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## *Inside this edition*

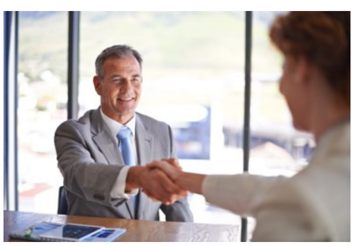
- Glass Lewis has released its 2018 proxy guidelines
- The NACD has released the results of its 2017–2018 Public Company Governance Survey
- Spencer Stuart has released its 2017 US board index

*See full articles below*

## Recent thought leadership

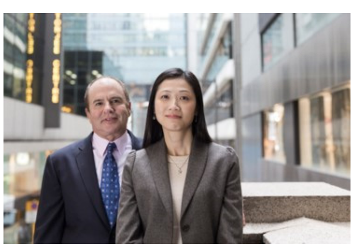

***US tax reform: understanding the impact on financial reporting***

Enactment of US tax reform legislation appears imminent. The House of Representatives passed the "Tax Cuts and Jobs Act" (the House bill) on November 16, 2017, by a 227 to 205 vote. On December 2, 2017, the Senate, by a 51 to 49 vote, approved its own version of the "Tax Cuts and Jobs Act" (the Senate bill), which differs in key respects from the House-passed tax reform bill. Proposals under both the House and the Senate bill would result in significant changes to existing US tax law in many areas, including corporate tax rates, business deductions, and international tax provisions. Such a major overhaul of the US tax code (Code) is not without its challenges, including significant impacts on financial statement reporting.



***Director-shareholder engagement: getting it right***

When done right, director-shareholder engagement can pay dividends for both the investor and the company. We identify the key steps for directors—and investors—to get the most out of these exchanges.



***2017 AICPA Conference: highlights of the 2017 AICPA Conference on Current SEC and PCAOB Developments***

The 2017 AICPA National Conference on Current SEC and PCAOB Developments was held on December 4, 5 and 6. Regulators, standard-setters and industry experts emphasized that—particularly in this year of significant changes impacting financial reporting and auditing—communication is critical in every aspect of the financial reporting supply chain, including: (1) among management, the audit committee and the auditors; (2) between management and the regulators and standard setters; and (3) between regulators and standard setters and their international counterparts.

[***The Essential Eight technologies – Augmented and virtual reality***]
Augmented reality (AR) and virtual reality (VR) are moving beyond gaming to other industries. Boards will want to understand whether and how these technologies may impact their company's strategy.

***Boardroom diligence: role in capital program success***
The role of the board in overseeing capital projects has taken on a new urgency. This comes in the wake of high-profile troubled projects, which have devastated corporate performance and stock price. Our research shows that forward-thinking boards are taking on increasing responsibility throughout the project lifecycle—from concept to commissioning and operations—to forestall project issues.

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## Events and education

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

**PwC's Corporate Directors Exchange**
New York, NY – December 11 and 12, 2017
Palm Beach, FL – January 8 and 9, 2018
San Francisco, CA – January 16 and 17, 2018
*Specifically designed for directors of Fortune 1000 companies, this program will allow you to gain insights and share ideas with a network of peers and specialists who will help you navigate the future with confidence. You will also get perspectives straight from the country's top corporate directors, activist investors, a senior member of the SEC and other industry and PwC leaders. This complimentary event, hosted in New York City, Palm Beach and San Francisco, has been called "the best seminar of its kind" by past attendees. Space is limited—register today.*

**Stanford's Silicon Valley Directors Exchange**
Palo Alto, CA – January 18, 2018
*Join PwC Governance Insights Center leader, Paula Loop, as she discusses governance hot topics and building the board.*

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## Main articles

### Glass Lewis has released its 2018 proxy guidelines

Glass Lewis released its *2018 Proxy Paper Guidelines – United States*, updating its proxy voting guidelines for the upcoming year.

Key changes to the guidelines include:

- **Board gender diversity:** Starting in 2019, at companies where no women serve on the board, Glass Lewis will generally recommend voting against the chair of the nominating committee. In some cases, the recommendation may extend to other members of the committee as well. Smaller companies and those that can offer "sufficient rationale" for their lack of diversity, or have disclosed plans to address their lack of diversity, may be able to avoid these negative recommendations.

  For 2018, Glass Lewis will simply consider board diversity when assessing companies' oversight structure.
- **Dual-class share structures:** Glass Lewis does not consider dual class share structures to be in the best interests of shareholders. They will now consider them as a factor in determining whether shareholder rights are being overly restricted.
- **Board responsiveness:** Glass Lewis expects boards to respond when more than 20% of shareholders vote against a director nominee or management-sponsored proposal, or for a shareholder proposal. Lack of an adequate response could lead to a negative recommendation in the following year.
- **Virtual shareholder meetings:** Glass Lewis believes that virtual-only meetings may limit shareholder rights. Starting in 2019, they will generally recommend voting against governance committee members on boards that plan to have virtual-only meetings, unless the company provides disclosure that those meetings offer shareholders the same rights and opportunities to participate as at an in-person meeting.

## The NACD has released the results of its 2017–2018 Public Company Governance Survey

The National Association of Corporate Directors (NACD) released the results of its *2017–2018 Public Company Governance Survey*. Their findings include:

- **Directors are most concerned about industry disruption:** When asked what trend is expected to have the greatest effect on the company in the next 12 months, 58% said "significant industry change." Only 29% selected "increased regulation burden," down from 58% in 2016. Only 6% anticipate "climate change" to have a significant effect.

- **Shareholder activism pushes short-term thinking:** Three-quarters of directors (74%) say that pressure from external sources has at least slightly compromised management's focus on long-term strategic goals, in favor of short-term results. Of directors whose companies had been approached by an activist, the figure jumped to 85%.

- **Directors understand corporate culture—but only at the top:** Most directors (87%) say they understand their company's tone at the top. However, only 35% say they have a good understanding of the mood in the middle and only 18% have a good understanding of buzz at the bottom.

- **Confidence in cyber-risk preparedness is shrinking:** Only 37% of directors are confident or very confident that their company is properly secured against a cyberattack—down from 42% last year.

## Spencer Stuart has released its 2017 US board index

Spencer Stuart released its *2017 U.S. Board Index*, examining governance trends at S&P 500 companies. Highlights include:

- **Increase in independent directors, but relatively little turnover:** In 2017, 397 new independent directors were elected at S&P 500 companies, an increase of 15% from 2016. However, turnover remains low.
- **Greater diversity among incoming directors:** For the first time in the history of the index, women and/or racial minorities made up more than half of the new S&P 500 directors.
- **Average director age and mandatory retirement ages continue to rise:** The average age of independent directors at S&P 500 companies is 63, compared to 61 a decade ago. Almost three-quarters (73%) of boards in the S&P 500 have mandatory retirement policies for directors. Forty-two (42) percent of boards set a mandatory retirement age at 75 or older—a jump from 22% in 2012 and only 11% in 2007.
- **More boards separating chair and CEO roles**: For the first time, more than half (51%) of S&P 500 companies have a separate board chair, rather than a combined chair/CEO.
- **Climbing shareholder engagement on governance issues:** Over half (55%) of the respondents to the Spencer Stuart governance survey indicated that large shareholders had contacted the company to discuss a governance-related topic—up from 39% last year.

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