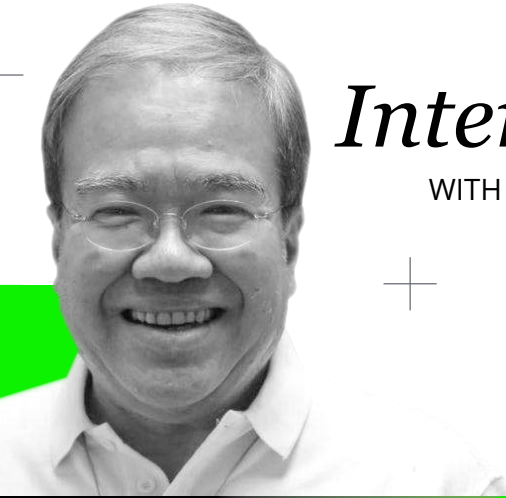
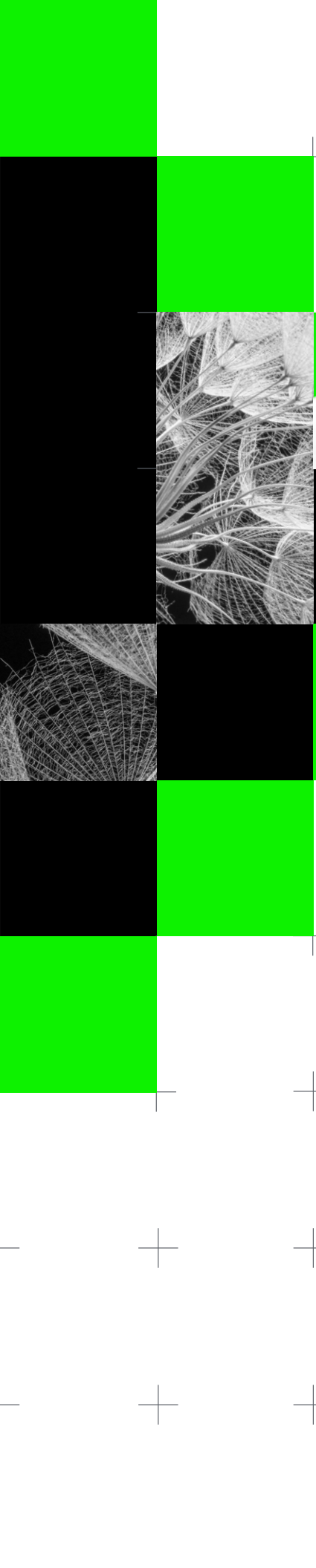


2021 Directors' alert

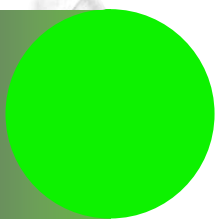
A new era of board stewardship begins

DECEMBER 2020



Interview

WITH **Anthony
Wu**



Anthony Wu Ting Yuk is a member of the standing committee of the Chinese People's Political Consultative Conference National Committee. In addition, he is an independent nonexecutive director and the chairman of China Resources Medical Holdings Company Limited, and an independent nonexecutive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals, and Venus MedTech (Hangzhou) Inc. He is also the chief adviser to MUFG Bank, Ltd. Mr. Wu was formerly the chairman of the Hong Kong Hospital Authority, the deputy chairman and an executive director of Sincere Watch (Hong Kong) Limited, and an independent nonexecutive director of Fidelity Funds and Agricultural Bank of China Limited.

THE PANDEMIC HAS revealed underlying problems in many companies. Have your companies encountered such situations? How did they address these unexpected problems?

Anthony Wu: When faced with crisis, you have to respond quickly. If you wait, you will always be too late. And you need to have a plan B.

This pandemic came all of a sudden, like SARS in 2003. We did not know how to deal with it in the beginning, but very soon we realized it was no joke. After February and March, we all thought it was over, and then came the gradual ease of social-distancing rules. Who could have guessed we'd still be in the midst of it, and a third wave, too?

I serve on the board of a large medical and hospital management company. On the Chinese mainland, many hospitals were requisitioned by the government to treat COVID-19 patients, which meant many of our businesses had to almost completely suspend regular operations.

Two of our hospitals in Wuhan were also requisitioned, so we had to transfer our patients to other hospitals. In such complicated situations, you have to figure out how to mobilize resources and arrange logistics. We also needed to determine how to treat other patients from their homes. We made use of telemedicine or teleconsultation techniques and arranged for the delivery of medicine. I was deeply impressed by all of these measures.

One thing that I found very interesting was how different corporate cultures and locations reflected different ways of thinking. The mainland medical workers were very united: Many of our other hospitals volunteered to organize medical teams to go to Wuhan to help.

How did the pandemic impact different industries across China? Were some hit harder than others?

AW: As the pandemic developed, businesses were affected to different extents in different places. A manufacturing company in Dongguan, for example, could afford the lockdown. Workers would work as usual and goods could be exported or delivered to other provinces. But Hong Kong is a service-oriented economy. So, when places were locked down, there was no flow of people and many things slowed down.

Since January or February, many banks and other large companies have one-half of their staff working from home and the other half working in the office, especially in important departments, separated in two to three locations. They took this step to ensure operations would continue and minimize the risk of an entire department being exposed to the virus at the same time.

As a businessman, when you see a real need, you need to react very fast.

In the past, many business organizations focused on profit maximization. But now with COVID-19, there is more emphasis on corporate social responsibility. Do you think this trend will continue? Or will people forget and go back to their usual ways of working after the pandemic?

AW: At one of my companies, we were focused on helping Hong Kong. The outbreak seemed to have been controlled in April. At that time, the Hong Kong Special Administrative Region government was planning to implement the health code with Guangdong and Macau.

But in May, the private sector's testing capacity was fewer than 1,000 tests a day, and the tests were expensive: 3,000 Hong Kong dollars. Even if you had the money, you might not be able to get tested because there were so few tests available. So while it was good that the government was exploring reopening with the health code, the supporting facilities were not in place.

People complained: How could the working class afford it? How could cross-boundary families afford it? This is why we set up a joint venture to help Hong Kong introduce high-quality testing at very reasonable prices and to help prepare for reopening. It involved a lot of networking—relying on relationships built over the years to see how to help.

Our existing testing capacity is at least 30,000 samples a day. We realized this could help Hong Kong reopen. As a businessman, when you see a real need, you need to react very fast.

How you compete with others or how you leverage different networks to bring the price down is part of our social responsibility.

That's why we worked so hard to bring in high-quality and reasonably priced testing for Hong Kong. Back in May, each test cost HK\$3,000. Now, the price has been brought down to HK\$800 since we joined. To me the price is still too high, but at least we are providing a larger supply to drive down the price. Sometimes it's not possible to wait for the market to adjust itself. You need to make use of your own capacity to drive down the price.

How you compete with others or how you leverage different networks to bring the price down is part of our social responsibility.

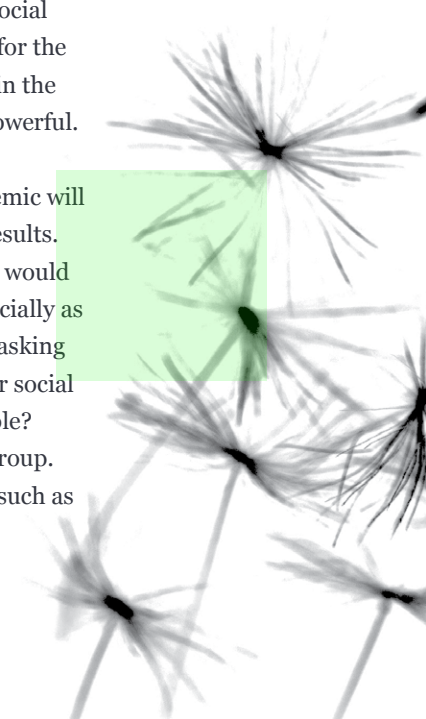
From a business perspective, it's very important to capture the market and to provide high quality and reasonable prices to the public in Hong Kong. This involves understanding what's happening; you have to be a bit more visionary. When we encountered the third wave, we were able to mobilize 16 air-inflated labs, which have already completed their mission and will soon be disassembled. But our existing 30,000 capacity is here to stay.

Businesses have enhanced their knowledge on this aspect and understand what social responsibility is. Instead of just donating money and volunteering, there are many things that you can do.

As a director, what are some of the lessons you learned that you hope to implement long-term, after the pandemic subsides?

AW: I hope the outbreak of COVID-19 this time will bring home some important lessons. When the community where you operate doesn't work together well, no matter how large your company is, it won't be able to survive. So, if every company can carry out social responsibility and work for the sustainability of society in the future, it's going to be powerful.

Such a large-scale pandemic will have a huge impact on financial results. We were concerned about how we would explain that to investors. But especially as a medical company, we were also asking ourselves, how do we carry out our social responsibility and help more people? Luckily, we are a relatively large group. We have made a lot of donations, such as masks, to hospitals and doctors.



Our international network played an important part, too. Because in January, the situation was very bad in China, but in other parts of the world, things were still okay. Our health care fund has abundant supplies, so we immediately delivered them to China to help address the needs for PPE.

Your companies also have had to make swift or dramatic decisions. How can the board and management achieve agreement as friction often occurs during times of crisis?

AW: First, I think the board and the management must always maintain good and open lines of communication.

This is something we need to do whether we are dealing with COVID-19 or not. And amid this crisis, I think it's a matter of who is taking charge and how to take charge of the situation. Not only do we need to listen to different opinions, but we also need to make decisions quickly.

This reminds me of how we dealt with SARS. The Hospital Authority where I serve as a board member was also encountering the issue. It was something we had never faced until then. Since then, they have set up a committee called Central Command Committee (CCC). Whenever there's an emergency, now the CCC will be activated immediately. This is led by management for operational purposes.

The board, meanwhile, set up a committee called Emergency Executive Committee (EEC). The chief

executive is in the EEC while the chairman is in the CCC. This forms a link that brings all partners together. It also allows many ordinary procedures to be bypassed.

It's very important to be able to allocate resources swiftly. Indeed, the Hospital Authority has done a fairly good job this time. For example, we learned a lesson from SARS. The situation was really bad when masks and PPEs were out of stock back then. After the SARS outbreak ended, it was decided that hospitals should maintain a stock of at least three months. That's why when COVID-19 hit the worst, the stock was still sufficient for more than a month.

It's the same for commercial entities. You need to learn a lesson and think about what could happen two years later, when something else could happen, and plan for that. For example, if you adopt alternating shifts for employees to come into the office, have you also considered whether colleagues have enough computer equipment at home? There are many things to consider as everyone is locked down at home now. They can have plenty of time to sit down and think. There are many lessons to be learned.

That is, we always need to be prepared for danger in times of peace.

AW: It's true. During the Chinese New Year, people thought, "It will be OK. It won't be transmitted human-to-human." A lot of companies reacted slowly. They only hoped for the best. They didn't think of what they should do when the worst hit.

Instead, they thought, when summer comes, everything will be alright. But the pandemic showed us that the best-case scenario may not happen. And if it doesn't, you have to have contingency plans in place.

You have worked in so many companies across a variety of sectors: insurance, utilities, and health care. Have you come across any situation in which there was a lack of trust at such critical times or arguments among board members or with the management? As chair, how would you settle such issues?

AW: It's been very interesting this time—there weren't any arguments. Maybe it's because the companies where I serve as chair or as a board member are large companies. Everyone has been very rational.

And as everyone knew that the outbreak was here, we just executed what we agreed on right away without any arguments. We all agreed that it was a critical moment.

If you truly believe in combatting climate change and you have the passion, your subordinates will feel it.

I think the outbreak has, in a way, united us, even though social distancing has physically separated us. I think working patterns will also change in the future.

Consider this: If you and I had a meeting, we would each fly to Beijing for it in the morning today and fly back the next day. But, in the future, would that

still happen when we can meet just as effectively on a video conference call? Of course, some meetings have to be held face-to-face. But when it comes to small meetings with one or two people only, especially preliminary meetings, this can now be done virtually.

What we consider "normal" will change. The hospitality industry must change. Indeed, many things will change.

There seems to be a growing awareness of how critical it is now for organizations to take bolder actions to combat climate change. After COVID-19, do you think business will view ESG or climate change differently?

AW: I hope so. And I do think so.

In my personal view, I find that large companies have a better understanding on this topic, while small- and medium-sized enterprises (SMEs) lack awareness. They may think that a half-degree Celsius of warming every few years is no big deal. In fact, that half degree may disrupt the whole ecosystem or chain.

But I think this COVID-19 outbreak will make many SME owners start to think that no one is immune because an outbreak will affect many things. I hope it will increase their awareness of health, climate change, environmental protection, and other issues.

Over the years, I've learned that in any organization, the leader plays a significant role. As a leader, first, you have to believe it yourself, practice it yourself. This is very important. People you engage with are all smart people. If you don't believe it, it's hard to sell it to them. If you truly believe in combatting climate change and you have the passion, your subordinates will feel it. Your passion can be spread widely.

About the authors

Sharon Thorne | globalchair@deloitte.co.uk

Sharon Thorne is the chair of the Deloitte Global Board of Directors. She is an advocate for collective action on environmental sustainability, and has long championed Deloitte's ambition to achieve higher representation of women in leadership globally. Thorne has more than 30 years of experience auditing and advising clients across a broad range of sectors, including extensive experience serving as lead audit partner for FTSE-listed clients and coordinating services around the globe. In addition to a number of executive roles, Thorne has spent more than three decades on boards including as chair. She is a current member of the A4S Advisory Council, the Social Progress Imperative board of directors, the World Economic Forum Platform for Shaping the Future of the New Economy and Society Stewardship board, and the Shanghai International Financial Advisory Council.

Dan Konigsburg | dkonigsburg@deloitte.com

Dan Konigsburg leads Deloitte's Global Boardroom Program, a global network that promotes dialogue in the critical area of corporate governance across 66 countries. The Program coordinates thought leadership on governance issues developed by Deloitte member firms to advance thinking on corporate governance issues around the world. Konigsburg serves as Chairman of the OECD's Business Advisory (BIAC) Committee on Corporate Governance in Paris, is a member of the Board of Governors of the International Corporate Governance Network (ICGN), and serves as a director on the board of the US Council for International Business (USCIB).

Contact us

Our insights can help you take advantage of change. If you're looking for fresh ideas to address your challenges, we should talk.

Industry leadership

Sharon Thorne

Deloitte Global Board Chair | Deloitte Global
+44 207 303 5709 | globalchair@deloitte.co.uk

Dan Konigsburg

Senior managing director, Global Boardroom Program | Deloitte Global
+1 212 492 4691 | dkonigsburg@deloitte.com

Deloitte.

Insights

Sign up for Deloitte Insights updates at www.deloitte.com/insights.



Follow @DeloitteInsight

Deloitte Insights contributors

Editorial: Karen Edelman, Hannah Bachman, Nairita Gangopadhyay, and Abrar Khan

Creative: Sylvia Chang

Promotion: Maria Martin Cirujano

Cover artwork: Sylvia Chang

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.