Gender diversity on boards is increasing—except at leadership levels

According to Reuters, a new Equilar study found that while the percentage of women on corporate boards has increased, women hold few board leadership roles.

The percentage of corporate board seats held by women at the US’ 500 largest public companies has increased from about 19% in 2015 to nearly 26% in 2019. However, the percentage of board leadership roles (board chairs or lead independent directors) held by women has hardly changed, holding steady at around 7.5%. The study notes that there has actually been a decline in the number of women holding the role of combined CEO/chair.

The study did, however, find that there has been an increase in the percentages of committee chair roles held by women. In 2019, women led 23% of audit committees (up from 18% in 2015), 23% of compensation committees (up from 14% in 2015) and 31% of nominating and governance committees (up from 20% in 2015).

Trump’s budget proposal removes the PCAOB

According to Bloomberg Tax, President Trump’s fiscal 2021 budget proposal would eliminate the PCAOB by 2022. Its duties would be performed instead by the SEC. The administration estimates that the change would save $580 million over a nine-year period.
The PCAOB was created in 2002 as part of the Sarbanes-Oxley Act to restore trust in financial systems due to accounting scandals. Trump’s proposal to eliminate it drew some opposition. “I think it would be a mistake. I think it’s been a success in improving audit quality and getting the firms to focus more on quality controls in their audit practice,” said Dan Goelzer, a former PCAOB board member and former general counsel to the SEC.

The Council of Institutional investors (CII) also weighed in by stating, “CII strongly supported provisions in the Sarbanes-Oxley Act that created the PCAOB as an independent oversight and standard-setting body for the audit profession. Its important functions include inspecting audits rather than letting audit firms grade their own work. The independence of the PCAOB is critical to ensuring high quality audits and reliable financial information that meets investor needs and strengthens confidence in the markets.”

Last minute Form 10-K considerations

For those companies who have yet to file their Form 10-Ks, law firm Weil, Gotshal & Manges provides a checklist of topics to consider before doing so. The checklist also includes a summary of recent SEC guidance.

The checklist covers a number of considerations for line-item disclosure requirements such as 10-K cover page, risk factors, and management’s discussion and analysis (MD&A). Specifically, within the risk factor disclosures, the checklist details some of the risks companies should consider such as Brexit, coronavirus, LIBOR transition and climate risk/sustainability. It also covers financial statement disclosures such as critical audit matters (CAMs), loss contingencies and new GAAP.

Considerations for this upcoming proxy season

Law firm Gibson Dunn’s Considerations for preparing your 2020 proxy statement details ten things to consider this upcoming proxy season. It outlines recent changes to SEC rules, developments relating to institutional investors and proxy advisory firms, and evolving corporate governance best practices. The considerations include:

1. Bolstering the description of audit committee oversight
2. Preparing for and addressing new institutional investor and proxy advisory firm policies
3. Adding or expanding discussion of “hot topics” like human capital management and other ESG topics
4. Reviewing non-GAAP disclosures in CD&A in light of recent criticism
5. Including additional disclosures if holding a virtual-only annual meeting

Recent thought leadership

Deals 2020 outlook: what boards should know

What does the deals landscape look like, and what should your board know? Mergers and acquisitions activity will likely remain steady in 2020, driven largely by the desire to increase scale and the pursuit of technology. But there will be challenges to overcome, from a potential downturn in the economy to a continually fragmented regulatory environment. And, of course, a US presidential election, which naturally causes uncertainty. While your board may continue to hear about a looming slowdown, that doesn’t mean you should
stop thinking about M&A. In fact, quite the opposite—your company should think about how to take advantage of M&A in the next downturn. Here’s why and what we think will happen in 2020.

See the full paper here

Initial public offerings: When governance becomes a red flag

When private companies prepare to go public, they start feeling the glare of public scrutiny. This includes review of the company’s financial performance and risk factors, of course. But it also includes probing their governance practices. Corporate governance concerns alone may not derail a planned IPO. But red flags in corporate governance can bring unflattering media coverage, and complicate investor relations.

See the full paper here

The 2020 landscape: What boards should expect

The dialogue and sentiment around business is changing, and your board is likely paying attention. You’ll be hearing more conversations about the role of the corporation as you go into 2020, as expectations grow for companies to define their purpose and balance the interests of their broader stakeholder group. Topics like social issues, talent matters, and corporate culture will set the tone for 2020—as well as crisis management, because any topic can easily manifest into a crisis, and your board needs to be prepared. This article provides a snapshot of the atmosphere right now and what your board needs to know to get your arms around this changing sentiment.

See the full article here

PwC’s 2019 Annual Corporate Directors Survey

The survey captures views from over 700 public company directors across the United States on a spectrum of governance topics, such as board composition, board diversity, social issues, and culture and talent management. One key finding is that nearly half of directors (49%) say that one or more directors on their board should be replaced.

See the full report here

Education

What companies need to know about the role audit committees play

The audit committee is one of the busiest committees on the board and has a wide range of responsibilities beyond financial reporting oversight. So, as listeners prepare for year-end audit committee conversations, host Heather Horn talks to PwC’s governance leader, Paula Loop, about the role of the audit committee and how management can help facilitate their oversight responsibilities.

Highlights from PwC’s 2019 Annual Corporate Directors Survey

In this video, PwC’s Governance Insights Center Director Leah Malone highlights the key takeaways from the 2019 report.
Washington politics, public policy and financial reporting
In this podcast, PwC’s US Public Policy Leader Roz Brooks joins Heather Horn to discuss Capitol Hill and the impact of politics and public policy on the financial statements.

Talent management: The new board imperative
In this video, PwC’s Governance Insights Center Principal Paul DeNicola discusses the board’s role in overseeing talent management—and why it’s being labeled as a new imperative.

Investor perspectives on reporting: 5 things you need to know
What do investors and analysts really want to learn from your financial statements? And what are their areas of focus? On this podcast, we answer these questions and discuss more of what’s on the minds of investors.

Events

Join our team for engaging discussions at these upcoming governance events:

Weinberg Center for Corporate Governance: 2020 Corporate Governance Symposium
Newark, DE
March 17, 2020
Join PwC’s Governance Insights Center Managing Director Barbara Berlin at the 2020 Corporate Governance Symposium. This year’s symposium will focus on governance issues of critical importance to boards and investors in 2020.

Equilar Board Leadership Forum
New York, NY
March 18, 2020
Join PwC’s Governance Insights Center team at the Equilar Board Leadership Forum. The Board Leadership Forum aims to encourage participants to adopt effective techniques and strategies for implementing ESG initiatives, organizing human capital management, dealing with activism and balancing board composition. This event is a great opportunity to network with industry professionals and stay up to date on the corporate governance landscape.

Corporate Board Member: Annual Boardroom Summit
New York, NY
April 2-3, 2020
Join PwC’s Governance Insights Center team at the Corporate Board Member Annual Boardroom Summit. The Boardroom Summit will cover the full gamut of board-level issues, from risk oversight and shareholder engagement to the board’s hand in culture, cybersecurity and compensation, and the breadth of corporate governance topics in between. Featuring the original Board Committee Peer Exchange, the event is specifically developed for public company directors and the members of management working closely with them to tackle today’s greatest board leadership and governance challenges.
Contacts

Paul DeNicola
Principal, PwC’s Governance Insights Center
paul.denicola@pwc.com

Tracey-Lee Brown
Senior Manager, PwC’s Governance Insights Center
tracey-lee.y.brown@pwc.com

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