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The quarter close – Directors’ edition Q2 2017

The quarter close – Directors’ edition is designed to keep directors informed about the latest accounting and financial reporting issues. Topics featured in this edition: Navigating the transition to the new definition of a business and goodwill impairment guidance, disclosing the implementation status of new accounting standards and accounting for intercompany loans.



Five questions boards should ask about data privacy

GIC leader Paula Loop and PwC partner Jay Cline discuss questions boards should be asking about their company’s data privacy in this National Association of Corporate Directors’ blog.

Events and education

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

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

CII outlines virtual annual shareholder meeting “wish list”

While still broadly opposing virtual meetings, the Council of Institutional Investors (CII) outlined how it believes companies can use virtual meeting technology to better serve shareholders. In a [letter](#) to Broadridge, a market provider of virtual meeting technology, CII reiterated its belief that in-person meetings are the best option for annual meetings. The letter noted that companies could keep costs down by hosting them in their offices and not serving food/beverages. CII urged companies opting for a virtual meeting this season to not give up on future in-person meetings. CII wrote that if, however, companies choose to proceed with a

virtual meeting, there are measures to consider that would enhance the shareholder experience. CII suggested offering shareholders a dashboard that includes:

- Live audio and video of company representatives attending—ideally, this would include all board members
- A list of all shareholder questions submitted before and during the meeting, that is updated in real-time
- A tool that would allow users to submit questions for a representative to present, track the question's prioritization in the queue, and submit questions themselves (live) virtually through their own webcam or phone
- Access to written responses to unanswered shareholder questions, available within 72 hours of the meeting's end
- Access to a list of shareholder attendees, with the number of shares represented, if available
- Access to vote results during the meeting, if they are available to the company
- The ability to “approach the dais” virtually after the meeting formally ends should a shareholder have a sensitive question or otherwise wish to interact privately with key company attendees

MSCI to gradually add Chinese shares to its benchmark emerging markets index

MSCI will be adding 222 China A Large Cap (stocks traded on the mainland), including large state-owned companies, to its emerging markets index starting next year. This is the fourth year that MSCI has considered making this change. Critics [note](#) governance and fraud concerns with the additions.

With the addition of China, MSCI's emerging market index is now dominated by Brazil, Russia, India and China; they comprise over three-quarters of the index. Critics of the move also cited these countries' decelerating economies and the need to focus on newer emerging economies such as Indonesia, Malaysia, Mexico and Argentina.

BlackRock's vote bulletin explains recent climate change vote

BlackRock's [vote bulletin](#) summarizing its rationale for supporting a climate change disclosure proposal at ExxonMobil cited lack of board engagement. The proposal, put forth by the California Public Employees' Retirement System (CalPERS) and a group of other investors, requires ExxonMobil to report on environmental risks and opportunities associated with climate change. BlackRock reiterated its 2017–2018 engagement priorities, which include climate risk disclosure, in the bulletin. BlackRock mentioned its engagement with other shareholders on the topic and its failed attempts to meet directly with the independent ExxonMobil board members. Although it credited ExxonMobil with issuing a new report on climate change following its 2016 annual meeting, BlackRock's bulletin cited room for continued evolution in the company's reporting. It will continue to attempt engagement in the upcoming year.

PwC US will add external directors to its board

In an effort to enhance its board's diversity of thought, PwC will add two external directors. Starting July 1, US Navy veteran Carol Pottenger and former US Commerce Secretary Carlos Gutierrez will join 20 US firm partners and principals. US Chairman and Senior Partner Tim Ryan stated, "Their perspectives and experiences will be invaluable in helping PwC's board become more diverse. We know corporate boards that lack diversity can develop groupthink as a result of shared biases and blind spots, which in turn can seriously hurt its decision-making process."

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