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PwC's 20th CEO Survey
What are CEOs around the world and in the US thinking about as we begin a new year? What do they see as the opportunities and challenges? Read our 20th Annual CEO Survey. Nearly 1,400 US and global CEOs share their views on the impact of globalization and technological change on growth, talent, trust and society.

Results show that uncertain economic growth and over-regulation are the top two concerns for global CEOs this year. For US CEOs, over-regulation, cyber threats and an increasing tax burden top the list. These topics all have a significant impact on the company's strategy and the board's agenda.

Executive Compensation Series – Tax matters: what should the board be thinking about?
Is your company about to go through an executive leadership change? Or is it time to renegotiate senior leaders' pay packages? Tax implications will play an important role. In our latest edition of an ongoing series with Cleary Gottlieb, we explain what compensation committees should know about how to factor tax effects into the decision-making process and how executives and the company can be impacted. Download our paper to learn more.

Main articles

SEC requests comments on challenges of pay ratio rule

Acting SEC Chair Michael Piwowar reopened comments on the pay ratio rule that was previously passed as part of the Dodd-Frank Act. The SEC is seeking to understand the challenges companies expect to face in complying with the rule.

The pay ratio rule, passed in 2015 and effective for reporting in 2018, requires companies to report the median employee total annual compensation compared with the CEO's total annual compensation. Companies have cited challenges including the complexity and costs of compiling the necessary data to calculate the median employee's total annual compensation. Proponents of the rule cite income inequality and the growing gap between executive pay and that of the rest of the company as reasons to provide transparency through this ratio. The comment period will be 45 days from the February 6 announcement.

Insights and actions

Directors should understand where their companies are in the process of compliance with the original ruling. Discuss with management how this recent SEC action may impact them.

President Trump signs law to repeal extraction rule under Dodd-Frank

On February 14, President Trump signed into law repeal of a rule under Dodd-Frank that was passed in the final months of the Obama administration. The original law, passed in 2016, required certain companies to report payments to foreign governments for extraction rights. It was set to take effect in 2018. The Trump administration stated, "The rule would impose unreasonable compliance costs on American energy companies that aren't justified by quantifiable benefits. Moreover, American businesses could face a competitive disadvantage in cases where their foreign competitors aren't subject to similar rules."

While this new law repeals the SEC's 2016 rule, it does not repeal the underlying requirement in Dodd-Frank. Unless that requirement (or Dodd-Frank in its entirety) is repealed, the SEC is required to create another rule to comply with Dodd-Frank within the next year.

Insights and actions

Many in D.C. and across corporate America speculate that this repeal will be the first of many as part of the Trump adminstration's overhaul of Dodd-Frank. Jay Clayton, SEC Chair nominee, is expected to undergo confirmation hearings in the beginning of March (though they are not scheduled yet), and will likely have Dodd-Frank at the top of his agenda, if confirmed.

For additional information on the evolving presidential policy agenda, refer to PwC's site and watch GIC's archived January 31st webcast on the regulatory environment and tax reform here.

Board refreshment is sluggish, but improved slightly in 2016

ISS and Equilar both recently released studies on board refreshment trends, pointing to slow moving progress. A study conducted by ISS and commissioned by the Investor Responsibility Research Center Institute (IRRCi) of S&P 1500 companies from 2006-2016 indicates that board refreshment has been slow following the financial crisis of 2008. However, 2016 marked a change—1 in every 10 directors was new, and over half of the S&P 1500 added a new board member. The average tenure has fallen slightly from 9 to 8.7 years. Diversity refreshment in 2016 also trended positively in the study. Companies nominated 13% ethnic/racial minority directors and 24.4% female directors—both more than the historic numbers.

While boards are adding new directors, the directors who remain are getting older and growing in their tenures. Average age rose from 60.5 in 2008 to 62.5 in 2016, and the number of directors who are under 50 years old decreased. Thirty-eight percent of directors have more than 10 years of service, with over half of that group having more than 15 years.

Equilar's *Gender Diversity Index* indicates that at the current rate of growth, corporate boards will not reach gender parity until 2055. The index measures gender within the Russell 3000 as of December 31, 2016. Only 21 companies now have gender parity in their boards. Other index highlights include:

- 15.1% of board seats within the Russell 3000 at year-end belonged to women—up from 13.9% at the end of 2015
- 21.4% (580) of all new directors added to boards were women
- 738 companies (nearly 25%) had no female directors; however, 58 companies that didn't have a female director in 2015 added one in 2016

Insights and actions

Consider your own board's nomination and refreshment process—what sources are you using for new nominees, and how are you using diversity as a factor in nominations?

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