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Some Thoughts for Boards of Directors:
Key Corporate Governance Issues at Mid-Year 2021

Last year, we did a [mid-year edition](#) of our annual [Thoughts for Boards of Directors](#) to highlight key issues and considerations in managing the challenging business environment and profound upheaval caused by the pandemic. Many of these issues are still top-of-mind as the “new normal” continues to evolve, and will continue to be prominent themes in boardroom discussions. As we emerge from the pandemic, boards and management teams should continue to assess their corporate purpose, strategy, risk management procedures, and board committee structures to optimize their ability to deal with the ever-proliferating number and complexity of business risks and opportunities they must navigate, including the following:

- The importance of reputation and trust in the corporation, and the nexus between corporate values and sustainable value.
- The purpose and mission of the corporation, and its impact on and co-dependencies with multiple stakeholders.
- Human capital management (including wages, safety, health, training, retraining and retirement benefits) and related disclosure issues.
- Diversity, equity and inclusion, and addressing racial injustice and hate crimes.
- Environmental, social and governance (ESG) management, metrics and disclosures, inclusion in ESG index funds, litigation arising from ESG failures or nondisclosure, and government pressure on financial institutions to enforce ESG compliance.
- Relationship of executive compensation to ESG objectives and long-term growth in value.
- Preparedness to deal with activism, proxy fights, takeovers and M&A.
- Activist pincer attacks, such as the Exxon proxy fight, with multiple activists attacking from both an ESG perspective and a total shareholder return (TSR) perspective.

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- Risks of inflation and evolving monetary policies.
- Risks and opportunities from rapidly evolving technology, including cybersecurity, ransomware, blockchain, artificial intelligence and cryptocurrency.
- Planning for natural disasters, pandemics, supply chain disruption, liquidity squeezes, and the related impact on business continuity, retention of employees, risk insurance and litigation.
- The impact of climate change and related regulations, and expectations of stakeholders with respect to the role of businesses in addressing these issues.
- Pressures on corporations to take public positions on controversial legislation and political or regulatory matters, and activities and disclosures regarding lobbying and other political spending.
- State corporatism (*e.g.*, in China) and government sponsored research and investments.
- Global trade relations, tariffs and the broader geopolitical environment.
- New principles animating tax and tax arbitrage, antitrust and other regulatory reforms at the local, national and global levels.

It is remarkable how many key issues have been rapidly evolving and proliferating in such short order. A corporation and its board of directors should consider the best means of dealing with these issues, including by forming a team of advisors and meeting periodically with the team.

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