2025 SHAREHOLDER MEETING AGENDA

Proactive Board Oversight Amid Significant Uncertainty and Change

Table of Contents

Board directors once again enter proxy season against a backdrop of significant change. On a broad scale, supply chains and business operations continue to see impact from mounting geopolitical tensions, changing trade, tariff and tax policies, and ongoing price and interest rate pressures globally. Recent legal challenges and pauses herald the beginning of a significant shift in U.S. regulatory guidance on a number of issues, and the introduction of the Department of Government Efficiency (DOGE) raises critical questions about agency authority and access to government funding.

In addition, the anticipation of de-regulation under incoming U.S. Securities and Exchange Commission's (SEC) leadership, increased stakeholder attention to board oversight of artificial intelligence (AI) and cybersecurity, and shifting expectations around talent management are reshaping the corporate governance landscape. Monitoring changes like these will have directors reviewing current strategies with respect to risk oversight, approaching talent management and executive compensation, and responding to changing guidance and sentiment around issues like DEI, climate change and cryptocurrency.

The 2025 BDO Shareholder Meeting Agenda covers key challenges and opportunities for directors to consider as they prepare both for upcoming shareholder meetings and their broader oversight responsibilities and value creation in the year ahead. The agenda highlights common issues attracting shareholder attention amid increasing calls for greater transparency and accountability. While directors' focus areas will vary based on the organization's unique circumstances, boards are reminded to remain rooted in the corporation's mission and purpose to inform their decisions and communications to shareholders. Similarly, transparency around the governance of strategy and enterprise risk management (ERM) remains a high priority for investors. This includes explanation of the board's roles and responsibilities as well as the company's ERM program and process. Blackrock summarized investor sentiment by stating, "*We are particularly interested in understanding how risk oversight processes evolve in response to changes in corporate strategy and/or shifts in the business and related risk environment.*"

Communication that doesn't shy away from vulnerability but identifies what a company is doing about it instills confidence in the markets.

"*The convergence of AI adoption compounded by increased cybersecurity concerns, human capital policies, and significant shifts in the U.S. regulatory environment impacting risk management expand the demands on boards. Success in 2025 and beyond requires more than good governance — it requires constant vigilance by boards that can clearly articulate how their oversight decisions protect and continue to create value for shareholders.*

AMY ROJIK
National Managing Principal - Corporate Governance

Shareholder Meetings and Proxy Season: 2024 Recap and What's Trending in 2025?

Amid new leadership at the SEC and expected changes to its Regulatory Flex Agenda, boards anticipate regulatory volatility, in addition to evolving geopolitical and macroeconomic conditions. These changes will require boards to recalibrate.

While new issues and priorities will emerge in 2025, boards will also reflect on certain prior year trends to prepare for proxy season:

- **Volume:** Proposal volumes increased 6% from 929 to 983, but fewer advanced to voting stages, aided by lower shareholder support, outreach to shareholders, increased disclosure, and exclusions of certain proposals permitted under SEC Rule 14a-8.
- **Environmental, Social, and Governance (ESG):** Environmental and social proposals maintained steady levels but received little shareholder support. "E" proposals related to primarily to climate-related proposals (GHG reporting increased while those related to voluntary emission reduction targets decreased) and proposals related to nature and bio-diversity related risks increased. "S" proposals comprised diversity and anti-discrimination, political spending and lobbying, human capital management and other categories including artificial intelligence. Anti-ESG proposals emerged but also received minimal support, averaging around 3%. On the other hand, "G" proposals, primarily relating to the removal of supermajorities and director resignation bylaws, gained significant traction and increased shareholder support. We anticipate further shifts in 2025 ESG-related proposals in response to certain regulatory shifts under the current administration and actions being taken by other stakeholders discussed below.
- **Universal Proxy Card:** Boards initially anticipated that the SEC's universal proxy card mandate, requiring companies to include all director nominees on a single proxy voting card, would increase the success of dissident campaigns. However, as we move through 2025, the rules have yet to significantly impact success rates of shareholders installing their own candidates.
- **No-Action Requests:** Last year saw a significant increase in SEC no-action requests and subsequent proposal exclusions. With the issuance of new SEC guidance regarding Rule 14a-8, we would expect potentially more no-action requests and exclusions to occur in 2025.
- **Compensation:** Proposal numbers and support both declined, with none passing in 2024, while say-on-pay votes reached a record high approval rating. The shift may be due to increased disclosure and transparency around compensation. Proposals related to clawbacks and ESG performance metrics received the most support, though overall support remained low.
- **AI:** While AI was a significant topic for board consideration in 2024, and AI ethics-related proposals increased year-over-year, these proposals received low shareholder support, and none passed. However, increasing attention on emerging technologies will bring greater scrutiny on oversight, responsibilities, and disclosures related to AI and cybersecurity issues in 2025.

Investor Interest in the Technology Evolution and Continued Vigilance of Cyber Risk

ENVIRONMENTAL SHIFTS

A 2025 **report** found that 89% of Fortune 1000 business leaders believe AI is the most transformational technology in a generation, and organizations continue to move quickly to capture its productivity and growth benefits while managing growing risk.

INFLUENCE

With the significant interest in AI — and the more recent widespread access to generative AI and large language models (LLMs) —shareholders, regulators, investors, and advisors have a growing stake and interest in corporate investments in this area.

Given the risks that come with these emerging technologies, regulators across the globe are moving quickly to establish governance frameworks. The EU AI Act, in effect since August 2024, represents the most comprehensive regulatory and legal framework to date. Similar to Europe's current climate regulations, the EU AI Act will potentially have wide-ranging impacts on U.S. businesses that develop or deploy AI systems in the EU, and companies need to understand the ramifications of non-compliance.

In the U.S., the new Trump administration has issued a series of Executive Orders (EOs) aimed at making the U.S. the dominate player on the global technology stage and effectively overturned certain governmental restrictions contained in EOs issued by former President Biden on the technological innovation of AI. While this is happening at the federal level, U.S. states are increasingly adopting AI-related regulations, with California recently **mandating** AI governance requirements for health insurance companies.

Glass Lewis' 2025 proxy voting guidelines set clear expectations for board oversight of AI. For companies that develop or employ AI in their operations, boards must "be aware of and take steps to mitigate exposure to material risks." While Glass Lewis states they "generally will not make voting recommendations on the basis of a company's AI oversight or disclosure in the absence of material AI-related incidents," they may recommend voting against appropriate directors if evidence shows shareholders have been materially impacted by insufficient AI oversight or management.

While boards navigate emerging AI rules, they must also address mounting cybersecurity threats — including increasing threats from AI-powered ransomware to deepfake social engineering and automated attack patterns — and regulations designed to combat threats and increase transparency.

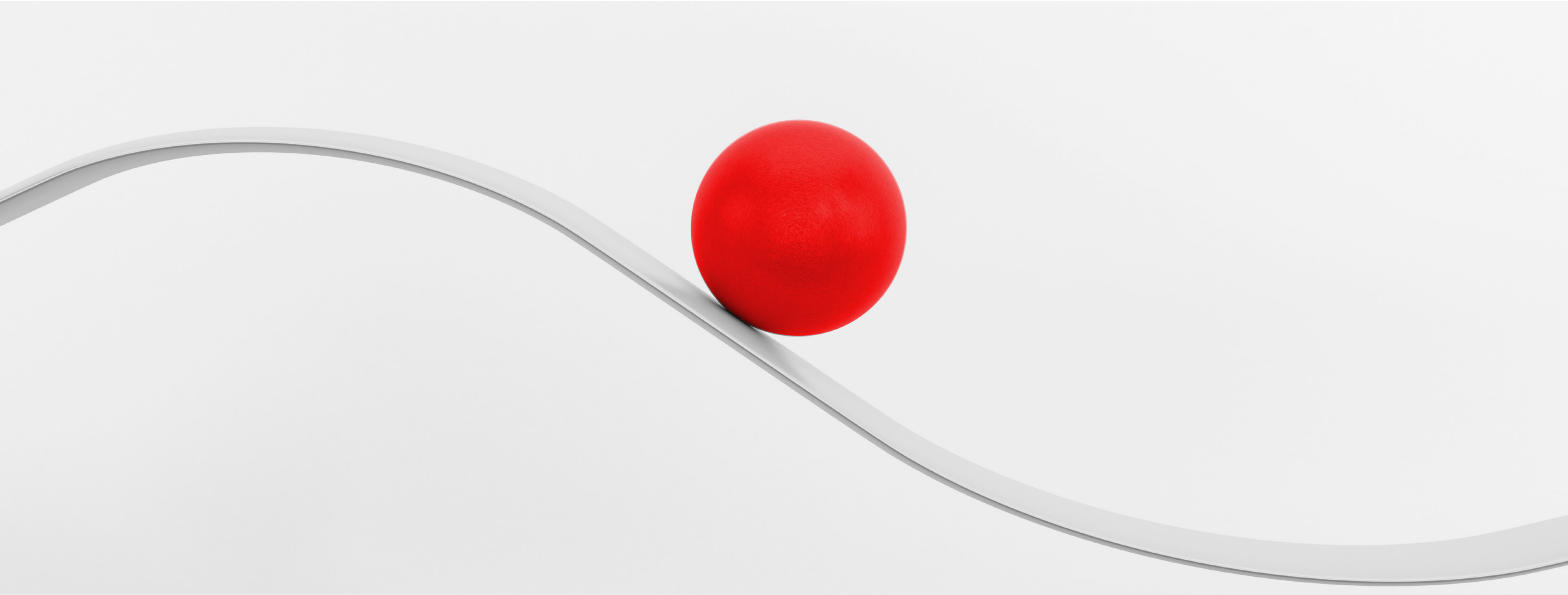
The **SEC's Cybersecurity Disclosure Rules** require organizations to report material cyber incidents within four days as well as annually disclose their cybersecurity risk management strategy, including processes, frameworks, management's role, and the board's oversight. Such rules reflect growing shareholder concerns about whether and how companies are effectively managing cyber risk, particularly with respect to third-party exposure.

FURTHER THOUGHTS

In the latest **BDO Board Survey**, approximately 250 public company directors report lagging implementation of emerging technologies in their top three highest risk considerations. Boards need to strike the delicate balance of encouraging innovation to remain competitive while ensuring management establishes comprehensive AI and technology governance frameworks that align with their organizational strategy and risk tolerance profile. This includes incorporating expanded use of technology within their ERM system, establishing technology and AI ethics guidelines, and monitoring protocols and compliance throughout the organization. Boards are further encouraged to be transparent in disclosing how AI and technological risk and opportunities are being managed and how boards are exercising proactive oversight of these areas.

The cybersecurity landscape continues to mature and attacks are more sophisticated, supported by emerging technology. Any company seeking to implement new technology or engage with third party organizations that are doing so, need to understand the inherent cyber risks being assumed as part of those activities.

In preparing for shareholder meetings and engagement with other stakeholders, directors and executive leadership should be technology literate and prepared to discuss the organization's technology and cyber investment priorities, supported by measurable ROI metrics and performance indicators. This includes explaining allocations for infrastructure, talent development and continuing education, as well as competitive advantages, risks, and mitigation efforts where applicable.



Strength of Corporate Governance and Talent Management

In addition to emerging technology and cyber concerns, human capital management, board composition, and succession planning and compensation of executive leadership will likely be at the forefront of the 2025 proxy season.

BOARD COMPOSITION STRUCTURE, SKILLSETS & INDEPENDENCE

Environmental Shifts

As the market and its impacts on businesses evolve, so too, should the composition of the boardroom. Shareholders expect boards to have “fit for purpose directors,” necessitating proactive evaluation, succession planning, and clear disclosure of how director appointments align with organizational needs and any relationships that could impact the independent thinking of an individual director.

Influence

Director alignment is particularly crucial, as board members have a fiduciary duty to act in the best interest of shareholders in overseeing a company’s strategic direction, operations, and risk management. BlackRock **guidelines** note that if a company has not adequately disclosed and demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, they may vote against the election of certain directors. In addition, recent SEC enforcement actions have focused on director independence issues, particularly concerning undisclosed close friendships and social ties between directors and company executives.

Further Thoughts

BDO’s **board survey** reports technology implementation (31%), industry specialization (31%), corporate strategy (30%), cybersecurity (27%), and audit/finance (27%) as the most sought-after director skillsets for 2025. These priorities reflect the increasing complexity and scope of the board’s oversight responsibilities. When it comes to director influence, companies should ensure their Director & Officer (D&O) questionnaires effectively capture information about personal relationships that could affect a director’s ability to act independently or raise concerns in the public eye. To strengthen these oversight measures, independence considerations should become a core component of continuing education curricula for both the board and management.

DIVERSITY, EQUITY, AND INCLUSION

Environmental Shifts

Early moves by the new Trump administration have heightened scrutiny around diversity, equity, and inclusion (DEI) programs. Activists like Robby Starbuck have challenged major brands across industries, and the results of those challenges continue to make headlines and lead to calls for consumer boycotts on both sides of the argument. More recently, in February 2025, proxy advisor Institutional Shareholder Services (ISS) **indicated** that in light of increased attention on DEI practices, including Presidential EOs, it will indefinitely halt considerations of certain diversity factors (i.e., gender and racial and/or ethnic diversity of a company’s board) in making director election or re-election voting recommendations for shareholder meeting reports published on or after February 25, 2025.

Influence

Following waves of regulatory and stakeholder moves to advance DEI initiatives over the past five years, rule makers, the new administration, proxy advisors, and some of the larger institutional investors are now taking actions to attempt to tone down or roll back certain of these programs. For example,

January 2025	January 2025	February 2025	February 2025
President Trump issued an executive order (EO) to roll back DEI programs within the federal government, as well as set a requirement for the Attorney General to submit recommendations on how to "encourage the private sector to end illegal discrimination and preferences, including DEI."	The SEC approved Nasdaq's removal of its Diversity Rule following the **December ruling** by The Fifth U.S. Circuit Court of Appeals in New Orleans that concluded the SEC lacked statutory authority to approve Nasdaq's adoption of such a rule.	Both **Blackrock** and **Vanguard** voting guidelines toned down explicit language with respect to DEI and the board: Blackrock ▶ Dropped language recommending boards aspire to 30% diversity ▶ No express ask of boards to consider gender, race, and ethnicity in evaluating board composition Vanguard ▶ Softened language from a board "should" represent diverse characteristics (e.g., gender, race, and ethnicity) while retaining language that it "favors diversity of thought, background, and experiences, as well as personal characteristics (e.g., age, gender, and/or race/ethnicity)"	Institutional Shareholder Services (ISS) **indicated** that in light of increased attention on DEI practices… it will indefinitely halt considerations of certain diversity factors (i.e., gender and racial and/or ethnic diversity of a company's board) in making director election or re-election voting recommendations for shareholder meeting reports published on or after February 25, 2025. Glass Lewis also indicated to its clients that it is reevaluating its DEI and board diversity shareholder proposal voting policies based on the current administration's position and will inform clients of any changes or modifications to its policies on March 3, 2025.

Despite this activity, consensus around the direction and future of DEI initiatives is far from universal. Many stakeholders, institutional investors, and sponsored retirement and scholarship funds remain active in both DEI commitments and prioritization, particularly where they align with organizations' mission, vision, and values. For example, BlackRock continues to request detailed disclosures about board composition, including how candidates are identified and how directors' areas of expertise align with company strategy.

Further Thoughts

Directors will need to carefully navigate this complex issue. In response to policy, guidance, and business needs, boards will need to take a close look at their internal policies, anti-discrimination laws, and data on the efficacy of DEI programs within their organization and the market at large and weigh how their decided approach aligns with the company's mission and values.

Directors should encourage proactive strategies to be responsive to shareholder questions that may include:

- Performing a fresh examination of the company's approach to workforce strategy to ensure current policies and processes remain aligned with corporate mission, purpose, and values
- Assess how current corporate programs are contributing to the long-term sustainability of the company
- Communicating human capital strategy, policies and process to internal and external stakeholders

EXECUTIVE SUCCESSION PLANNING & SECURITY

Environmental Shifts

In 2024, over 2,200 U.S. company CEOs announced their departures. Succession planning is often considered the board's chief responsibility and requires a multi-faceted plan covering the near- and longer-terms to reflect changing business conditions. This year many companies are further reflecting on their succession planning strategy with an increased focus on safety and security for their employees, particularly C-suite executives, in addition to typical considerations around the qualifications and experiences needed by future leaders.

Influence

While every organization has unique factors affecting their succession planning and security needs, the SEC has existing guidance within a two-step framework for determining whether an employee security arrangement qualifies as a business expense or should be treated as a perquisite to be disclosed as part of the employee's compensation. These classifications may further trigger special income tax consequences for both income imputation and employer tax deductions.

Further Thoughts

Boards are **counseled** to consider: threat, vulnerability, and consequence in determining how best to protect company leaders and be prepared to answer questions from shareholders as to how the company views additional safeguard expenditures for their executives as part of the organization's overall risk management strategy and continue to monitor regulatory positions on this issue.

They should also ensure management has proper controls over expenditure accounting and disclosure, as well as remain responsive to inquiries from shareholders and other stakeholders about the company's decisions to safeguard human capital.

EXECUTIVE COMPENSATION

Environmental Shifts

While executive pay is typically aligned to stock market performance, the Economic Policy Institute **reports** realized executive pay declined 19% from 2022 to 2023 despite the market holding relatively steady. However, in 2024, median CEO pay in the S&P 500 **reached** $15.6 million — its highest level in a decade — with continued focus on performance-based plan design.

Influence

While shareholder support for say-on-pay and pay-for-performance remained strong in 2024, ISS, Glass Lewis, and institutional investors continue to emphasize the need for companies to clearly explain their approach to executive pay — including why pay and severance packages are structured the way they are, and how they align with shareholder value.

Additionally, boards are reminded that proxy statements filed in 2025 will require SEC Regulation S-K Item 402(x) narrative and tabular disclosures about issuer practices with respect to timing of option grants, stock appreciation rights (SARs), and other option-like awards in relation to the release of material non-public information.

Further Thoughts

Transparency in pay practices is not a new consideration for boards, but companies continue to face challenges in balancing the need to attract and retain top executives while growing shareholder value. Proxy statements should be leveraged as a critical communication channel for the company's overall governance and compensation story, including how skills and experience were evaluated, why certain performance metrics were selected, and other information important to the company's specific stakeholders and shareholders. For more on CEO and CFO pay practices across industries, read our **2024 BDO 600 Survey of Executive Compensation Within Mid-Market Public Companies**.

Evolution of Climate Legislation

ENVIRONMENTAL SHIFTS

Boards will navigate competing issues and perspectives related to climate proposals in 2025. In the context of historic flooding, fires, and other natural disasters that have impacted state economies — and the bottom lines of businesses across many industries — some regulators are moving to reduce or remove the focus on organizations' climate impact while others are moving to increase it.

INFLUENCE

In February, SEC leadership formalized its intent to pause defense of its pending climate disclosure rule, which had been under legal challenge since proposal in 2022. While federal and state climate-related regulations will likely continue to evolve in the U.S., the EU's Corporate Sustainability Reporting Directive (CSRD) and other global climate regulations are proceeding and will have significant impact on U.S.-based companies operating in global supply chains. Boards will need to ensure their organization is current with rapidly developing global, regional, and local reporting requirements that could affect their operations and ability to maintain business relationships, as many drivers of climate-related and broader sustainability practices are market driven.

FURTHER THOUGHTS

Regulation should not drive strategy but will continue to play a role in risk monitoring and mitigation. Regulatory change and natural disasters are just two examples of the broader issue of "VUCA" — Volatility, Uncertainty, Complexity, and Ambiguity — that requires directors to be increasingly vigilant and agile. In a recent session held by National Association of Corporate Directors of New England, directors noted that VUCA demands consistency in understanding and demonstrating what an organization stands for, and ensuring the moves and policies taken up by management are not only compliant, but also support the goals, objectives, and culture within the organization.

Focus on Cryptocurrency

ENVIRONMENTAL SHIFTS

Prior to the re-election of President Trump, nearly two-thirds of Americans (63%) **expressed** little to no confidence in cryptocurrency while **FBI-reported** cryptocurrency fraud losses increased 45% to $5.6 billion in 2023. However, the new administration has been clear about establishing objectives and directional support for digital assets and cryptocurrencies.

INFLUENCE

In January, a Presidential EO was issued to strengthen American leadership in digital financial technology and established a new working group to propose a federal regulatory framework for digital assets, focusing on market structure, oversight, consumer protection, and risk management while evaluating the potential creation of a national digital asset stockpile. At the same time, the SEC **rescinded** SAB 121 that required companies having an obligation to safeguard cryptocurrencies (which may include nonfungible tokens and stablecoins) to recognize a liability and related asset on their books. Under the new SAB 122, companies must assess whether to recognize a liability for the risk of loss associated with safeguarding crypto assets using the recognition and measurement requirements under U.S. GAAP (ASC 450-20, Loss Contingencies) or IFRS (if applicable). In addition, the SEC reminded companies to provide adequate disclosures for investors to understand the companies' obligation to safeguard cryptocurrencies for others.

In addition, the White House previously appointed David Sacks to lead the President's Council of Advisors on Science and Technology and is being dubbed the first of its kind "AI and Crypto Czar." In February, Hester Peirce, a current SEC Commissioner, was appointed to head the SEC's Crypto Task Force and issued a **statement** on the significant amount of work ahead for the SEC to arrive at "a sensible, clear ruleset."

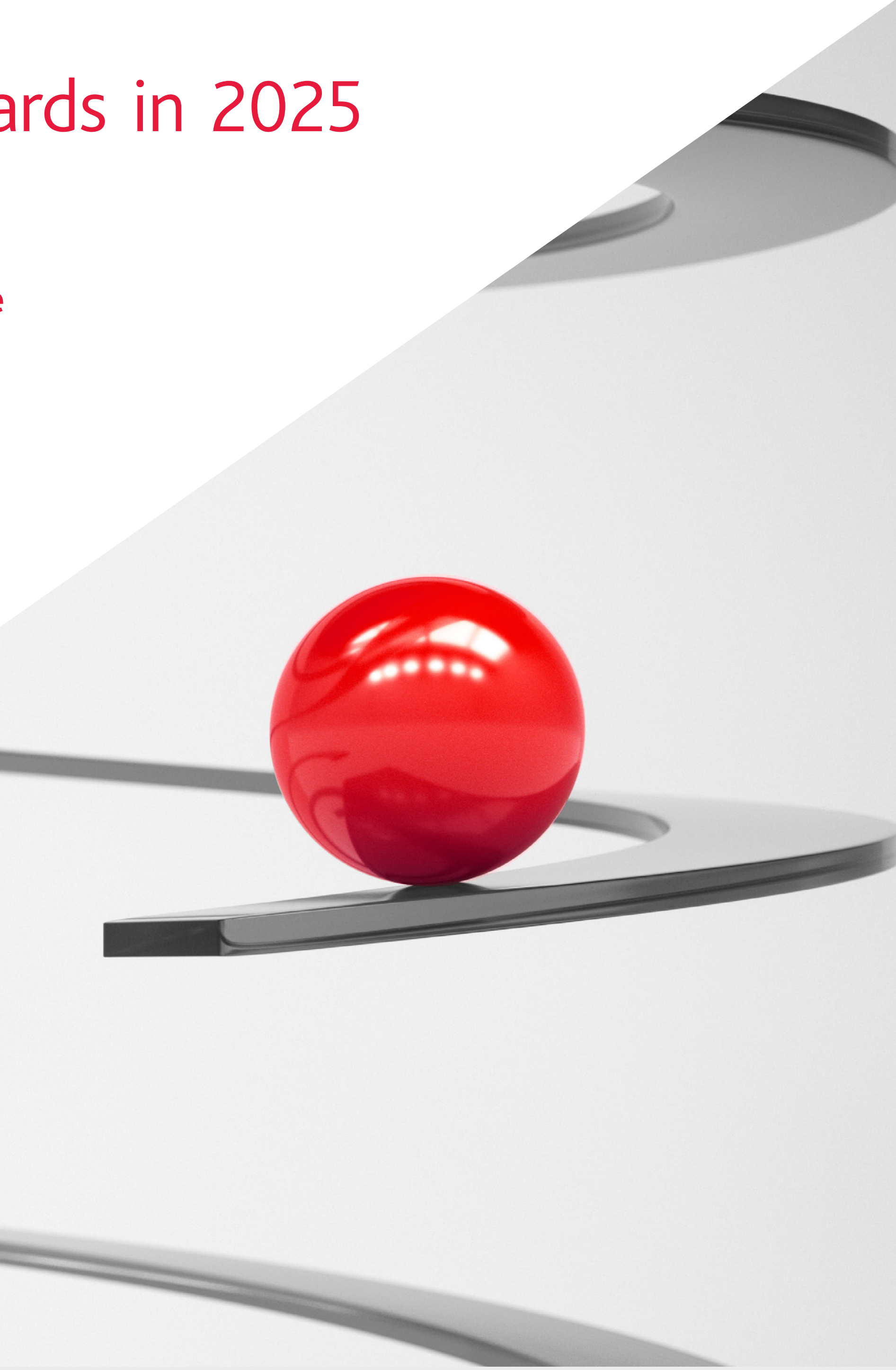
FURTHER THOUGHTS

Boards need to carefully monitor developments and define their company's risk appetite for transacting and investing in this space. As with AI and cybersecurity, boards must require clear management policies and procedures to govern cryptocurrency use and investment. Directors should deepen their understanding of their shareholders' views when considering whether to expand into cryptocurrency — views which may vary over time and even between organizations within the same industry. By way of example, in December 2024, Microsoft shareholders voted against the company investing in bitcoin, while Amazon received a proposal from shareholders, led by the National Center for Public Policy Research, to invest at least 5% in bitcoin.

Conclusion: The Imperative for Boards in 2025

Directors and management teams will undoubtedly continue to navigate significant uncertainty in their interactions with shareholders this season.

The most effective boards understand their organization's vulnerabilities and work to instill confidence that the company is taking appropriate measures to address them. This is reflected by transparency into the qualification of board members and management in the oversight and management of material risks. It further includes the ability to monitor shifting landscapes and ensure that positions and actions taken by the company on significant matters demonstrate proactive risk management aligned with the strategy and sustainability of the organization and compliance with applicable rules and regulations. Finally, it is through shareholder engagement, including activists, as a board and management priority to recognize and be responsive to issues important to critical stakeholders. Ultimately, boards that proactively address these challenges while maintaining open communication with shareholders will be best positioned to weather volatility and change while preserving and enhancing stakeholder trust into 2025 and beyond.



CONTACT US

AMY ROJIK
National Managing Principal - Corporate Governance
arojik@bdo.com

LEE SENTNOR
Professional Practice Director
lsentnor@bdo.com

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