and key considerations



#2 ESG: Boards to sharpen scrutiny to avoid superficial shades of green

Some Boardroom Questions

1. What processes and tools to integrate the identified ESG parameters into our vision, goals and metrics?
2. How, what and where is the communication to stakeholders?
3. What type of assurance would improve our insight into our organization's ESG practices?
4. Who provides the information to the board for them to evaluate risks emerging from ESG trends?
5. What are the mechanisms to assess and address any potential greenwashing or misrepresentation of ESG practices?

Key takeaways



Broaden the board's understanding of emerging technologies and related risks and opportunities



Encourage management to stress-test possible future scenarios for globalization



Review risk framework and identify potential new risks (e.g. greenwashing)



Deepen the board's engagement in strategy, future visioning and assessment of opportunities and risks



Asia Pacific Board Leadership Centre webinar

Geopolitical and economic overview
Dr. Brendan Rynne, Chief Economist
KPMG in Australia



“

More than three years after the coronavirus touched off the deepest global recession since World War II the world economy remains hobbled... the world economy will remain frail, and at risk of a deeper downturn this year and in 2024”

**Dr Indermit Gill
Chief Economist
World Bank**

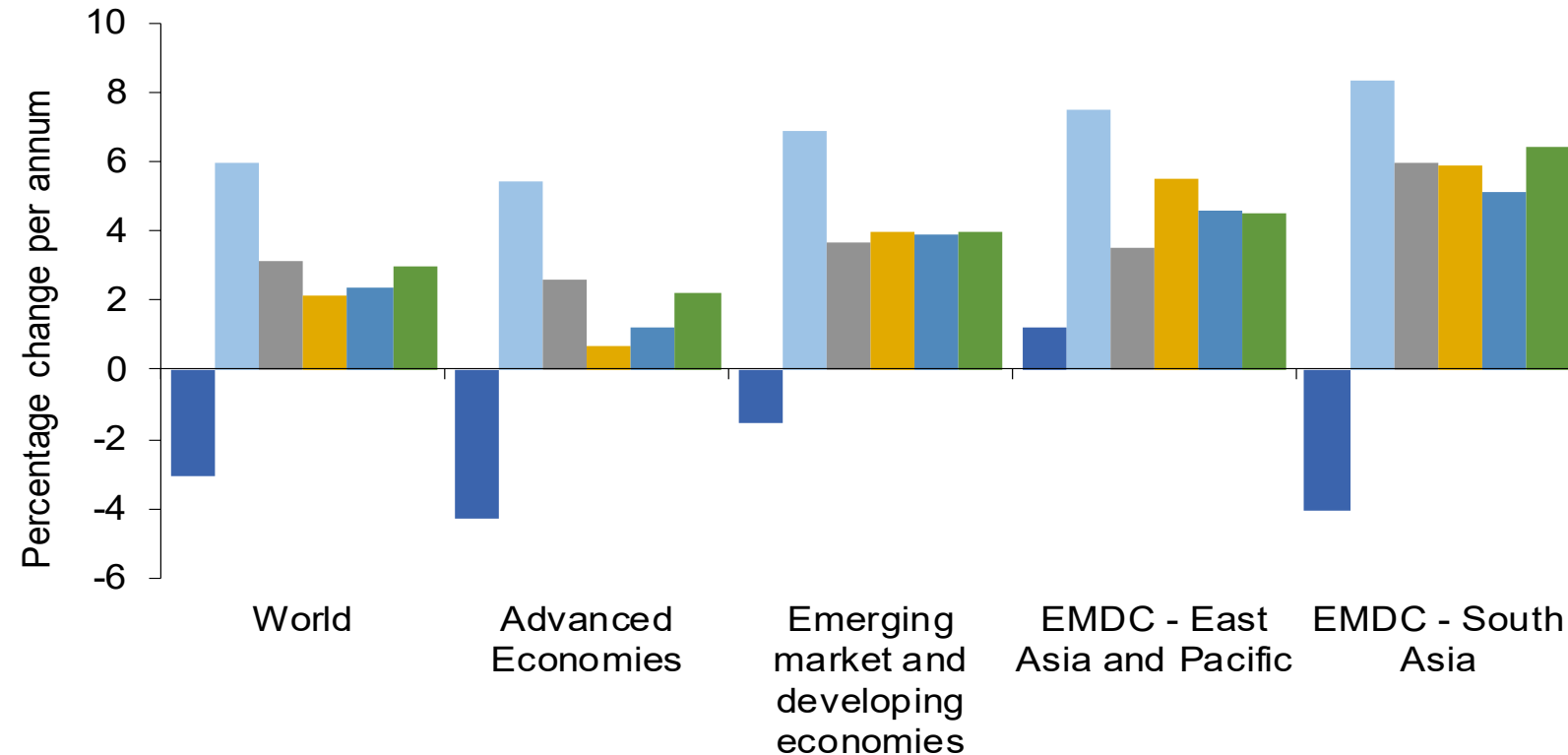
Current geopolitical and economic landscape in ASPAC



- ✓ Many emerging and developing economies (EMDEs) struggling to cope with economic environment – challenging to create jobs and deliver essential services to vulnerable population
- ✓ Optimism associated with re-opening of China following COVID lockdowns has been short-lived
- ✓ Many developing countries are struggling with combination of high inflation, tight global financial markets and record debt levels
- ✓ Spike in interest rates creating investment more difficult, lifting risk of financial crises and reducing ‘free cash’ government revenues to provide services and build buffers for next shock
- ✓ Short term outlook for drivers of economic growth – productivity, trade, employment and investment – looks challenging

Overlapping negative shocks damaging global economic resilience

Real GDP Growth



Source: World Bank

■ 2020 ■ 2021 ■ 2022e ■ 2023f ■ 2024f ■ 2025f

2023 started with a bang...and looks to be whimpering...

1

Faster than expected economic re-opening of China

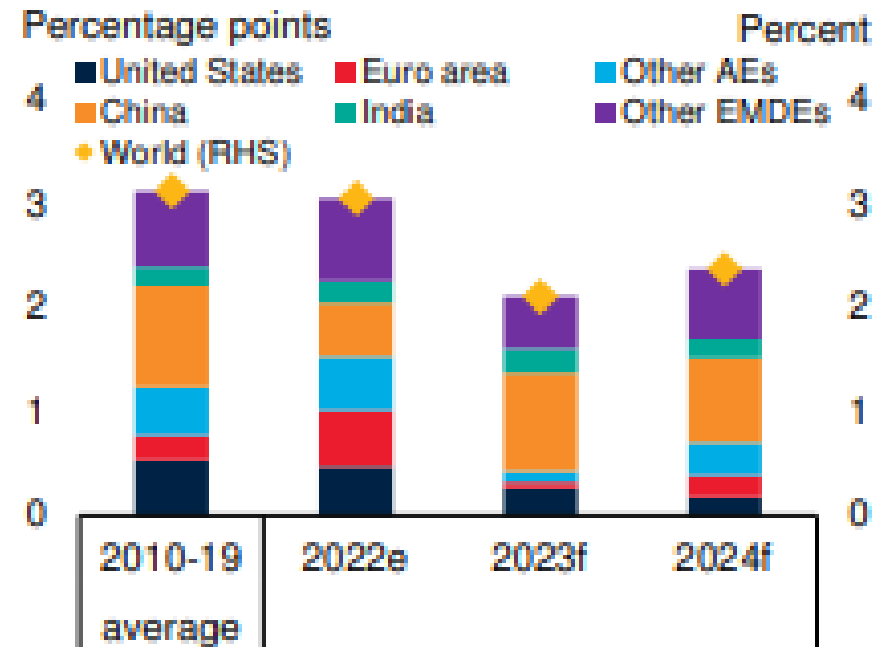
2

Resilient employment and consumption in the US helped trade recover

3

Headline inflation falling as supply chains normalise

A. Contributions to global growth

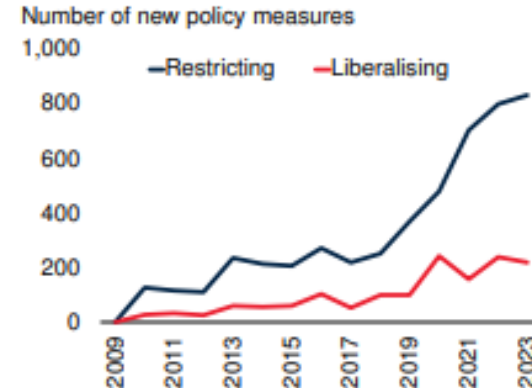


Global trade environment challenging

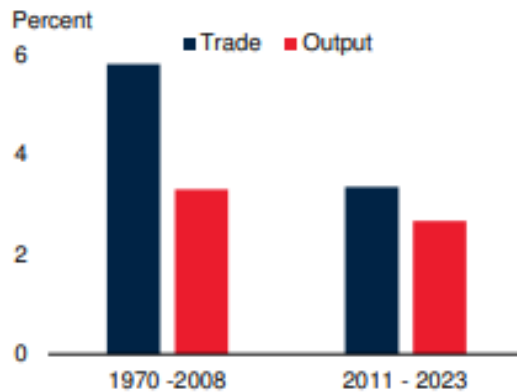
A. Global supply chain pressures



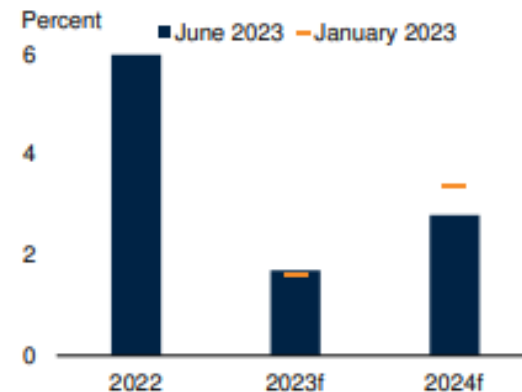
B. New trade measures



C. Global trade and output growth



D. Global trade forecast



01

Global goods trade growth slowed in the first half of 2023 in tandem with weakening global industrial production.

02

Services trade, by contrast, continued to strengthen following the easing of pandemic-induced mobility restrictions.

03

International tourist arrivals are expected to approach 95 percent of 2019 levels in 2023, an increase from 63 percent in 2022 (UNWTO 2023).

04

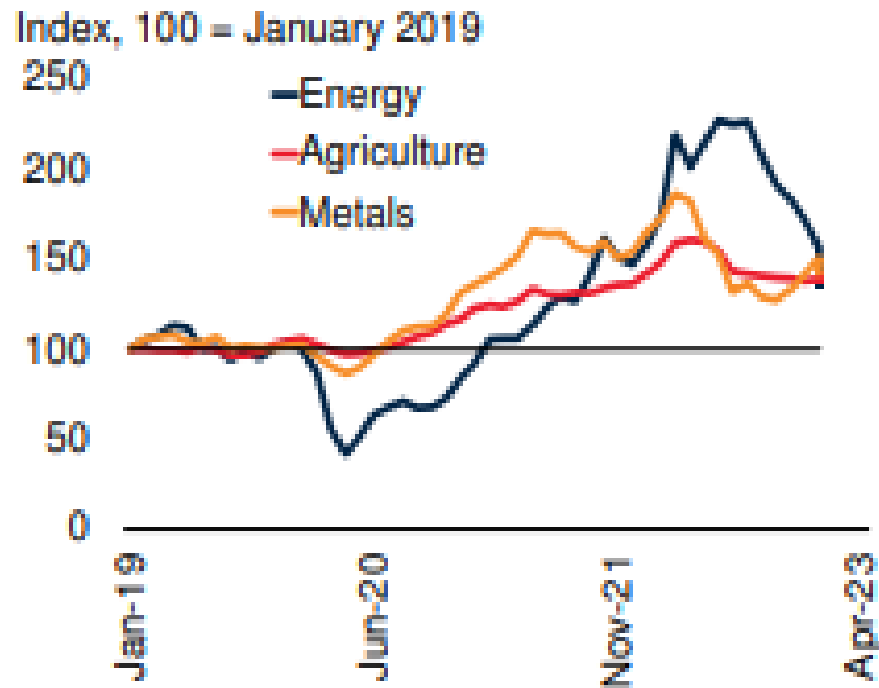
Pressures on global supply chains have abated as goods demand has weakened and global shipping conditions have improved.

05

The recovery in China is expected to be predominantly driven by services, which will limit positive spillovers to its trading partners through demand for goods and commodities.

Commodity markets remain high but falling

A. Commodity price indexes



Commodity prices have returned to their pre-invasion levels but remain historically high.



Energy prices have eased considerably this year, as a warmer-than-expected winter and lower.



European demand reduced natural gas, coal, and electricity consumption.



Russian oil export volumes have not changed materially, but their destination has shifted sharply away from Europe, which has built up substantial natural gas inventories.



Metals prices have remained subdued amid a weaker-than-expected industrial recovery in China.

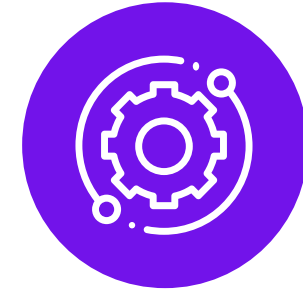
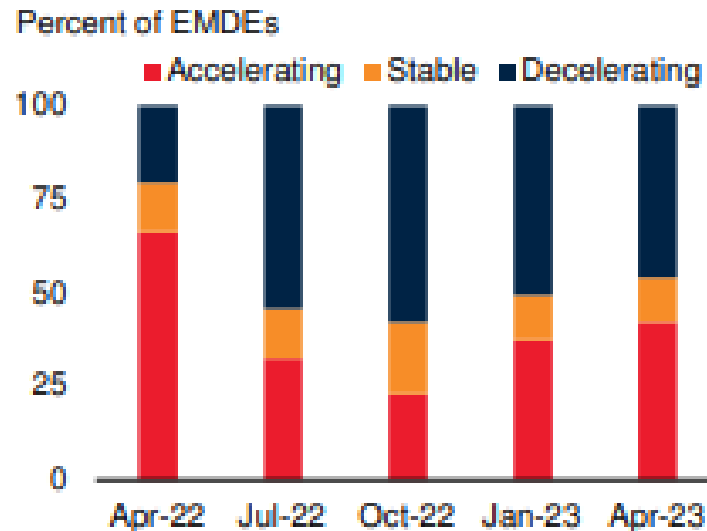
Global inflation remains above “target”



Global inflation 7.2%

- Down from 9.4% in April 2022
- Largely due to commodity price falls
- Core inflation remains problematic across advanced economies
- Expected to be higher for longer

D. Inflation momentum in EMDEs

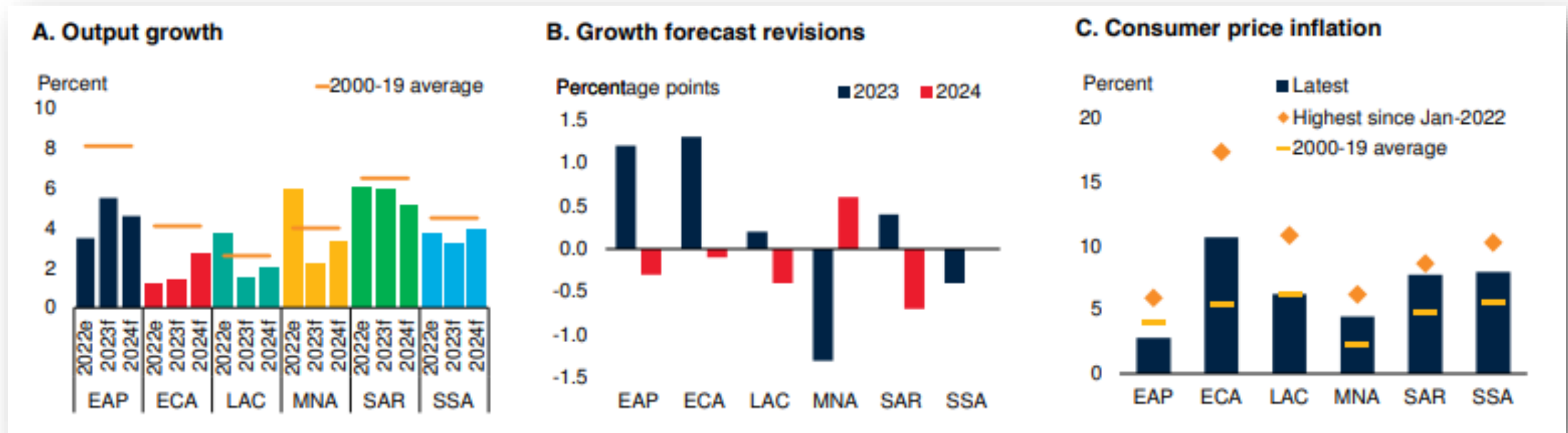


EMDE Inflation

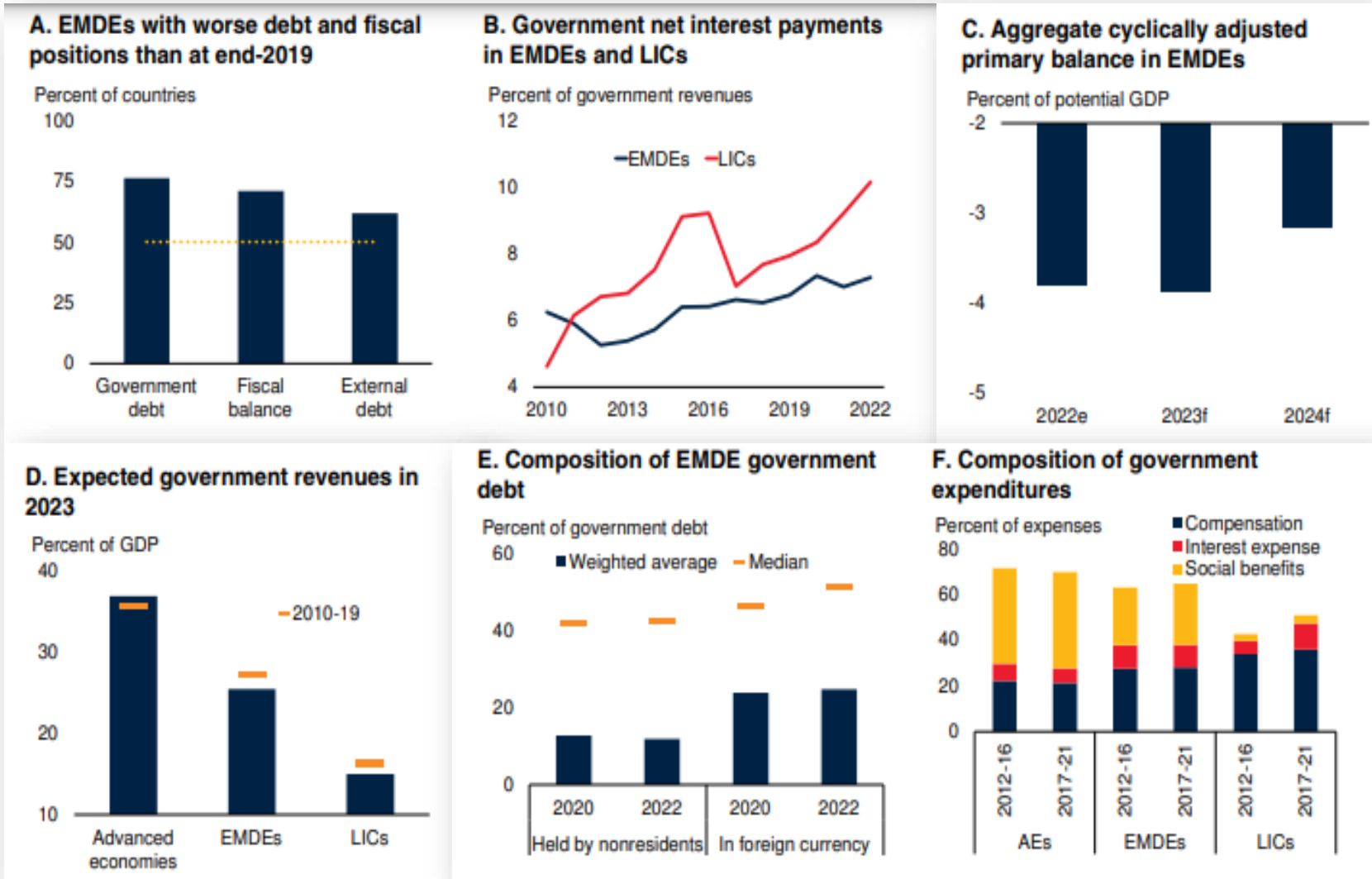
- Inflation looks to be accelerating once again or has stabilized at high
- indexation of wages to inflation and increases in untargeted fossil fuel subsidies
- Creates greater risk to inflation expectations

Growth is projected to pick up in 2023 in East Asia and Pacific and Europe and Central Asia, as China's reopening spurs a recovery and as growth prospects in several large economies improve, but will moderate in all other regions, particularly in Latin America and the Caribbean and the Middle East and North Africa. Headwinds from weak external demand, tight global financial conditions, and high inflation will drag on activity this year, especially in South Asia and Sub-Saharan Africa (SSA).

Regional EMDE Growth Outlook



Fiscal Policy challenges



What's the “fix” to promote growth in EMDEs



Higher physical capital investment is key to boosting potential output growth. In particular, investment in green infrastructure projects with high economic returns and the widespread adoption of environmentally sustainable technologies can support economic growth, while contributing to tackling climate change.



Strengthening education systems, in particular by improving learning outcomes. Improvements in education would also boost labour force participation.



Adopting policies to help maintain the size of the labour force, especially encouraging women and older workers.



Institutional and governance reforms including establishing enforceable property rights, minimizing expropriation risk, promoting competition and limiting market concentration, creating a stable policy environment, lowering the costs of doing business.



Adoption of trade agreements in order to reduce trade costs and promote trade, enabling a lowering of both tariff and non-tariff barriers.





Mark your calendars!

**See you at our next
BLC webinar on**

17 October 2023





Contact us

KPMG Indonesia's Board Governance Forum

marcom@kpmg.co.id

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