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Recent thought leadership



Tax reform readiness: Focus on interim financial reporting

This Insight reviews some of the significant ways in which tax reform will affect interim financial reporting by US companies and some of the actions companies should be taking regarding financial reporting in 2018.



The board's role in strategy: getting the process right

Company strategies evolve and shift quickly today, due to acquisitions, new competitors and emerging technology adoption. So boards need to take a fresh look at how they think about strategy. This can help the board contribute to the success of the company's long-term strategic plan.



The essential eight technologies – board byte: artificial intelligence

Artificial intelligence (AI) is expected to be one of the most disruptive of the new technologies, creating new ways of working and facilitating digital transformation. As the market grows, find out what boards should know.

Events and education

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

Global Ethics Summit

New York, NY – March 15, 2018

Join PwC Governance Insights Center Director Leah Malone as she moderates a panel discussion on board partnerships that work.

RSA Conference - Cybersecurity in the Boardroom Breakfast Program

San Francisco, CA – April 18, 2018

As the world's top security leaders convene at the RSA conference this spring, PwC invites you to a special corporate governance breakfast program focused on cybersecurity issues and how to best engage with your Chief Information Security Officer in the boardroom. Register here.

Corporate Board Member Annual Boardroom Summit

New York, NY – April 23, 2018

Join representatives from PwC's Governance Insights Center as they lead audit committee chair peer exchanges and an audit committee workshop during the program. Paula Loop will also speak on strategy and risk oversight in the boardroom.

Main articles

SEC releases guidance on cyber risk disclosure

On February 21, the SEC released [interpretive guidance](#) on cybersecurity risks and incidents disclosures. The guidance builds on 2011 guidance from staff in the SEC's Division of Corporation Finance, and covers the additional topics of disclosure controls and procedures and insider trading prohibitions in the cybersecurity context.

SEC Chairman Jay Clayton [said](#) that he believes that providing the Commission's views on these matters will promote clearer and more robust disclosure by companies about cybersecurity risks and incidents, resulting in more complete information being available to investors. In particular, he urges public companies to examine their disclosure controls and procedures, with not only their securities law disclosure obligations in mind, but also reputational considerations around sales of securities by executives.

On disclosure controls and procedures, the SEC encourages companies to assess whether controls are in place to ensure that relevant information about cybersecurity risks and incidents is processed and reported to the appropriate personnel, including up the corporate ladder, to enable senior management to make disclosure decisions and certifications.

As it relates to insider trading, the guidance notes that policies and procedures should be in place to prevent trading on the basis of material non-public information, including information related to cybersecurity risks and incidents. Companies should consider restrictions on trading while significant cyber incidents are being investigated.

Further, the guidance provides examples of the types of disclosure a company should consider, and identifies a wide range of existing disclosure obligations that may be relevant to cybersecurity matters. Companies should assess the materiality of cybersecurity risks and incidents when considering disclosure obligations in registration statements and periodic filings, such as Forms 10-K, 10-Q and 20-F.

The Commission also encourages companies to use Form 8-K or Form 6-K to disclose material information pertaining to cybersecurity matters.



Insights and actions

Compliance with the interpretive guidance will ensure companies timely inform investors about the material cybersecurity risks and incidents that the company has faced or is likely to face. For more insights on the guidance, refer to PwC's In brief: [*SEC issues interpretive guidance on cybersecurity*](#).

Institutional investors supporting big-name activists

According to data compiled by Proxy Insight for [*Agenda*](#), institutional investors backed top hedge fund activists in approximately 60% of proxy contests between July 2012 and December 2017.

Bruce Goldfarb, head of Okapi Partners noted, “Without proxy vote support from institutional investors, there would not be continued success from activists.”

The data covers US campaigns started by top activists, and analyzes how 511 institutional investors voted on these contests. Activist Insight, a research company, defined the list of activists based on size, influence and other factors.

During the period of study institutional investors supported an average of 8.4 of the 12.9 dissident directors nominated by hedge funds.

According to Agenda, the data indicates that institutional investors are willing to push companies to change.



Insights and actions

For more insights on shareholder activism, visit: [*How might the changing face of shareholder activism affect your company?*](#).

Supreme Court says whistleblowers must report to the SEC for Dodd-Frank protection

In a [*unanimous decision*](#), the Supreme Court ruled that in order to ensure protection from employer retaliation, whistleblowers must have reported violations of federal securities law to the SEC.

The Dodd-Frank Act prohibits companies from retaliating against employees who report securities laws violations. Lower courts had been divided on the issue of whether the protection covers employees who simply report the conduct through internal channels, rather than directly to the SEC. With the decision, the Supreme Court clarified that internal reporting alone is insufficient to garner whistleblower protection under the Act.

Equilar: CD&As are getting longer, but include more summaries and graphs

Equilar recently issued a [report](#) analyzing compensation discussion and analysis disclosures (CD&As) from “Equilar 100” companies over the past five years. Equilar found that the average length of executive compensation disclosures has grown to almost 10,000 words.

Additional findings include:

- The percentage of companies that included a proxy summary increased from 52.6% in 2013 to 74.0% in 2017.
- Twenty-four percent (24%) of companies included a table of contents just for the CD&A, compared to 10.3% in 2013.
- Seventy-six percent (76%) of companies included a color scheme in 2017, up from 41.8% in 2013. A color scheme can help to draw readers’ attention to specific disclosures and may keep readers engaged.
- Forty-six percent (46%) of companies included a graph showing an alternative pay calculation separate from what is required in the summary compensation table, such as realized or realizable pay. Twenty percent of companies included a graph reflecting executive pay in relation to company performance.

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