



EXCERPTS OF RECENT MEDIA COVERAGE

CORPORATE GOVERNANCE PRACTICE

A SAMPLING OF MEDIA COVERAGE FROM THE 2018 BDO SHAREHOLDER MEETING ALERT

WALL STREET JOURNAL

Tax reform and cybersecurity to dominate 2018 shareholder meetings - BDO

March 7, 2018

Tax reform, cybersecurity concerns and board tenures are among the top issues shareholders are likely to raise with executives and directors during this year's annual meetings, according to accounting firm **BDO USA, LLP**.

"Companies must be prepared to explain how their strategy is being affected by the new U.S. tax law, proposed tariffs and other Trump administration policy moves," said **Amy Rojik, a partner at BDO**.



Executives and directors are also likely to field questions about risk and accountability issues such as the company's cybersecurity preparedness, any managerial misconduct issues and its policy for attaining board diversity.

"We have a lot of institutional and individual investors looking at the composition of boards these days and questioning whether this is the right mix," **Ms. Rojik** said.

REUTERS

Tax Reform, Cybersecurity, Global Trade Concerns Top 2018 Shareholder Meetings

March 13, 2018

Changes ushered in by tax reform, cybersecurity risks, and global trade concerns are among top issues at 2018 shareholder meetings, according to **BDO USA, LLP**.

The Tax Cuts and Jobs Act (TCJA), which was signed into law in December 2017, lowered the corporate income tax rate to 21 percent from 35 percent.

"The new tax law is having far-reaching impact on tax reporting/planning and financial statement reporting," **BDO** said in a report published on March 7, 2018. *"The lower corporate tax rate increases the competitiveness of doing business in the U.S., which may encourage corporations to reconsider a U.S. domicile for their business activities."*

BDO added that corporate after-tax cash flow is expected to increase because of the tax cut, and it may affect decisions related to capital investment and employee wages. *"Shareholders will be eager to hear how the new law has and will impact company strategy."*



BDO CORPORATE GOVERNANCE PRACTICE

BDO's Corporate Governance Practice is a valued business advisor to corporate boards. The firm works with a wide variety of clients, ranging from entrepreneurial businesses to multinational Fortune 500 corporations, on a myriad of accounting, tax, risk management and forensic investigation issues.

Further, **BDO** said the reductions to the corporate tax rate and tax on repatriation of foreign earnings may motivate companies to pursue mergers and acquisitions (M&As).

During this proxy season, shareholders also want to know the implications of the 25 percent tariff on imported steel and 10 percent on aluminum.

The "high tariffs on imported steel and aluminum prompted angry responses from U.S. allies around the globe and generated warnings of an international trade war that could harm U.S. exports," BDO said. "Investors are concerned how the movements by the U.S. and other countries towards national protectionism will impact U.S. businesses in foreign markets. Shareholders will want to know how the company is proactively addressing operational decisions in this area."

Cybersecurity has increasingly been a big concern among shareholders, companies, and regulators in the past several years, and it is expected to remain a hot topic at shareholder meetings this year as well. **BDO** said shareholders are also concerned in part because of the high-profile breaches that have occurred at Equifax Inc., Uber Technologies Inc., and the SEC.

BDO suggested that companies discuss their plans and actions on cybersecurity, including timely disclosures of incidents.

"Companies are taking too long to report incidents," BDO said. "The Equifax breach has led to lawsuits in more than 100 courts across the country, many citing the company's slow response in reporting the breach."...

ACCOUNTING TODAY

Corporate tax cuts likely to be on the agenda at shareholder meetings

March 7, 2018

Tax reform, cybersecurity, global trade and tariffs, and executive misconduct in the midst of the #MeToo movement are just some of the topics likely to come up at this year's annual general meetings of shareholders, according to **BDO USA**.

The firm is advising corporate management and boards of directors to be prepared to answer questions about such subjects from shareholders. The Tax Cuts and Jobs Act, for example, is having a wide-reaching impact on tax reporting and tax planning for companies and their financial statements. Corporate cash flow is expected to increase, affecting decisions about capital investment and employee wages. Shareholders will want to know how the new tax law will impact company strategy.

The reduced corporate tax rate and lowered tax on repatriation of foreign earnings will provide many businesses with additional funds to do M&A deals this year. Stockholders will want to know if management is looking for sell-side opportunities to get rid of assets that don't fit with corporate goals anymore but can yield favorable returns, along with buy-side opportunities to enhance strategic growth.

In terms of global trade, President Trump's announcement last week that he plans to impose high tariffs on imported steel and aluminum led to outraged responses from allies around the world and prompted warnings of an international trade war that could hurt U.S. exports. The stock market initially dropped sharply in the wake of the announcement. Investors are concerned about how protectionism could affect U.S. companies in foreign markets and how companies are proactively addressing this area.

Cybersecurity remains a hot topic after high-profile data breaches revealed in the past year at Equifax, Uber and the Securities and Exchange Commission. Such occurrences damage company reputations and lead to tens of millions of dollars in remediation and legal costs. Many shareholders will probably want to know how well the company is protecting its security and assessing its cyber-breach response plans to mitigate the possible damage from such attacks.

In the area of executive misconduct, several high-profile corporate leaders have needed to step down in recent months in the aftermath of sexual harassment accusations, such as Steve Wynn and Harvey Weinstein. With the prominence of the #MeToo movement in the media, shareholders will want to know if the board and management are setting the right tone at the top and creating a culture where all reports of harassment are taken seriously. A slow response to allegations could point to the need for companies to document how they reacted to charges of misconduct in a timely fashion.

Another topic that could come up is board refreshment and diversity. Last year, the SEC began to look into disclosures of the ethnic, racial and gender composition of public company boards and whether it should make such disclosures a mandatory requirement in the future. Under the SEC's new chairman, Jay Clayton, the commission is continuing to monitor the issue. BlackRock, the world's largest money manager, has said the companies in which it invests should have at least two women on their boards.

COMPLIANCE WEEK

Top issues at shareholder meetings include global trade, misconduct

March 12, 2018

A return of volatility to the stock market, executive misconduct, cyber-breaches, global trade concerns, demands for transparency, and historic changes brought about by the new tax law are just a few of the topics being discussed in corporate board rooms around the country, according to a [new report](#) by **BDO USA**, a leading accounting and advisory firm.

It has compiled the following list of topics that corporate management and boards of directors should be prepared to address in connection with 2018 annual shareholder meetings.

Tax reform

The new tax law is having far-reaching impact on tax reporting/planning and financial statement reporting, the report says. The lower corporate tax rate increases the competitiveness of doing business in the U.S., which may encourage corporations to reconsider a U.S. domicile for their business activities.

Corporate cash flow is expected to increase, which may impact decisions related to capital investment and employee wages. *"Shareholders will be eager to hear how the new law has and will impact company strategy," BDO USA says.*

M&A opportunities

The reduced corporate tax rate and lowered tax on repatriation of foreign earnings are expected to provide businesses with more funds to pursue mergers and acquisitions in 2018.

Shareholders, the report says, will want to know if management is seeking out both sell side opportunities to dispose of assets that no longer align with corporate goals but can yield favorable returns; and buy side opportunities that can enhance strategic growth.

"Boards should ensure that potential acquisitions are properly vetted, and that management has sound integration policies in place to assimilate target businesses into a corporate culture supported by strong governance," the report says.

Global economic concerns

President Trump's plan to impose high tariffs on imported steel and aluminum has prompted angry responses from U.S. allies around the globe and generated warnings of an international trade war that could harm U.S. exports. *"Investors are concerned how the movements by the U.S. and other countries towards national protectionism will impact U.S. businesses in foreign markets," the report says. "Shareholders will want to know how the company is proactively addressing operational decisions in this area."*

Executive misconduct

Steve Wynn, Harvey Weinstein and Roger Ailes are just a few of the executives taken down in recent months following allegations of sexual harassment in the workplace. *"Although the damage to victims may never be able to be fully calculated, for businesses, it can cost millions, from settling with victims to lasting damage to the company brand," the BDO USA report says. "Given the prominence of the #MeToo movement in the media, shareholders may want to know that the board and management are setting the correct tone at top and creating a culture where all reports of harassment are taken seriously."*

New GAAP

Public companies are currently dealing with the most historic accounting changes in decades. New accounting standards for revenue recognition (ASC 606/IFRS 15), effective for 2018 reporting cycles, followed by lease accounting (ASC 842) and credit losses (ASC 326) will each have a major impact on financial statements and profitability. *"Management, with board oversight, needs to communicate transparently with shareholders and other stakeholders on how these changes will impact financial statements," the report says.*

Sustainability

Shareholder proposals on environmental and social issues have taken on new significance and boards should be prepared to listen. Last year, close to two-thirds of Exxon Mobil shareholders approved a proposal to require the company to measure and disclose how regulations to reduce greenhouse gases and new energy technologies could impact the value of its oil assets....

In the [2017 BDO Board Survey](#), a majority (54 percent) of directors believed that disclosures regarding sustainability matters are important to understanding a company's business and helping investors make informed investment and voting decisions.

CEO/median employee pay ratio

The new SEC rule requiring public companies to disclose the ratio of the CEO's compensation to that of the median employee becomes effective in 2018.

"Media reports of high ratios are sure to garner attention, so companies would be wise to mitigate any negative press by proactively communicating the benefits of their performance focused executive compensation models to shareholders ahead of time," BDO USA says.

CORPORATE COMPLIANCE INSIGHTS

Top Issues at 2018 Shareholder Meetings

March 7, 2018

BDO USA, LLP, one of the nation's leading accounting and advisory firms, has compiled the following list of topics that corporate management and boards of directors should be prepared to address in connection with 2018 annual shareholder meetings:

- ▶ **Tax Reform.** The new tax law is having far-reaching impact on tax reporting/planning and financial statement reporting. The lower corporate tax rate increases the competitiveness of doing business in the U.S., which may encourage corporations to reconsider a U.S. domicile for their business activities. Corporate cash flow is expected to increase, which may impact decisions related to capital investment and employee wages. Shareholders will be eager to hear how the new law has and will impact company strategy.
- ▶ **Cybersecurity.** Equifax, Uber and even the SEC are just a few of the high-profile institutions to fall victim to cyber-attacks in recent months. These incidents damage company reputations and lead to tens of millions in remediation and legal costs. Given the prominence of this topic, shareholders may want to know whether the company is:
 - Assessing cyber-breach response plans to mitigate damage from attacks.
 - Emphasizing the need to report breaches in a timely fashion.
 - Vetting management reports on any cyber-breaches with external experts to ensure the company is getting the best advice.
 - Establishing cyber-risk management requirements for third-party vendors – a major source of cyber-attacks.
- ▶ **Board Refreshment/Diversity.** A year ago, the SEC began to look into company disclosures of the ethnic, racial and gender composition of public company boards and whether it should make such disclosures a mandatory requirement in the future. More recently, BlackRock, the world's largest money manager, stated that companies in which it invests should have at least two women on their boards. As this issue is likely to become increasingly prominent, shareholders may push companies to be proactive in addressing the issue of board diversity. As there is always resistance to change, companies should consider using tools such as tenure limits, skill set reviews and limits on the number of boards on which directors may serve to encourage board refreshment.
- ▶ **Sustainability.** Last year, close to two-thirds of Exxon Mobil shareholders approved a proposal to require the company to measure and disclose how regulations to reduce greenhouse gases and new energy technologies could impact the value of its oil assets. Other shareholder groups have expressed similar interest in increased disclosures on sustainability matters (e.g. climate change, corporate social responsibility, etc.) and boards should be prepared to listen...

INSIDE PUBLIC ACCOUNTING

Top Issues at 2018 Shareholder Meetings According to BDO

March 9, 2018

Chicago-based BDO USA (FY17 net revenue of \$1.4 billion) has compiled a list of topics that corporate management and boards of directors should be prepared to address in 2018 annual shareholder meetings:

- ▶ Tax Reform
- ▶ M&A Opportunities, including buy and sell side
- ▶ Global Economic Concerns
- ▶ Cybersecurity, including cyber-breach response plans
- ▶ Executive Misconduct
- ▶ Board Refreshment and
- Diversity, including:
 - Tenure Limits
 - Skill Set Reviews
 - Limits on Board Seats
 - Composition Reviews
- ▶ New GAAP
- ▶ Sustainability
- ▶ Deregulation
- ▶ CEO and Median Employee Pay Ratio

[Read the full details here.](#)

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