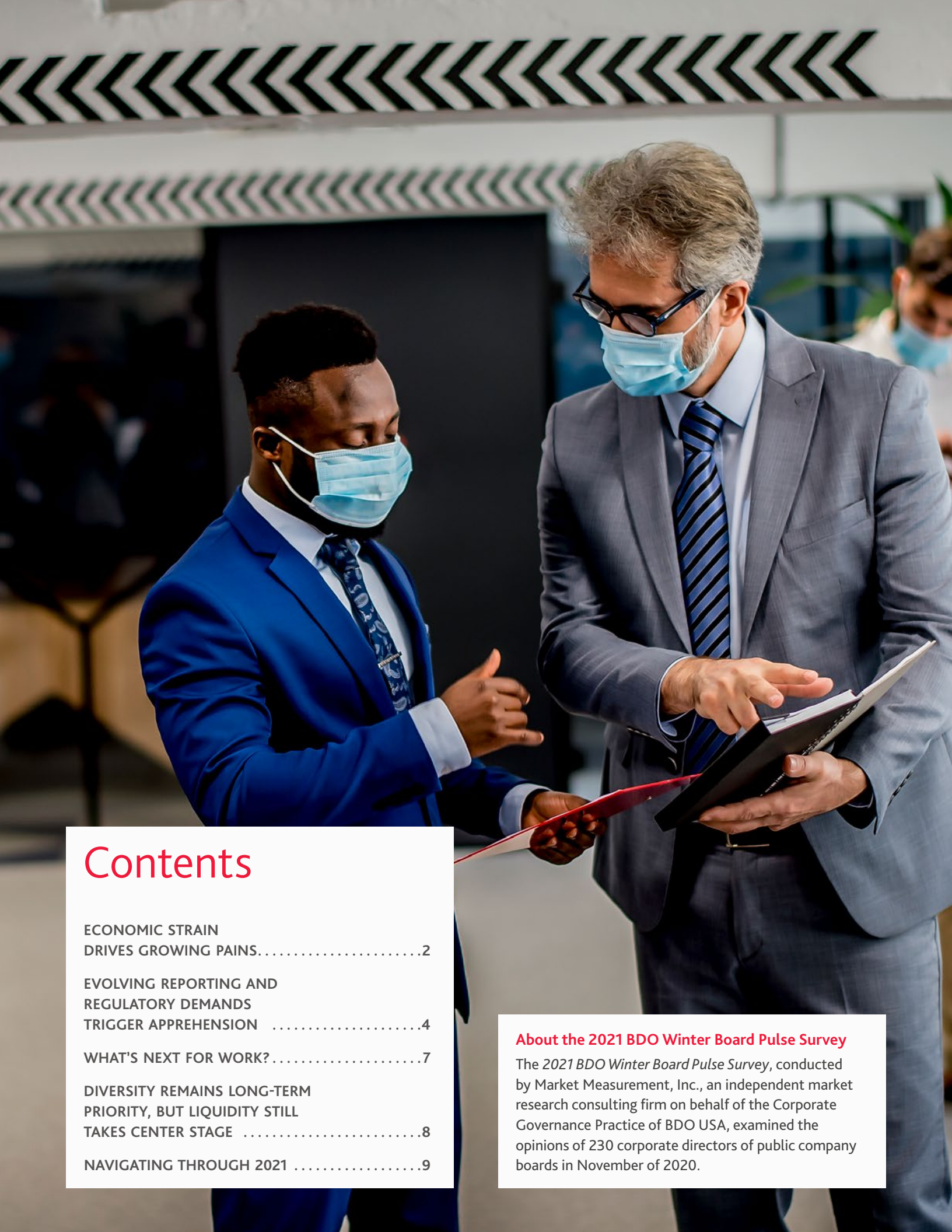




# **BOARD PRIORITIES FOR 2021 ABOUND AMID SLOW ECONOMIC RECOVERY**

2021 BDO WINTER BOARD PULSE SURVEY





# Contents

ECONOMIC STRAIN  
DRIVES GROWING PAINS.....2

EVOLVING REPORTING AND  
REGULATORY DEMANDS  
TRIGGER APPREHENSION .....4

WHAT'S NEXT FOR WORK?.....7

DIVERSITY REMAINS LONG-TERM  
PRIORITY, BUT LIQUIDITY STILL  
TAKES CENTER STAGE .....8

NAVIGATING THROUGH 2021 .....9

**About the 2021 BDO Winter Board Pulse Survey**

The 2021 BDO Winter Board Pulse Survey, conducted by Market Measurement, Inc., an independent market research consulting firm on behalf of the Corporate Governance Practice of BDO USA, examined the opinions of 230 corporate directors of public company boards in November of 2020.

Board members are reconsidering their oversight priorities after a tumultuous 2020 and slow economic recovery. For many, this means navigating some level of financial difficulty that will take a combination of outside capital, resourcefulness and innovation to overcome. For others, it means focusing on emerging or elevated risks and opportunities impacting corporate strategy execution.

Concurrently, shareholders, regulators and other stakeholders have expanding expectations for board action in the wake of the pandemic. Boards of directors are being prompted to address financial and social pressures, a reimagined workplace, evolving regulatory demands and increased scrutiny on environmental, social and governance (ESG) activities. The *2021 BDO Winter Board Pulse Survey* reveals how public company boards are moving forward despite continued uncertainty.

## KEY TAKEAWAYS



Boards' 2021 plans reflect their expectations for a slow economic recovery.



Restoring and retaining shareholder confidence was boards' top ranked governance oversight challenge for the near term.



ESG priorities are rising in importance as drivers of long-term corporate strategies.



Another year of remote engagement is in the cards, but boards are more equipped than last year to navigate them.



Uncertainty around complexity of estimates, forecasts and other disclosures continue to challenge the financial reporting process.



Human capital considerations take center stage but lag in execution amid immediate business needs.



The yet to be defined Biden agenda has directors preparing for potential regulatory oversight and tax impacts.

“

*While directors may have been eager to turn the page on 2020, most recognize the lingering challenges that will continue to require significant time and attention, which vary based on where companies lie on the business continuum, whether they're thriving or just surviving. To set the stage for a more stable 2021, it's critical that decisions be guided by engaging on the broad needs of stakeholders, along with leveraging timely and accurate insight and data.*

”



**AMY ROJIK**

National Partner, BDO Center for Corporate Governance

# Economic Strain Drives Growing Pains

Businesses are looking to shift their focus from resilience to growth, but many boards are finding their growth plans stunted by the pandemic's ongoing economic impacts. Capital, if available, may be rerouted toward fueling immediate business needs rather than funding expansion plans.



## 70%

anticipate a slow economic recovery in the first half of 2021, up from 60%\*



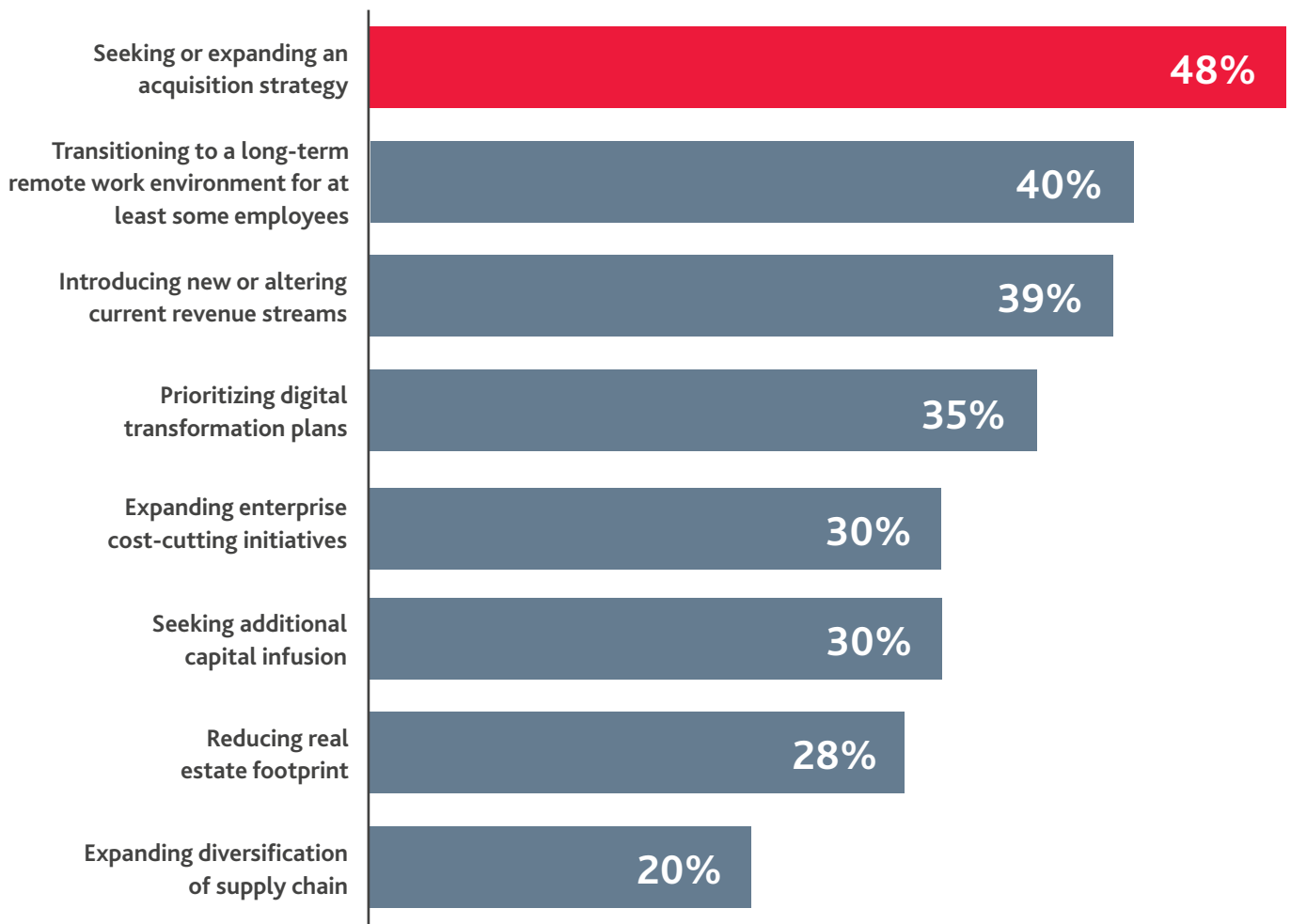
## 30%

are seeking additional capital infusions in 2021, up from 22%\*

\*Source: [2020 BDO Fall Board Pulse Survey](#)

Boards' paths will diverge depending on their unique road to recovery. Some are prioritizing a cost-cutting agenda, while others may look to expand their revenue streams and channels to reach new customers or satisfy market needs. This is a pivotal moment for boards to help their businesses scale, seek stability and achieve footholds in new markets.

## BOARDS' 2021 CORPORATE STRATEGIES





### INCREASING APPETITE FOR ACQUISITIONS

[Six months ago](#), 21% of boards expected to pursue a merger or acquisition by the end of 2020, and nearly the same percentage (20%) indicated they wanted to boost their M&A skillset.

Now, pursuing an acquisition strategy (48%) is the most-cited corporate strategy for 2021, with more than double the percentage from just six months ago. Those with underperforming business units may be shedding assets to focus on core capabilities and strengthen the balance sheet, while others may be taking the opportunity to make strategic acquisitions at a potential discount. Boards will be tasked with evaluating the due diligence performed for significant strategic transactions.



# Evolving Reporting and Regulatory Demands Trigger Apprehension

If 2020 was the year of shocks, 2021 may prove to be the year of questions. A change in the U.S. presidential administration, forthcoming widespread COVID-19 vaccine distribution and a volatile economy only scratch the surface of factors impacting board members' next moves.

When it comes to the new administration, many directors are concerned about adapting to a new government agenda and policies aimed at changes in taxation and regulatory oversight, a focus on climate change, additional economic stimulus and globalization concerns. The impact of many of these anticipated changes likely won't be felt in the near term, but informed boards are already contemplating various scenarios for their organizations.

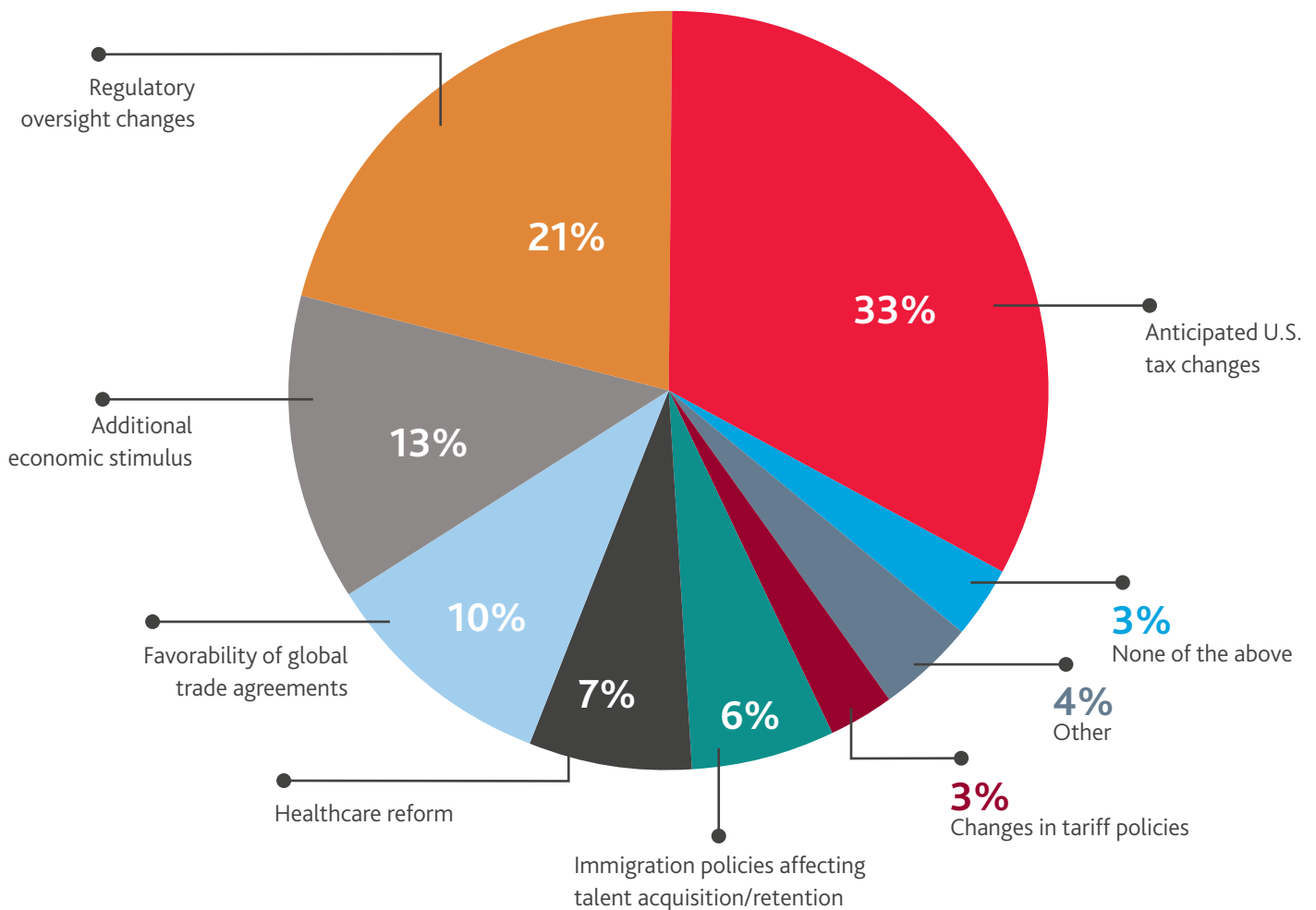


## 19%

say regulatory demands are their greatest business risk for the next 12 months



## BOARDS' TOP CONCERNS POST-2020 ELECTION



While preparing for the impact of changes at the federal level, boards are also focused on approaching shareholder and proxy season with concrete plans and objectives. In fact, more than 1-in-5 directors (21%) cite restoring or retaining shareholder confidence as their top governance oversight challenge in the next 6 months. Boards will need to be transparent about where they see opportunities and challenges and be intentional in their disclosure of specific actions to achieve their goals. This is especially true if they find themselves in need of securing additional capital.

Proxy season and forthcoming shareholder meetings are a critical time for boards to share their projected company plans and growth opportunities. Following one of the most volatile years for business, there are several priority items to discuss. Here's a sampling of what's on their agendas:

- ▶ Demonstrating corporate purpose in delivering value to stakeholders
- ▶ Assessing sustainability risks
- ▶ Human capital management beyond diversity and pay equity, including SEC Regulation S-K
- ▶ Enhanced transparency into a company's ESG activities
- ▶ Continuing effects of COVID-19 on business strategy and liquidity
- ▶ Board composition and refreshment
- ▶ Expanded disclosure of board oversight for risk management
- ▶ Changes to compensation in response to COVID-19 impacts
- ▶ Planning ahead for virtual meetings
- ▶ Regulatory focus on executive perquisites

An overwhelming **60%** say resilience of liquidity, revenue streams and operations will be their shareholders' greatest concern in the 2021 proxy season.

Boards also face new challenges around financial reporting with heightened scrutiny of results and reporting accuracy after a volatile year.

### FIVE HIGHLY ANTICIPATED AREAS OF PANDEMIC-DRIVEN IMPACT ON THE 2021 FINANCIAL REPORTING PROCESS



### SPOTLIGHT ON ESG REPORTING

Stakeholder focus on aligning ESG activities with long-term sustainability reporting is growing, as are external calls to report related metrics in a more standardized way. Larry Fink's recently released [annual letter](#) to CEOs highlights "issues that are pivotal to creating durable value – capital management, long-term strategy, purpose and climate change" and outlines actions for companies to take to both address risk and create investment opportunities. Corporate execution of a cohesive ESG strategy with high transparency is ideal, but how to effectively implement these plans continues to plague boards and their management teams.

ESG reporting requirements was one of the most frequently cited changes boards anticipate for the 2021 audit and annual reporting process. Of note, a quarter (25%) of board members cited enhancing sustainability reporting as one of their top three ESG priorities in the next 12-18 months, while 29% said the same for the long-term (18-36 months). Directors are aware of shareholders' and others' attention to ESG priorities and are concerned about adequately promoting and reporting their initiatives as part of their overall corporate strategies.

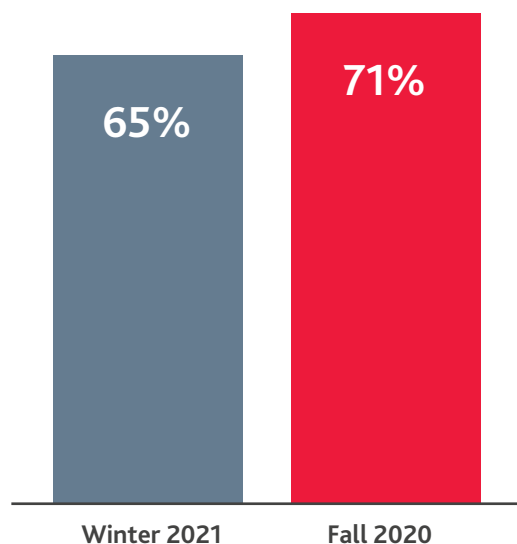
Directors should note that incorporating ESG practices into their strategic business and workplace plans goes beyond box-checking, and may serve to boost the bottom line and reduce risk. It's important for boards to pursue ongoing education about the evolving ESG reporting landscape and how shareholders are using ESG metrics in their investment and transaction decisions.



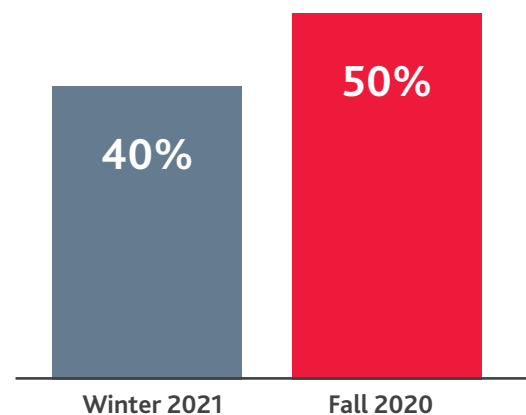
# What's Next for Work?

Employees are not only often the largest intangible asset of a company but they also represent one of the most important business stakeholder groups. Their changing preferences should be heard and valued to preserve morale and maintain performance levels. At the start of the pandemic, the immediate need was to keep employees safe from COVID-19. While employee safety and welfare remain a top priority, effectively implemented COVID-19 safety procedures allow boards to look ahead to recruitment and retention, including potential long-term remote work.

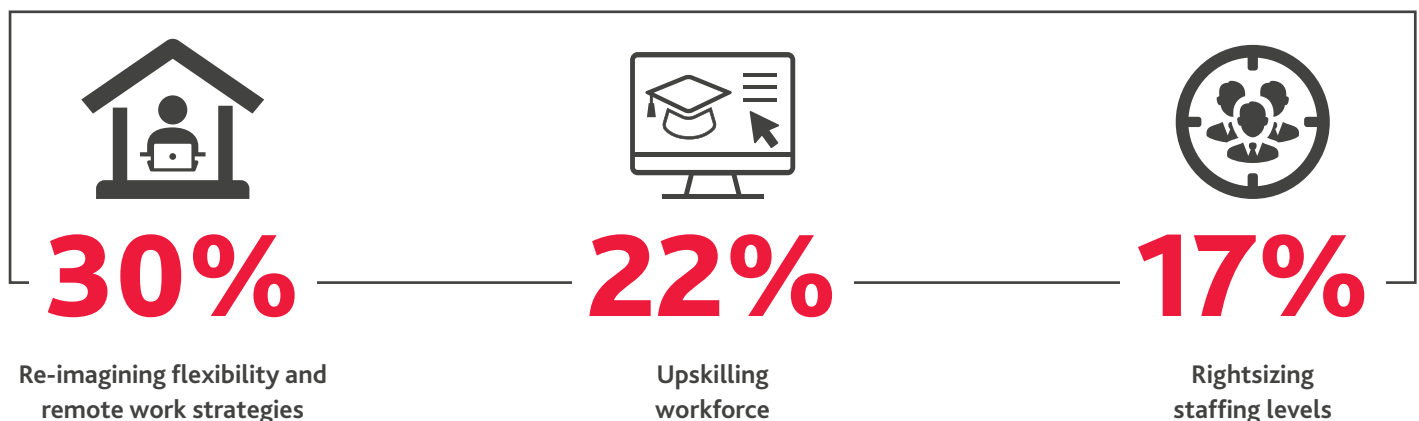
## BOARDS THAT CITE EMPLOYEE WELFARE AS TOP SHORT-TERM ESG PRIORITY



## BOARDS THAT PLAN TO TRANSITION TO LONG-TERM REMOTE WORK FOR AT LEAST SOME EMPLOYEES



## TOP 3 HUMAN CAPITAL PRIORITIES IN 2021, OUTSIDE OF DIVERSITY, EQUITY AND INCLUSION (DE&I)



# Diversity Remains Long-term Priority, but Liquidity Still Takes Center Stage

Diversity, equity and inclusion (DE&I) efforts remain one of the most frequently discussed governance topics, further fueled by recent spotlights on injustices in the U.S. In 2020, [NASDAQ, the SEC and California lawmakers came forward](#) with new mandates for human capital management—both at the board level and throughout the organization—and boards are recognizing the criticality of diversity for both stakeholder satisfaction and meeting performance goals. However, while boards understand it's a priority, execution beyond baseline efforts may be lagging as they address immediate pandemic-driven issues.



## 50%

said building a more diverse board/ leadership team remains boards' top long-term ESG priority



## 47%

said DE&I efforts continue to be their top short-term ESG priority\*

\*Source: [2020 BDO Fall Board Pulse Survey](#)

Board diversity is not just a top-down initiative; it also must be addressed from the bottom up. Growth opportunities at all levels for all employees are essential to ensure adequate representation of a company's strongest perspectives and capabilities.

## TOP DE&I EFFORTS IN 2021 CORPORATE STRATEGIES



## 35%

Establishing and tracking DE&I effort metrics



## 33%

Increasing transparency and disclosure around DE&I progress



## 33%

Enhancing DE&I education (e.g., unconscious and implicit bias awareness)



## 15%

Changing hiring strategies

Incorporating hiring and human capital advancement practices into business processes and protocols are not just human resource responsibilities; the onus is also on the board and management teams to ensure maximum efficacy. Directors and management teams need to be well prepared, particularly heading into shareholder meeting season, to address concerns over human capital management policies.

# Navigating Through 2021

The coming months will be critical in establishing whether 2021 will be a year of further volatility or a shift to stability. Continuing education will remain a critical aspect for thoughtful corporate governance as boards navigate the road to recovery. To receive timely thought leadership and access to live and on-demand programming designed with your needs in mind, visit [BDO's Center for Corporate Governance and Financial Reporting](#).



BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 65 offices and over 740 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 88,000 people working out of more than 1,600 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: [www.bdo.com](http://www.bdo.com).

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2021 BDO USA, LLP. All rights reserved.



## CONTACT



**ADAM BROWN**

National Assurance Managing Partner, Accounting  
214-665-0673 / abrown@bdo.com



**JAY DUKE**

National Managing Partner of  
Advisory 214-665-0607 / jduke@bdo.com



**ANDY GIBSON**

Managing Partner & National Tax Office Leader  
404-979-7106 / agibson@bdo.com



**MATTHEW BECKER**

National Managing Partner of Tax  
616-802-3413 / mkbecker@bdo.com



**AMY ROJIK**

National Assurance Partner  
617-239-7005 / arojik@bdo.com



**MICHAEL STEVENSON**

Partner, Accounting & Reporting Advisory  
Services National Practice Leader  
214-665-0707 / mstevenson@bdo.com



**BILL EISIG**

National Managing Partner of Assurance  
301-354-2532 / weisig@bdo.com



**PAULA HAMRIC**

National Assurance Partner  
312-616-3947 / phamric@bdo.com



**CATHY MOY**

Chief People Officer  
617-422-7570 / cmoy@bdo.com



**PHILLIP AUSTIN**

National Assurance Managing Partner, Auditing  
312-259-0357 / paustin@bdo.com



**CHRIS ORELLA**

National Assurance Managing Partner, Operations  
212-885-8310 / corella@bdo.com



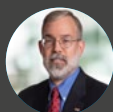
**RYAN GUTHRIE**

Partner, Transaction Advisory Services National  
Practice Leader  
714-668-7385 / rguthrie@bdo.com



**CHRISTOPHER TOWER**

National Assurance Managing Partner,  
Audit Quality & Professional  
714-668-7320 / ctower@bdo.com



**TIM KVIZ**

National Assurance Managing Partner,  
SEC Services  
703-245-8685 / tkviz@bdo.com



**DAMON V. PIKE**

International Tax Principal, Customs &  
International Trade Services  
561-207-3205 / dpike@bdo.com



**TODD SIMMENS**

National Managing Partner of Tax  
Risk Management  
732-491-4170 / tsimmens@bdo.com



**HITESH SHAH**

Business Development Director  
408-352-3547 / hvshah@bdo.com