Risk oversight: Reassessing board and committee structure

KPMG Middle East Board Leadership Centre

With the rapid expansion of risks in cybersecurity, generative artificial intelligence (AI), climate, and other areas, many boards are reassessing how best to structure board and committee oversight and focus on director expertise and education — particularly relating to new and emerging risks. In this document, we have summarized the key takeaway points from the discussions led by KPMG BLC members in various geographies.

Committee structure

Given the pace and velocity of changes in the business and risk landscape, every board should periodically reassess whether its existing oversight structures are still appropriate, as well as whether committee charters reflect current priorities and mandates.

A number of directors have expressed during discussions that their boards review how they allocate risk oversight to standing committees and made changes to charters, committee names, or both to reflect shifting oversight responsibilities. For example, it is becoming clear that historically there was too much information concentrated in a single committee and made available to only the members of that committee and a single risk committee wasn't in the best interests of the fiduciary oversight responsibilities. The boards of large corporates are redistributing appropriately across other committees, which are renamed to reflect the changes.

The board's chosen risk oversight structure is driven by a number of factors, including the company's industry and regulatory demands. We still note that relatively few boards of companies outside regulated industries, such as financial services, have risk committees.

Additionally, responsibilities for ownership at the management level and for annual review by the committees are being established.

We recommend that the board members continue to explore options and engage in ongoing conversations to update the committee structures.

The board members need to keep their minds open to evaluate whether they need a separate risk committee or separate cyber committee.

Committee coordination

Where multiple committees own oversight of different aspects of a risk, it's critical to have coordination among the committees and committee chairs, as well as clearly delineated responsibilities. For example, a technology committee might have oversight of technology risk, while the audit committee might retain oversight of the disclosures and controls over technology.

Key takeaways

- Given the velocity of change around risks, boards should periodically re-examine their board and committee oversight structures to determine whether changes may be needed.
- Coordination among committees and committee chairs and communication between committees and the full board is critical.
- Reassess the skill sets of the full board and committee members to help ensure effective oversight of emerging risks. Consider whether to add additional directors, bring in third-party experts to educate and/or advise the board and/or committees, or create an advisory board to bring focus to an issue.

There are a number of practical issues to consider in determining whether to form a separate risk committee or other additional standing committee. For example:

Who would serve? When considering a risk committee, many times, it's essentially the members of the audit committee.

How do you draw the lines between audit and risk and make sure that information is coordinated and reaches the full board?

Depending on the number of committees, the board of directors may consider the need to run meetings concurrently rather than sequentially, which may effectively limit the ability of directors to serve on certain committees.

Specific risks

While not new, oversight of cybersecurity risk is an issue that boards continue to struggle with due to the pace of change, increasing complexity of threats (including as a result of generative AI), and the potential impact of cyber incidents.

In response to ESG, the sustainability issues are also on every board agenda today, although how they are overseen depends on the industry and specific company.

We also see that critical enterprise risk concerns including reputational, geopolitical, supply chain, economic, and financial risk continue to be discussed in detail at the risk committee.

Skill sets and expertise

Directors said their boards are taking a close look at the skill sets of the full board and committees and considering potential gaps. Since the audit committee is often the default home for new risks, we have always recommended for the boards to look at whether the audit committee has the skill sets and bandwidth to oversee the risks that are being allocated to it.

Expanding audit committee skill sets

We note that one of the actions that boards are taking is reassessing the skill sets on committees to make sure that the committees have the risk skill set – for example: not just finance and accounting backgrounds but the new members should have more technology, cybersecurity backgrounds, and current backgrounds in the world of technology.

Non-traditional director backgrounds

We recommend that that the boards should consider changing the charters of the committees to cover additional areas of risk. From that will come a skills assessment, which will consequently allow to bring in some nontraditional board candidates.

Cyber, tech, and regulatory expertise

We also recommend the boards to review emerging risks and identify areas where they might want to bring in expertise that might not have been represented.

We also believe that the board may also consider forming an advisory board or bringing in third-party experts to help directors stay current, in addition to board education.

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Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. We aim to equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

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