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The Senate Banking Committee advanced Jay Clayton's nomination for SEC chair with a 15-8 vote following his testimony before the panel. His nomination now moves to the full Senate.

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The NYC Pension Funds, led by Comptroller Scott Stringer, has criticized companies that are holding virtual-only annual meetings.

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Survey measures directors' interests in repealing Dodd-Frank

A survey from NYSE Governance Services and Spencer Stuart indicates that 33% of directors support a full repeal of Dodd-Frank while 58% support changes to specific provisions.

See full articles below

Accounting and financial reporting in executive compensation

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ProxyPulse

ProxyPulse is a collaboration between Broadridge Financial Solutions and PwC's Governance Insights Center. In this *2017 Proxy Season Preview*, we take a look at what to expect this year and a look back at the 2016 mini-season.



Risk Oversight Series – How your board can decide if it needs a risk committee

Ongoing global economic and political uncertainty continue to put a spotlight on whether companies are prepared to both seize emerging opportunities and protect themselves against threats. For their part, boards are reflecting on whether they have the right governance structures to oversee strategic risks like these effectively. Some are examining whether a risk committee makes sense. Barring a regulatory requirement for a risk committee, it's not as easy a decision as you might think.

Events and education

Join our team for engaging discussions at these upcoming governance events:

Citadel Directors' Institute

Charleston, South Carolina

April 21, 2017

GIC Managing Director Paul DeNicola will participate in panels on strategy and board composition.

Equilar/Nasdaq Board Leadership Forum

Dallas, Texas

May 16, 2017

GIC Leader Paula Loop will moderate a panel on board evaluations and succession planning. GIC Partner Catherine Bromilow will participate in a panel discussion on the board's role in deal-making.

NACD NJ Meeting - Activist Investors 3.0: Practical Tips for Effective Board Engagement

Florham Park, NJ

May 18, 2017

GIC Managing Director Paul DeNicola and Director Leah Malone will lead a shareholder activism case study.

The Deal: Corporate Governance 2017

New York, New York

June 5, 2017

PwC US Chairman and Senior Partner Tim Ryan will be interviewed by The Deal host Jim Cramer. GIC Leader Paula loop will be a panelist on shareholder activism.

Skytop Strategies Public Companies Management and Boards

New York, New York

June 8, 2017

GIC Director Catie Hall will be participating in a panel on engagement and communication best practices for public company management and boards.

Society of Corporate Governance National Conference

San Francisco, California

June 28 – July 1, 2017

Join the GIC team for one-on-one discussions during the conference.

Main articles

Jay Clayton's SEC chair nomination approved by Senate panel

The Senate Banking Committee advanced Jay Clayton's nomination for SEC chair with a 15-8 vote following his testimony before the panel. If confirmed by the full Senate, Mr. Clayton will be the third member of the SEC, joining Acting Chair Michael Piwowar and Commissioner Kara Stein. President Trump has not yet nominated anyone for the two additional open seats on the commission. The full Senate is expected to vote on Clayton's nomination in early May, though no date has been set.

NYC Pension Funds focus on companies that hold virtual-only annual meetings

The NYC Pension Funds, led by Comptroller Scott Stringer, have set their sights on companies that hold virtual-only annual meetings. To date, the Comptroller's Office has sent more than a dozen letters to S&P 500 companies voicing concerns about the lack of an in-person annual meeting for shareholders. The NYC Pension Funds' [release](#) noted that the practice of virtual-only annual meetings has increased 700% since 2010. In 2016, [154 companies](#) elected to hold virtual-only meetings. Critics of this format argue that it deprives shareholders the opportunity to meet face-to-face with company directors and management. They also take issue with a company's ability to "cherry pick" shareholder questions in that format. Stringer is proposing that the NYC Pension Funds vote against governance committee directors if their companies only have virtual meetings. The funds' trustees will vote on this proposed policy change later in April.

The Council of Institutional Investors has also been sending [letters](#) to these companies with a similar message.

New York panel explores cyber regulation and director and officer liability

Panelists discussed directors' and officers' roles in ensuring compliance with the newly-effective New York State Department of Financial Services' (NYS DFS) cybersecurity regulation. This new regulation requires banks, insurance companies, and other financial institutions under the NYS DFS's supervision to create and maintain cybersecurity programs. Since the regulation was announced, companies' focus has been primarily on how they intend to comply with the regulation's many requirements, including developing and implementing a cybersecurity framework and hiring a chief information security officer (CISO). Given the board's role in risk oversight, however, directors will play an important role in monitoring compliance. Panelist Angelo Sito, Pepper Hamilton LLP partner, said, "I think you may see some litigation challenging the actions of directors and officers with regard to annual certifications, risk assessments and failing to dedicate assets to reduce risks." DFS-regulated companies must certify compliance by March 2018.



Insights and actions

While many companies already have cybersecurity programs in place, the New York DFS regulation will take all to a new level. One aspect of the regulation that is getting attention is the annual certification that will be made by the chairperson of the board or a senior management official. This certification could potentially expose the certifier to liability in the event of noncompliance. Directors should:

- Determine who will sign the attestation (senior management or chairperson) and what evidence/information will be necessary to provide the comfort to certify compliance.
- Request briefing by the CISO at least annually, although leading practice is more frequently.
- Understand (1) the company's current gap(s) compared to regulation requirements, and (2) the roadmap for implementing new processes/controls to remediate those gaps in advance of the March 2018 deadline.

For additional considerations, refer to PwC's *Financial Crimes Observer: Cyber: New approach from New York regulator* for details.

CalSTRS 2017 priorities to include universal proxy and majority voting

The California State Teachers' Retirement System (CalSTRS) 2016 Corporate Governance Annual Report summarizes the pension funds' 2016 activities and its areas of focus for the upcoming year, including universal proxy and majority voting in director elections. A major focus for CalSTRS in 2016 was engagement—with company management, but also with regulatory agencies. CalSTRS sent 15 letters to regulatory bodies, including the SEC, last year. Anne Sheehan, CalSTRS Director of Corporate Governance, stated, "As an asset owner with a large stake in the health of our capital markets, we want our voice heard as policymakers are considering regulatory changes." CalSTRS noted the following items and actions among its 2017 priorities:

- Universal proxy cards – CalSTRS will push for adoption of the SEC's proposed universal proxy card rules in 2017
- Majority voting in director elections – CalSTRS has engaged with approximately 100 companies to adopt a majority vote standard

- Informative environmental disclosures – CalSTRS will continue to collaborate with peers on issues related to sustainability
- Proxy access – CalSTRS supports proxy access shareholder proposals that allow investors or groups who hold an aggregate of 3% of shares for 3 or more years the right to nominate directors via the proxy
- Boardroom/executive/employee diversity – CalSTRS will continue to focus on diversity through a multipronged approach, which includes focusing on diversity in the workforce, given CalSTRS’ role as a pipeline for the boardroom

Survey measures directors’ interests in repealing Dodd-Frank

NYSE Governance Services and Spencer Stuart’s survey, *What Directors Think*, indicates that 33% of directors support a full repeal of Dodd-Frank while 58% support changes to specific provisions. Of the over 600 directors who participated, 6 in 10 do not think the Trump administration would have any effect on SEC enforcement efforts. The remaining 40% indicated that it would have a “chilling effect.” Beyond the regulatory landscape, the survey focused on leading board practices; some of the highlights include:

- Forty-six percent of directors responded that board tenure does not affect objectivity; while 26% each indicated that 11-15 years or more than 15 years was the tipping point for impairing objectivity.
- Fifty-eight percent of directors indicated that there should be a limit to the number of boards on which directors can serve; however, they note that the limit should be at the discretion of each company.
- Eighty percent of directors responded that meeting with shareholders is a governance best practice.
- The topics most frequently discussed as part of shareholder-director meetings include long-term strategic planning (at 60% of meetings), short-term growth and financial performance (at 60% of meetings), M&A opportunities (at 47% of meetings), board composition and refreshment (at 43% of meetings) and CEO succession and leadership transition (at 43% of meetings).

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