COVID-19 response considerations for boards

PwC’s Responding to COVID-19: Considerations for corporate boards provides a number of topics for boards to consider as Coronavirus (COVID-19) continues to spread as a global pandemic. Now more than ever, boards of directors need to be proactive and agile, and they need to respond with strong leadership. Since there are numerous strategic, operational and policy concerns impacting both the short and long term, boards will want to immediately consider issues related to the business, tax policies, financial reporting and governance. Read the full article.

In addition, see We can help protect the economy if we protect our people. In this op-ed, PwC US Chair and Senior Partner, Tim Ryan, shares his perspective on the business challenges of COVID-19 and how PwC is approaching them.

SEC staff provides guidance for conducting annual meetings in light of COVID-19 concerns

On March 13, the SEC announced guidance regarding conducting annual meetings given COVID-19 concerns. According to the announcement, the SEC staff has received inquiries regarding compliance with federal proxy rules for upcoming annual meetings, in light of health, transportation and other logistical issues due to COVID-19.

Companies are required to hold annual meetings of security holders under state law. Some are also required to comply with federal rules, which require, among other things, delivery of proxy materials. The guidance issued by the SEC staff addresses the following issues:

- **Changing the date, time or location of an annual meeting:** If a company has already mailed and filed its definitive proxy materials, the SEC staff will take the position that it can notify shareholders of a change in date, time or location without mailing additional soliciting materials and amending its proxy materials provided certain steps are taken. These steps include issuing a press release announcing the change, filing the announcement on EDGAR, and taking all reasonable steps to notify intermediaries (e.g., proxy service provider) and other relevant market participants of the change.
• **Virtual shareholder meeting:** The ability to conduct a virtual meeting is governed by state law, where permitted, and the issuer’s governing documents. If a company plans to conduct virtual or “hybrid” (where shareholders can opt for virtual access to a physical meeting) meetings, the SEC staff expects shareholders and other market participants to be notified in a timely manner. The staff also expects companies to explain the logistical details of the virtual or hybrid meeting, such as how to participate via remote access and how to vote. If a company has not yet mailed its definitive proxy materials, this information should be in the proxy statement or soliciting materials. If a company has already mailed and filed its materials, the company should follow the “change” guidance discussed above.

• **Presentation of shareholder proposals:** SEC rules require shareholder proponents, or their representative to appear and present their proposal at annual meetings. Given the possible difficulties with in-person presentation, the SEC staff has encouraged companies, to the extent feasible under state law, to provide shareholder proponents with alternate means of presenting their proposals, such as by phone. In addition, if a shareholder proponent is unable to attend the annual meeting due to hardships related to COVID-19, the staff would consider this “good cause” under Exchange Act Rule 14a-8(h) in the event the company attempts to use this as the basis for excluding a future proposal by the shareholder proponent.

For more information on virtual meetings, see PwC’s [Virtual shareholder meetings—What boards need to know](https://www.pwc.com/us/en/strategy/leadership-virtual-shareholder-meetings.html).

### How director views differ – by gender

PwC's [2019 Annual Corporate Directors Survey: Gender-focused findings](https://www.pwc.com/us/en/strategy/leadership-gender-focused-findings.html) highlights areas in which male and female directors have different views. With this variety of perspective, boards can think about issues more broadly, and see them in a different context. They are better able to identify important questions and possible solutions.

The gender-focused findings include:

• **Social issues in strategy formation:** Male and female directors often have differing views around whether social issues should be considered when forming company strategy. For example, 82% of female directors say resource scarcity should play a role in strategy discussions, compared to just 61% of male directors.

• **Opportunities to improve talent management:** Female directors don't think their companies are doing quite as well as male directors do when it comes to talent management. They see room for improvement around developing and retaining talent—more so than male directors. And only 47% of female directors say their company does a good or excellent job recruiting a diverse workforce, compared to 67% of male directors.

• **Factors that contribute to culture failings:** Both male and female directors agree that the tone set by executive management and middle management can contribute to problems with company culture. But female directors are more likely to say management’s focus on short-term results is to blame. They are also nearly twice as likely to blame the company’s compensation plans.
Fighting fraud: A never-ending battle – says PwC’s Global Economic Crime and Fraud Survey

According to PwC’s Global Economic Crime and Fraud Survey 2020, 47% of companies experienced fraud in the past 24 months—with an average of six frauds reported per company. The survey collected responses from more than 5,000 respondents in 99 territories. The most common types were customer fraud, cybercrime and asset misappropriation. And there was roughly an even split between frauds committed by internal and external perpetrators, at almost 40% each—with the rest being mostly collusion between the two.

The total fraud losses reported by respondents was $42 billion. And 13% of those who said they experienced fraud said they lost more than $50 million. Only 56% investigated their worst fraud incident and barely one-third reported it to the board.

The survey states that for any business, the threat of fraud is current and growing. It’s a risk which should not be ignored or underestimated.

More resources and insights

In our 2019 Annual Corporate Directors Survey: Gender-focused findings, PwC found that female directors are more likely to say that gender diversity is “very important” on boards—but they are also more likely to say the same about other elements of diversity.

To what extent do you agree with the following statements about board diversity?

- Brings unique perspectives to the boardroom: 85% strongly agree
- Enhances board performance: 77% strongly agree
- Improves strategy/risk oversight: 63% strongly agree
- Enhances company performance: 56% strongly agree

Response: Strongly agree
(326.463)
Proxy preview

Many of the topics that dominated the 2019 proxy season will continue to be front and center in 2020. This includes environmental, social and governance (ESG) matters, pay equity and board composition. At the same time, boards will want to keep an eye on the regulatory agenda, as the SEC has taken action that could impact proxy voting and shareholder proposals. Read the full report.

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 is nearing, 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. Read the full web article.

COVID 19: Confidently navigate through the coronavirus crisis

While the safety and well-being of workers affected by COVID-19 is the first priority, companies will also triage other essentials, such as incident management and stakeholder communications. In response to COVID-19, companies are developing their contingency plans quickly. Some are adapting existing plans to handle this outbreak, while others are starting from scratch. Read our latest guidance.

Audit committee oversight resources

Growing expectations and a hefty workload make the role of the audit committee tough to track and measure. What insights are needed to empower audit committees to take their game to the next level? In this video, Catie Hall, a Director in PwC’s Governance Insights Center, discusses PwC’s recent oversight checklist for audit committees. She highlights the key financial and non-financial areas, shares examples of insights and offers advice on the best use cases for the test. Watch the video.

Additionally, listen as 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. Listen to the podcast.
For the health and safety of our clients, all live conferences and events have been postponed or will be transitioned to a virtual format. We will keep you informed as we know more. Please reach out to us if you have any questions.

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