2022 SHAREHOLDER MEETING AGENDA

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2022 Shareholder Meeting Priorities

Corporate boards are adapting to multiple pressures, including market forces, operational challenges, stakeholder demands and more. To sustain value over the long term, boards are adjusting how they evaluate risk and strategize to seize new opportunity.

Capitalism remains the guiding principle, but strategic priorities and ways of engaging with shareholders are changing. It's more important than ever to have a clear corporate purpose that addresses business goals while aligning with corporate responsibility, which should include environmental, social and governance (ESG) commitments that benefit all stakeholders. The influential CEO letters from institutional investors like BlackRock and State Street stress the urgent need for corporations to assess societal changes and adjust course in a forward-looking manner — such as by making specific commitments to achieve net-zero emissions and improve workforce diversity, especially in decision-making positions.

In this changing business environment, boards have a pivotal role in anticipating threats and responding to disruption. For example, at the same time that many organizations face a talent gap, workers are driving change in multiple areas: improving diversity, equity and inclusion (DEI), emphasizing health and wellness, reimagining the workplace and more. Executive compensation is also under scrutiny, as leadership performance is increasingly tied to longer-term incentives that include a strategy for sustainability.

With these factors in mind, BDO's 2022 Shareholder Meeting Agenda addresses a variety of topics that are likely to arise at this year's annual shareholder meetings. It highlights key considerations and provides boards and management teams with insights from professionals in our **BDO Center for Corporate Governance**.

Accountability to All Shareholders

Coming out of the 2021 proxy season, engagement of shareholders and investors is the top priority, as shown in the ***2021 BDO Fall Board Pulse Survey***. It has become increasingly important to engage with all shareholders, not just those holding the largest stake. Shareholders are pushing for more accountability and for boards to demonstrate proper oversight execution. As shown by two recent notable examples, small shareholders are gaining their voice with the support of larger shareholders through cogent points and demand for action:

- In May, the small activist hedge fund Engine No. 1 **won three seats for climate-focused directors** on the board of ExxonMobil, which overrode management plans and surprised many top companies in the energy industry. The development underscores the level of attention industry leaders should give to investor concerns about climate change, particularly in the face of a company's underperformance. In December, Exxon announced new targets for cutting the intensity of greenhouse gas emissions, in addition to plans for investment in low-carbon initiatives and lower capital spending on oil and gas.
- In December, **Meta (formerly known as Facebook) shareholders sent a letter** requesting that the board commission an independent review of the *"Audit and Risk Oversight Committee's capacities and performance in overseeing company risks to public safety and the public interest and in supporting strategic risk oversight on these issues by the full board."* The group seeks to have the request included in the company's annual proxy statement and submitted to a vote of shareholders. The request came as Meta faces regulatory and legislative scrutiny, as well as high-profile whistleblower allegations.

Boards also are mindful of heightened pressure from regulatory agencies. The **SEC proposed new amendments and disclosure requirements** related to Rule 10b5-1 trading plans about trading on the basis of material nonpublic information. The proposed changes would include a new cooling-off period, director and officer certifications, a prohibition on multiple trading plans, a limitation on single-trade plans and an expanded good faith requirement. It would also include new disclosure requirements for companies related to share repurchases and other matters. Boards should review trading plans and ensure the company provides robust oversight measures on corporate stock trades, including those of directors. Additionally, in November 2021, the **SEC released updated guidance** for staff to *"focus on the social policy significance of the issue that is the subject of the shareholder proposal."* Previously, the SEC's staff position was to focus on the social policy significant to the issuer. This clarification is anticipated to reduce companies' exclusion of shareholder proposals.

Overall, accountability and transparency have never been more important for boards, and those priorities should be reflected in the proxy voting process. Each investor deserves access to the voting process – not only those holding the most shares. BlackRock CEO Larry Fink's **2022 letter to CEOs** highlighted the firm's goal of expanding proxy voting access, stating: *"We are committed to a future where every investor — even individual investors — can have the option to participate in the proxy voting process."*

Multi-class or unequal voting rights policies are under closer scrutiny from smaller shareholders, institutional investors and proxy advisors. Both **Institutional Shareholder Services (ISS)** and **Glass Lewis** support votes against companies with multi-class stock or other unequal voting rights, and their voting policies have expanded in scope. While their policies previously applied only to newly public companies, the firms now support votes against all U.S. companies that have unequal voting rights (with some exceptions).

SHAREHOLDER PROPOSAL TRENDS

Examining the 2021 proxy season may help identify trends that are expected to continue in 2022. A review of shareholder proposals from 2020 to 2021, including **data** from Sullivan & Cromwell LLP, shows notable increases in proposals across social, environmental and governance activities: The number of employee-related DEI proposals nearly doubled year-over-year from 46 to 89. While the total number of DEI proposals that came to a vote decreased from 2020, these proposals saw stronger support with an average of 47% of votes cast in favor, and twice as many of those proposals passed compared to the previous year. Climate-related proposals also rose sharply from 48 to 85, and the number that came to a vote doubled from 2020. Those proposals averaged 41% of votes in favor, and the number of climate-related proposals that passed increased more than threefold (up from three to 11). In the area of governance, proposals related to proxy access drew more attention in 2021, and nearly one-third of votes were cast in favor.

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SHAREHOLDER VOTING INFLUENCES

Institutional investors continue to exert a broad and growing influence. Their annual CEO/board letters have a wide reach, and their guidance is backed by significant research and data.

In line with previous years, the 2022 BlackRock's CEO **letter** positions the clarity of corporate purpose as foundational to the relationship with all stakeholders, stating: *"Stakeholder capitalism is not about politics…It is capitalism, driven by mutually beneficial relationships between you [the company] and the employees, customers, suppliers, and communities your company relies on to prosper."* In particular, the letter emphasizes the imperative of committing to net-zero carbon emissions, and it urges companies to rethink how they set priorities and define success with respect to climate change, among other recommendations.

Similarly, **State Street Global Advisors' CEO letter** underlines for board members how reducing climate risk and improving equity in the workplace are central to long-term value creation for their clients, writing: *"Our main focus in 2022 will be to support the acceleration of the systemic transformations underway in climate change and the diversity of boards and workforces."*

Voting policy updates from another important stakeholder — proxy advisory firms — also stress the necessity of ESG and DEI initiatives. Over the past several years, proxy advisors have placed increasing importance on both ensuring sustainable practices to foster continued business success and adding diverse voices on boards to better reflect the interests of a full range of shareholders and stakeholders.

At the same time, regulators have expanded disclosure requirements to better inform shareholders' investment decisions with regard to how a company is mitigating risk by addressing environmental, social and governance concerns.

In this way, stakeholder capitalism is a direct extension of shareholder capitalism rather than a contrary position. A corporate strategy to create strong results and ongoing profitability is aligned not just with the interests of shareholders, but with those of employees, customers and communities as well. BlackRock's letter also cautions that those CEOs who resist the call to adapt and create value for the full range of stakeholders *"risk being replaced by new competitors."*

BDO Insight: Communicating transparently with shareholders is crucial, and it presents an opportunity to tell the company's story. In many cases, the shareholder proposal process can be a way to clarify the company's approach or position on an issue. Through responsive communication with the broader shareholder base, boards can gain a better understanding of shareholder concerns and anticipate potential oversight needs and adjustments. Demonstrating accountability and having a constructive dialogue may even result in the withdrawal of a shareholder proposal — or avoid the introduction of the proposal altogether.

All Eyes on ESG

ESG continues to be at the top of the board agenda, and for good reason. ESG initiatives can support long-term profitability, improve capital access, drive greater overall resilience and mitigate risk. As those initiatives take on growing importance, so does the need to report on them, and boards have heeded that call. According to the ***2021 BDO Fall Board Pulse Survey***, 73% of directors are focused on keeping up with evolving regulatory and reporting guidance for ESG in the near term.

Regulators, investors, rating agencies and proxy advisors are all strongly urging boards to embrace widely used frameworks like those from the **Task Force on Climate-Related Financial Disclosures (TCFD)**, the **Global Reporting Initiative (GRI)** and the **Value Reporting Foundation (VRF)**. The TCFD **issued prescient recommendations in June 2017**, and the GRI is the most widely used framework globally. The VRF was formally created in June 2021 through a merger of the International Integrated Reporting Council (IIRC) and the U.S.'s Sustainability Accounting Standards Board (SASB).

While there are disparate reporting frameworks globally, ESG reporting offers overarching benefits across industries and geographies. Measurable metrics form the foundation of a strong ESG program, and public reporting signals a commitment to transparency and accountability, which can be invaluable for building trust among all stakeholder groups. Reporting frameworks continue to converge, especially with the new **International Sustainability Standards Board (ISSB)** created by the International Financial Reporting Standards (IFRS) Foundation to develop Sustainability Disclosure Standards (SDS). As reporting regulations evolve, both institutional investors and regulators expect companies in major indexes around the world to provide more information about how ESG factors are impacting their business and, further, how their business is impacting society.

In the absence of one standardized reporting framework, boards and management nevertheless should deliberate carefully to determine how they can best communicate nonfinancial information — or **pre-financial information**, as the International Valuation Standards Council (IVSC) suggests — to highlight their ESG initiatives. Currently, most corporate ESG efforts focus on transitioning away from harmful practices, but stakeholders also expect companies to go beyond reducing negative impact to generating positive outcomes. In terms of reporting, this means it is critical for companies to identify metrics that quantitatively and qualitatively measure progress on stated ESG objectives, as well as account for the positive impact of such efforts over time.

For more information on these developing issues, visit BDO's **ESG Center of Excellence**, and tune in to the **BDO in the Boardroom podcast** episodes ***Board Dialogue and Action Around ESG*** and ***ESG: A Catalyst for Strategic Boardroom Conversations.***

BDO Insight: Boards should clearly define their oversight role for ESG matters, regardless of where the company is on their ESG journey. Details about the board's oversight role should include how specific responsibilities are allocated among committees of the board and the accountability of management.

Additionally, annual proxy disclosures can be used to communicate more effectively with investors. Disclosed information should be consistent, comparable and assessable for shareholders. For example, our BDO in the Boardroom podcast episode ***Audit Committee Proxy Disclosures – Vital to Investor Protection*** features a discussion with Vanessa Teitelbaum, Senior Director of Professional Practice at the Center for Audit Quality (CAQ), about how disclosures on audit committee oversight practices can deliver significant value in the protection of investors.

As a best practice, boards should consider reviewing corporate policies in light of institutional shareholder and proxy advisor policies and regulator areas of focus and rule-making agendas. Identifying any discrepancies can help to inform the company of potential vulnerabilities and help prioritize strategic actions. It can also help to bolster governance structures for evaluating risks and opportunities and more clearly defining organizational responsibilities.

CLIMATE IN FOCUS

Climate change is currently a leading ESG topic where key stakeholders are demanding corporate action and transparency for climate transition plans, as no company can presume to be immune to significant climate risk. Developing a plan to address climate change impacts in both the near and long term is a social responsibility as well as an opportunity to bolster business strategy. Each company should tailor their climate plan based on company size, industry, geographic footprint and other ecological factors unique to their business. Boards can ensure management works with leaders throughout the organization to identify all areas where climate impact can be minimized and the scale and scope of what may need to be done. Having this data will aid in developing clear public commitments to reduce environmental impact and outlining the specific details and timelines of how to achieve them. This in turn may not only help organizations to attain societal goals but to realize multiple business and reputational benefits as well.

Many companies are proactively seeking shareholder approval, where shareholders deem appropriate, for plans to reduce emissions. In terms of new proxy proposals, proxy advisors ISS and Glass Lewis both support such **Say on Climate** proposals, but they take different approaches. ISS supports votes on a case-by-case basis, taking into account information such as how robust and rigorous the company's plan and climate-related disclosures are. Glass Lewis also supports detailed disclosures, but it considers long-term corporate strategy a board responsibility. It acknowledges that shareholders may not have the necessary information to inform voting decisions on this aspect of strategy. Boards should indeed lead the way on corporate strategy, and providing detailed climate disclosures can showcase strong governance and risk oversight practices to all shareholders.

For more detail, ISS has adopted **updated proxy voting policies for 2022** documenting its frameworks for analyzing Say on Climate proposals. Updates from Glass Lewis are included within its **2022 U.S. Policy Guidelines** and **2022 ESG Initiatives Policy Guidelines.**

BDO Insight: To avoid potential claims of "greenwashing" — such as when a company provides misleading information about environmental efforts or masks harmful activities in some way — boards should address climate change with meaningful action rather than perfunctory gestures. It benefits companies to commit to meaningful and measurable action on climate change in a manner that aligns with broader business goals.

BlackRock, State Street and others have brought greater attention to greenwashing and similar practices, such as "brown spinning," — the practice of selling off the highest-emitting components of business to private markets. Those tactics will neither fulfill the ultimate goal of getting to net-zero carbon emissions nor add to stakeholder value.

As part of its ESG strategy, boards should also consider regulator signaling with respect to disclosures. For example, the SEC's Division of Corporation Finance has released a **sample comment letter** to companies detailing considerations regarding climate-related disclosures — or the lack thereof. The SEC is also expected to issue greatly anticipated guidance following its **request for comment on climate disclosure** that, although may not be effective for this shareholder meeting season, will likely provide companies and investors with some clearer understanding of expectations for public filings.

Addressing Talent and Diversity Goals

INCREASING EMPLOYEE ENGAGEMENT

The chief concerns related to human capital management (HCM) shifted substantially during the pandemic, and many companies have felt the effects. Amid resignations, labor shortages and wage growth, as well as greater demand for remote working options, increased benefits and an increased emphasis on DEI, boards and management teams face a host of challenges in evolving their workforce strategy.

While these factors present difficulties for companies in the near term, they also offer opportunities, and those taking action are gaining a competitive edge. Gallup's State of the American Workplace **report** shows that when leadership consistently emphasizes vision and values, employees feel more connected to the work they do, leading to greater productivity, less turnover and even a recruitment boost. 2021 saw several proxy proposals dedicated to analyzing employee treatment, a trend that's expected to continue into the future. Boards that proactively address employee needs will be well positioned to communicate their efforts to shareholders in response to inquiries and potential proposals.

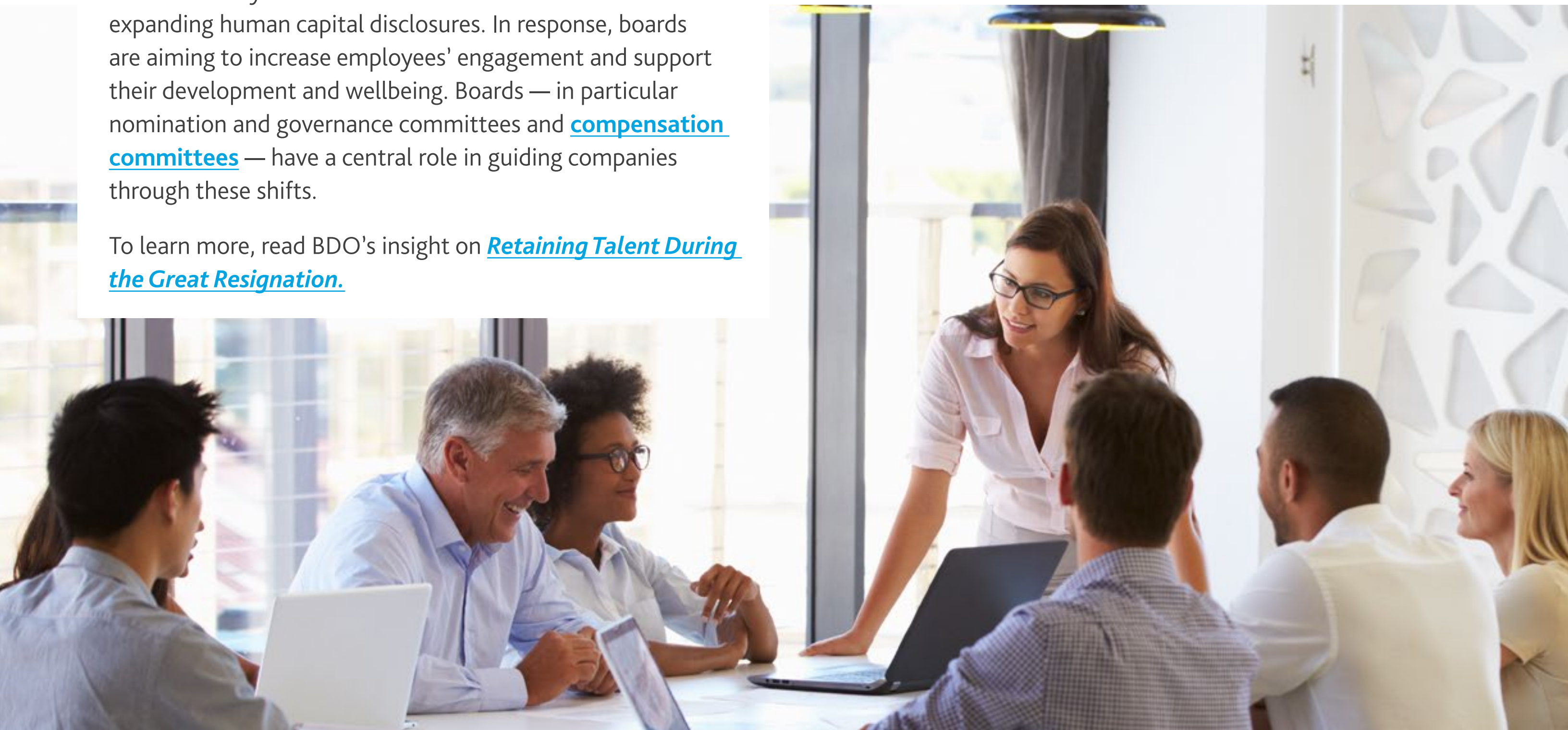
More than ever, companies are facing increased scrutiny of their HCM efforts. In 2020, the SEC updated **Item 101(c) of Regulation S-K** such that companies must now include disclosures related to human capital resources, and in 2021 SEC Chair Gary Gensler indicated his interest in further expanding human capital disclosures. In response, boards are aiming to increase employees' engagement and support their development and wellbeing. Boards — in particular nomination and governance committees and **compensation committees** — have a central role in guiding companies through these shifts.

To learn more, read BDO's insight on ***Retaining Talent During the Great Resignation.***

BUILDING A DIVERSE WORKPLACE

Demonstrating a commitment to social values and making strides to build an inclusive workforce helps increase employee engagement in addition to addressing investor and stakeholder questions. Multiple studies — including by **The Wall Street Journal**, **Great Place to Work** and others — point to a correlation between companies with diverse staffing and strong financial performance compared to competitors. Boards that communicate clear expectations and accountability for DEI programs can help management fulfill those key initiatives and create greater equity in the workplace.

Companies are under increasing pressure to improve both gender and racial/ethnic diversity among their board directors as well. Various requirements have been outlined by different parties, including proxy advisors, state legislatures, regulators, listing exchanges and institutional investors. Overall, the requirements have produced incremental results. According to a **report by The Conference Board and ESGAUGE**, in 2021, about one-third of newly elected directors were female. By contrast, just 11% of newly elected directors were Black, 6% were Latinx or Hispanic and 3% were Asian, Hawaiian or Pacific Islander.



EXAMPLES OF DIVERSITY EXPECTATIONS

PROXY ADVISORS

ISS

- Updated guidance in 2020 to support against or withhold votes for S&P 1500 and Russell 3000 companies if there are no women on the board as of 2022; will expand policy to all companies in 2023.
- Supports against or withhold votes for S&P 1500 and Russell 3000 companies if the board "has no apparent racially or ethnically diverse members" as of 2022.

Glass Lewis

- Updated guidance in 2021 to support against or withhold votes for Russell 3000 companies if there are not at least two gender-diverse directors; will require 30% gender diversity as of 2023.
- Began tracking four categories of diversity disclosures in 2021 and may support against or withhold votes if those disclosures are not made; will expand the policy in 2023.

INSTITUTIONAL INVESTORS

BlackRock

- Expects boards to have at least one director from an underrepresented group, two female directors, and 30% overall diversity by 2022.

State Street

- Expects companies to have at least one female director beginning in 2022.
- Beginning in the 2023 proxy season, will expect boards of companies in major indexes in the U.S., Canada, UK, Europe and Australia to have at least 30% female directors.

LISTING EXCHANGES

Nasdaq

- Introduced a requirement for boards to disclose board-level diversity statistics using a standardized template and have — or explain why they do not have — at least two directors from a diverse background (at least one who self-identifies as female and one who is either an underrepresented minority or identifies as LGBTQ+).
- The SEC approved the new requirement on August 6, 2021.

Refer here for specific transition effective dates based on type of Nasdaq listed companies.

STATE LEGISLATURES

California

- State legislature made 2020 updates to its 2018 board gender diversity law to further require at least one director from an underrepresented group — and potentially more depending on board size.

Other States

- Multiple states — including Colorado, Illinois, Maryland, New York, Pennsylvania and Washington — have also enacted some form of board diversity legislation

REGULATORY BODIES

U.S. Equal Employment Opportunity Commission

- Requires private sector employers with 100 or more employees, and federal contractors with 50 or more employees, to submit demographic workforce data via an EEO-1 report.

SEC

- Expanded current disclosures in 2021 under new amendments to Regulation S-K regarding proxy statements and 10-Ks.
- Additional disclosures will likely be required in the near future to potentially include: turnover, skills training, compensation and benefits, health and safety, and workforce demographics.

SHIFTS IN COMPENSATION SCRUTINY

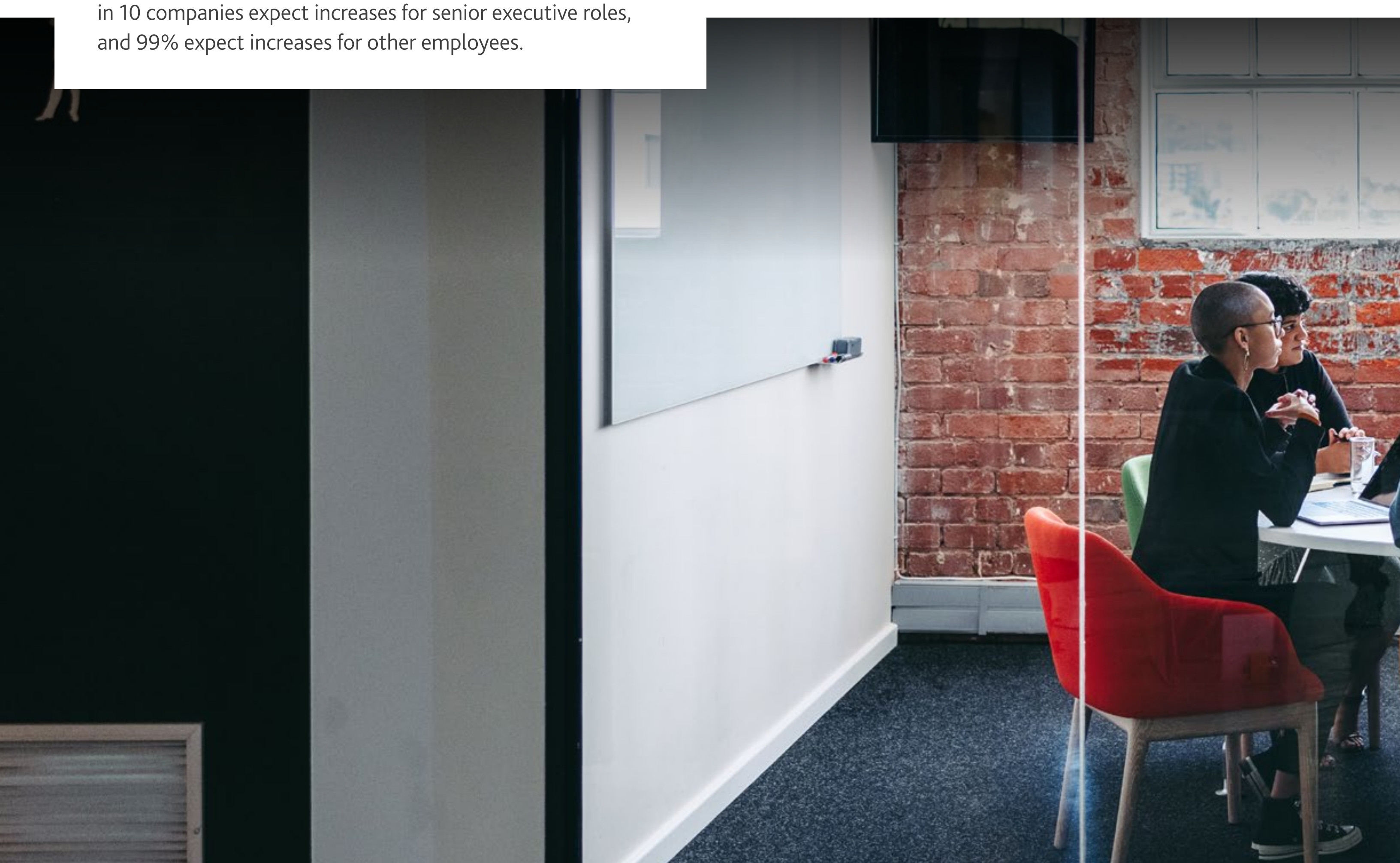
Although shareholder proposals have not changed significantly, competition for talent has intensified, and employee expectations about compensation continue to evolve. Companies have to strike a balance between attracting and retaining key talent while also gaining shareholder approval.

In 2021, compensation-related shareholder proposals continued to decline, **according to Sullivan & Cromwell data**. The number of proposals submitted and voted on both decreased, and none of the proposals passed in 2021. "Say on pay" votes continue to be a common tool for evaluating executive compensation. **According to Semler Brossy**, say on pay votes with over 90% support in Russell 3000 companies continued to grow in line with previous years, reaching 75% in 2021.

However, the decrease in shareholder proposals does not translate to complacency in compensation considerations. **2021 survey data from Pearl Meyer** shows how companies are adapting to address increased competition for top talent as the economic recovery continues. Roughly two-thirds of respondents anticipated meeting or exceeding compensation payouts in light of improved performance. Projections for salary increases in 2022 are also nearing pre-pandemic levels — or exceeding them in some cases. Approximately nine in 10 companies expect increases for senior executive roles, and 99% expect increases for other employees.

At the same time, nearly half of respondents (47%) have experienced turnover that's higher than usual. As a result, many companies are offering sign-on bonuses for newly hired employees (43%), and one-quarter are offering them for senior management roles. Additionally, 47% have adjusted base salary scales for employees — including 17% adjusting base scales for senior management roles and 12% for CEO direct reports — and 41% have made off-cycle salary adjustments. Boards should keep in mind the downstream effects of such changes, as mid-cycle adjustments potentially draw more pushback from shareholders.

Incentives packages are changing as well. About half of companies surveyed have made or are considering changes to short-term incentives, such as adding new financial metrics (17%), operational metrics (13%) or ESG metrics (13%). As for long-term incentives, roughly one-third of companies with such plans have already made or are considering changes for 2022, with 14% adding new performance metrics. One in five companies have recently expanded or will expand the design of long-term incentive plans to aid employee recruitment and retention.

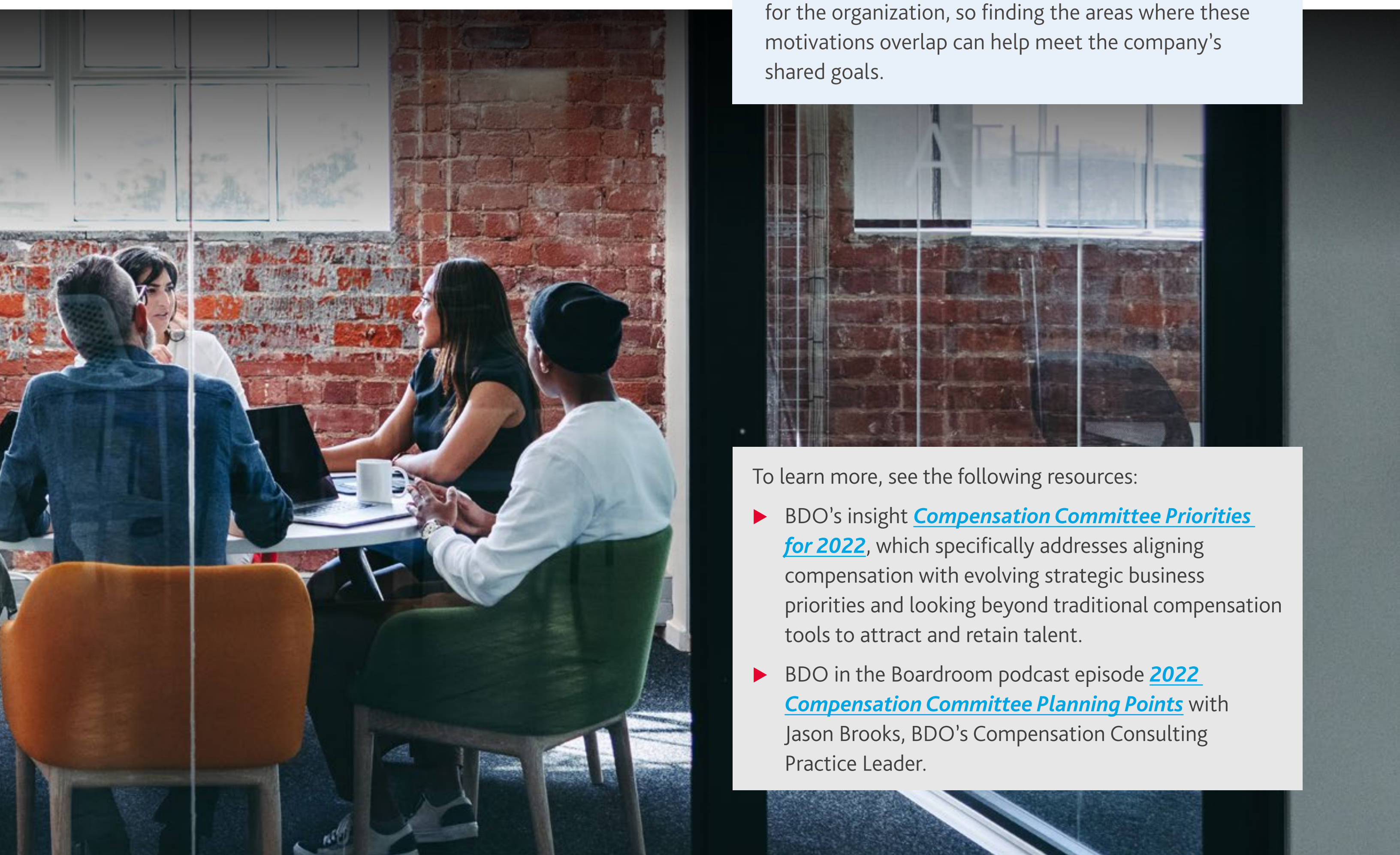


Regulators are also giving a closer eye to compensation and other HCM-related issues. In August 2021, the **SEC Chair noted**, *"Investors want to better understand one of the most critical assets of a company: its people."* The SEC is expected to increase HCM reporting requirements in 2022, which is reflective of a growing trend of increased disclosures.

These challenges leave compensation committees with the mandate of creating plans that have an attractive mix of salary, bonuses and incentives but also have metrics tied to ESG and financial performance woven in to protect shareholders. Compensation committees will need to create packages that satisfy all parties in order to reach their goals in the year ahead.

BDO Insight: When considering talent shortages and HCM goals, each company should strive to strike a balance between creating long-term organizational value while also meeting the needs of executives and employees. Boards should also take into account more broadly how work is changing and how employees' needs can be met. Determining the right compensation and benefits packages is integral to attracting top talent, but it's critical to pull the right levers that address HCM needs. By clearly tying compensation to specific metrics — whether financial, performance, ESG or other metrics — boards can both address shareholder interests and minimize potential resistance.

Setting social policies for a company, such as those that increase board diversity, can take considerable time to implement, so it's critical to plan appropriately and devote sufficient resources to the initiative. Taking a proactive approach on HCM has multiple advantages, especially as regulators are reviewing the impact a company's social policies may have on the business and on society more broadly. Ultimately, both shareholders and employees want to create value for the organization, so finding the areas where these motivations overlap can help meet the company's shared goals.



To learn more, see the following resources:

- BDO's insight ***Compensation Committee Priorities for 2022***, which specifically addresses aligning compensation with evolving strategic business priorities and looking beyond traditional compensation tools to attract and retain talent.
- BDO in the Boardroom podcast episode ***2022 Compensation Committee Planning Points*** with Jason Brooks, BDO's Compensation Consulting Practice Leader.

Emerging Threats and Disruptions

The components of enterprise risk management form the roadmap for corporate oversight, and there are multiple areas that require careful attention. Amid an expanding risk landscape, boards should reassess their risk appetite, evaluate governance policies and oversee the control environment to confirm it aligns with company culture. They must also prepare to clearly communicate these risks and opportunities to shareholders. As boards remain vigilant about existing and emerging risks and fortify governance structures to mitigate them, there are several potential hazards that call for closer examination in 2022.

CYBER RISK

Cyber risk remains a persistent threat to organizations as they implement digital strategy and manage change. Overall, cyberattacks have grown in number and sophistication, and ransomware attacks in particular increased substantially during 2021. A **Verizon report** found that the percentage of data breaches involving ransomware doubled from 2020 to 2021, and threat actors continuously adapt their tactics to evade defenses and exploit vulnerabilities. Theft of crypto assets is also a growing problem, with more than $14 billion stolen in 2021. At the same time, **the SEC has increased scrutiny of cybersecurity disclosure enforcement**, a trend that's expected to continue as the universe of cyber threats expands.

At the same time, the workplace has become increasingly digitized as employers embrace hybrid working models and leverage the power of enterprise data. Organizational preparedness and response has never been more critical to minimize exposure to cyber risk, and boards play a key governance role.

SUPPLY CHAIN RISK

Supply chain challenges garnered many headlines during 2021, and those problems — including scarcity of materials, heightened transportation costs, demand forecasting difficulties and more — do not appear to be subsiding anytime soon. Shareholders should be kept up to date on the risk that vulnerabilities in a company's supply chain poses to its operations, as they could materially impact business continuity and shareholder investment decisions. A proactive approach to assessing and managing those risks may help minimize disruption. Supply chain challenges may also be tied closely to ESG risks, such as climate-related disruptions as well as suppliers choosing not to do businesses with companies that don't have a similar ESG positions. Boards should confirm proper oversight of all aspects of the supply chain.

M&A RISK

Deal activity set new annual records in 2021 for overall value, PE-backed deals, cross-border deals, U.S. targets, tech targets and more. And ***BDO's 2021 Fall Board Pulse Survey*** showed that M&A is the top-ranked corporate strategy for public board directors. Boards can provide valuable oversight in assessing potentials deals and ensuring business strategy is aligned with plans for value creation throughout the deal lifecycle — especially while high valuations and eager buyers prevail.

In particular, special purpose acquisition company (SPAC) transactions have far surpassed previous highs. The **613 SPAC listings in 2021** raised a total of $145 billion, a sharp increase from 248 SPACs and $83 billion raised in 2020. Governance concerns related to those unique transactions have understandably come under closer examination. Glass Lewis set specific policies for SPAC governance in its 2022 voting guidelines. Those policies include evaluating companies that went public through a de-SPAC transaction, reviewing whether governance practices restrict shareholder rights, and whether any restrictive provisions were submitted to an advisory vote. SPACs face a host of board composition challenges, including overboarding and directors' lack of experience in serving as public company board members.

BDO Insight: Boards should carefully reevaluate board mandates and written governance documents to confirm proper risk oversight. Boards are required to maintain charters that clearly delineate roles and responsibilities of the board and committees of the board, inclusive of how oversight for significant risks is to be allocated. As boards take steps to address disruption and mitigate risk, they should communicate clearly with shareholders about these specific actions.

Board composition and capacity should also be part of the risk review so responsibilities are aligned with board members' bandwidth and skill sets. As the roles of board committees evolve, the capabilities on boards should evolve as well. To keep pace with continuing changes, planning for board refreshment and preventing overboarding can help ensure strong corporate governance on a continuing basis. It's also vital to maintain ongoing education and communication between the board and those with significant management responsibility for risk — e.g., leaders in CIO and CISO roles who manage data protection and cybersecurity issues.

Reviewing the adequacy of disclosures is another key step due to the various requirements from regulators and others. Regulatory bodies are putting greater scrutiny on disclosures, so accuracy and transparency are a necessary part of compliance. In September, the SEC Chair stated in **testimony** for the U.S. Senate Committee on Banking, Housing, and Urban Affairs that staff are developing proposals regarding disclosures, because *"investors are looking for consistent, comparable, and decision-useful disclosures around climate risk, human capital, and cybersecurity."*

Adapt to Thrive

Shareholder priorities are shifting, and boards are adapting in response through both engagement and transparency. Goals for long-term value creation are linked to the interests of all stakeholders, giving strategic importance to ESG and DEI initiatives. And accountability to the broader shareholder base has prompted more transparent communication and disclosures. Boards have greater responsibility to address these considerations through oversight and business strategy as they support management teams in their operational execution. As this evolution continues, boards are shaping the future of business and creating sustainable success.

The scope of responsibilities placed upon boards has been increasing in recent years and is likely to continue to expand. At their core, boards are relied upon to guide an organization's management in such a way that provides the most value to shareholders while also considering the impacts on stakeholders as a wider group. It is critical that board members consider long-term vision while evaluating immediate risk in order to deliver consistent — and favorable — returns.

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