



## **Top 10 Topics for Directors in 2020: Executive Summary**

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### **International Trade**

The international trade landscape is poised for change during the opening weeks of 2020. President Donald Trump's trade initiatives—including those dealing with the North American Free Trade Agreement (NAFTA), China, Japan and the World Trade Organization (WTO)—will likely come to fruition, essentially remaking bilateral trading relationships in the New Year. At the same time, the United States and United Kingdom are preparing to navigate a post-Brexit world as of January 31, 2020. We expect trade policy to become a defining issue for the 2020 presidential campaign.

### **Economic Downturn**

Today's economic, regulatory and political climates are uncertain, so members of boards of directors should take steps in 2020 to get ready for an economic downturn and prepare for restructuring. Corporate boards might not be able to fully safeguard against typical economic downturn challenges, like a reduction in access to public and private capital markets. However, they can still prepare. Evaluating and mitigating potential downside risks facing your business is key. Plus, familiarizing yourself with general legal and practical principles associated with operating in a low liquidity environment can go a long way.

### **Board Diversity**

Diversity and inclusion can provide a competitive advantage and enable growth, so many companies have made them a top priority. Despite this, the number of women and minorities serving on boards of directors still doesn't reflect the makeup of the general population.

Change starts in the boardroom, where it's important in 2020 for board members to take an active role in guiding a company culture that values human capital. You should review your company's diversity policies, as well as board nomination procedures to ensure they encourage gender and ethnic diversity.

## **Corporate Reputation**

The Internet has made it possible for anyone to falsely attack online the products and brands, leadership, securities, markets and overall integrity of major corporations. So it's more important than ever to protect your company's reputation. The law provides some tools that can be used to deflect an organized attack on reputation, but the best defense in protecting the hard-earned good name of any business is vigilance, caution and a willingness to act when the threat to reputation is real and immediate.

## **Pay Equity**

The legal landscape around pay equity is shifting in the right direction, as recently enacted state and local laws aim to eliminate pay differences. When closing the pay gap in 2020, boards of directors must consider crucial issues. Finding a way to achieve pay equity is a complex endeavor that involves a mix of business decisions and legal considerations. However, determining your company's vulnerability to equal pay claims and making adjustments where needed is one way to mitigate the risk of future claims and create a positive public narrative.

## **Cybersecurity**

The nation's toughest privacy law—the California Consumer Privacy Act (CCPA)—went into effect on January 1, 2020. The law ushers in a new era of data governance and data privacy. At the same time, cyber breach activity continues to escalate. So cybersecurity and data privacy should be considered a significant risk area for companies. The CCPA is not limited to companies located in California. It's crucial to evaluate whether your company falls under the CCPA's reach and carefully structure data privacy practices to comply with the many requirements.

## **Shareholder Activism**

Chief executive officer and board representation of women and minorities at public companies is increasing slowly, despite a focus on gender and racial diversity by institutional investors, lawmakers and shareholder activists. A new gender and ethnic diversity initiative

implementing a version of the National Football League's (NFL's) "Rooney Rule" calls on companies to adopt a policy requiring the consideration of both women and minorities for every open board seat and CEO appointment. Launched by New York City Comptroller Scott Stringer, the initiative is one component of a broad-based gender and ethnic diversity activism campaign by investors for 2020.

## **Corporate Innovation**

Today's challenging business environment is largely driven by technology, so boards of directors must continually harness strategic innovation to stay competitive. In 2020, we expect companies to add directors with meaningful technology-related background and experience. Your nominating committee should consider technology expertise as one of the factors in the overall mix of skills that are essential for the board to possess. At the same time, it's essential to think about the potential legal and regulatory implications on the front end, as legislation catches up to emerging technologies.

## **Environmental, Social and Governance**

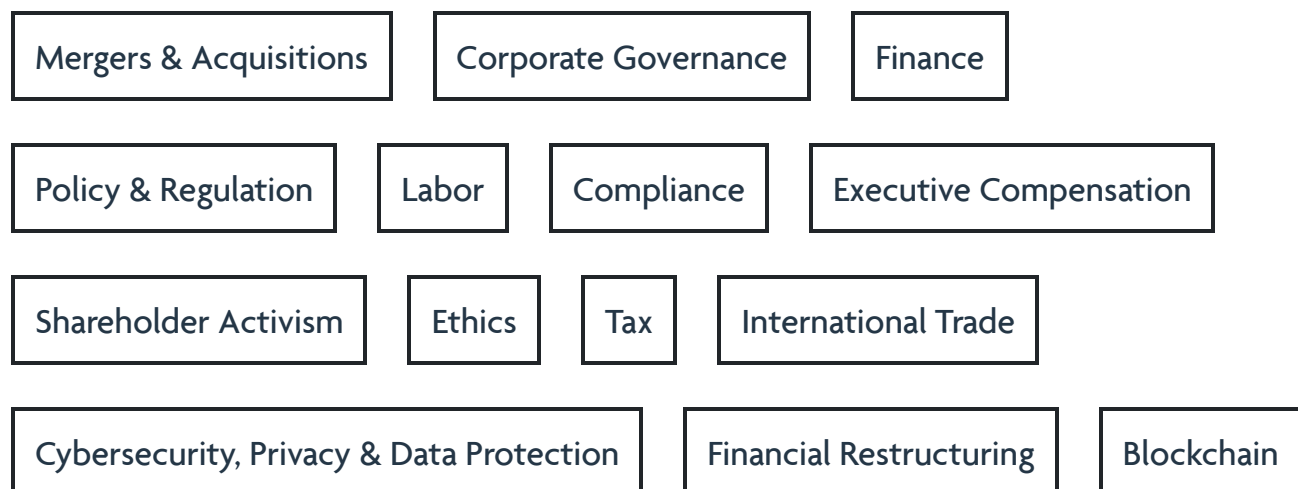
Whether domestically or abroad, the private sector is reenvisioning its role in society by prioritizing environmental, social and governance (ESG) issues and reporting. The United States and other jurisdictions are moving toward heightened ESG accountability and transparency. Steps taken by major U.S. private sector organizations and the U.S. Chamber of Commerce illustrate that policy and practice are on a path forward in 2020. Meanwhile, the international regulatory trend is farther along toward required ESG reporting. A new European Union (EU) regulation requires higher levels of sustainability-related disclosures in the financial services sector.

## **Bonus: #MeToo Movement**

Allegations of sexual harassment against a C-suite or other senior executive can have devastating consequences for any company. To minimize damage in 2020, you should have a comprehensive harassment allegation response plan in place before an incident occurs. Quickly responding to any allegations can lead to better solutions and reduce the risk of litigation. Additionally, your board of directors should conduct an honest review of company culture, and take steps to put appropriate training and policies in place.

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