

# AGENDA

OPINION

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## Corporate Governance and the Permanency of Covid-19

By Michael Peregrine September 7, 2021

The debilitating persistence of the delta variant provides a dose of reality to corporate boards. The Covid-19 virus isn't going away anytime soon, and they had best reorient their fiduciary focus accordingly. Business strategies that assume a near-term eradication of the virus beg for reevaluation, as delta's aggressive transmissibility suggests that Covid-19 will become a permanent part of daily existence.

Indeed, Federal Reserve Chairman Jerome Powell recently observed that the U.S. economy has been permanently changed by the Covid pandemic. "We're not simply going back to the economy that we had before the pandemic."

This means more than the challenge of oversight and planning amid the reams of sometimes confusing data evaluating the efficacy of the vaccines and the persistence of the virus. Attentive directors follow the scientific debate; they recognize both the value and limitations of the vaccine. They know that there are both conflicting data and conflicting interpretations, and they're as frustrated about it as anyone.

Rather, this is about confronting the basic, simple and now inescapable conclusion that long-term corporate strategy will need to co-exist with the virus, not anticipate its eradication. It's about recognizing that "success" in the larger pandemic effort is, according to Surgeon General Vivek Murthy, "getting to a point where we know how to live with



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Covid, where it doesn't cost us dearly in terms of lives and hospitalizations the way we're seeing right now...[A]nd that's ultimately how the pandemic will end.”

Thus the question is how to co-exist with the pandemic until it ultimately becomes endemic. From a public health perspective, the answer may lie in an awareness of the difficult path to that point. The public may need to be prepared psychologically for the likelihood that the risk is “not going to come down to zero,” as Sarah Zhang of The Atlantic noted. From a corporate governance perspective, the answer may be for the board and its leadership to accept that the virus is a permanent and significant enterprise risk, until it is not.

And that acceptance can be manifested in how the board adjusts the orientation of its agenda — from treating Covid-19 as a once-in-a-generation “black swan” to accepting it as a reality of corporate existence. It means treating pandemic issues as an extraordinary operational cost that will persist indefinitely, affecting all aspects of corporate operations, finance and strategy. Moreover, it means particular, ongoing consideration of the pandemic's impact on the constituents served by the corporation — not just consumers but also employees, investors, suppliers, and the communities in which it operates. It also means dedicated board focus on business and operational challenges directly arising from the pandemic. These include:

- Enhanced workplace safety in response to delta's extreme transmissibility
- An equitable, enforceable and sustainable approach to employees who do not get vaccinated
- The feasibility of current return-to-work plans
- Work-from-home arrangements as a more permanent employment model
- Further virus-based shifts in consumer preferences and practices
- Necessary alterations to talent recruitment and retention strategies
- The pandemic's outsized impact on female employees
- How compliance programs will adjust to hybrid workforce structures
- Lackluster job participation levels and related staffing challenges
- Leadership's ability to interpret scientific data and projections
- The increasing value of corporate partnerships with public health agencies

The likelihood of Covid-19 as a lingering “fact of life” has an important relationship to the protection of public health but also to the exercise of corporate responsibility. The expectation that business, as well as the general population, must learn to “live with the virus” directly impacts the board of directors’ ultimate duty to preserve and enhance the long-term value of the company, in all of its permutations. The sooner the board makes this adjustment, the sooner the company will be able to more directly address its implications.