pwc

November 29, 2017

Contact | **Website** | **Subscribe** | **Calendar**

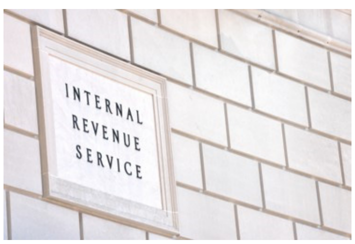
Inside this edition

See full articles below

Recent thought leadership

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.



Finance committee approves tax reform bill

The Senate Finance Committee on November 16 approved the Senate's version of tax reform legislation by a vote of 14 to 12. The Finance Committee action comes after the House of Representatives voted 227 to 205 on November 16 to pass the "Tax Cuts and Jobs Act" (HR 1).

Emerging technologies for the finance function

We provide a practical perspective clarifying emerging technology's role in the context of finance executives' pain points, whether it's higher productivity in the finance function or improved working capital management, lower cost of compliance or higher quality assurance with stakeholders, stronger strategic planning or painless budgeting. Learn what's here today—and what the finance function should do to prepare for the future.

Events and education

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

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.

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.

Main articles

ISS announces 2018 benchmark policy updates

Institutional Shareholder Services Inc. (ISS) released its *Global Proxy Voting Guidelines Updates and Process*, highlighting ISS' proxy voting guidelines that will be used in the upcoming year. To develop these guidelines, ISS incorporated feedback from numerous sources, including academic research, roundtable discussions, policy survey results and commentary from market participants. Feedback was obtained on a variety of topics pertaining to the US, Canada, Europe, Japan, Asia and Australia markets.

The policy updates for the US market are:

- **Director elections**
  - Non-Employee Director (NED) pay: ISS identified outliers that have higher NED pay compared to their peers without any explanation for the difference. Investor respondents to ISS' *2017-2018 Policy Application Survey* indicated a strong preference for the consideration of adverse vote recommendations when NED pay is excessive. Therefore, ISS is introducing a policy to issue negative voting recommendations for board/committee members who approve such amounts when there is a recurring pattern of excessive NED pay, without a disclosed rationale.
  - Poison Pills: ISS' current policy grandfathered poison pills adopted without shareholder approval before 2009 and only made an adverse recommendation to certain classified boards every three years. Under the updated policy, ISS will recommend voting against all board nominees, every year, at a company that maintains long-term poison pills that were not approved by shareholders.
- **Shareholder proposals**
  - Gender pay gap: ISS is introducing a new policy to address shareholder proposals related to gender pay gaps. This includes proposals requesting that a company report on pay data by gender or the company's policy or goals to reduce the existing gap. They will evaluate such proposals on an individual basis.

SEC comment letter trends on revenue standard

Financial Executives International (FEI) issued a report, *Lessons Learned From SEC Comment*

Letters on The New Revenue Standard, summarizing observations from 21 companies that received comment letters from the SEC staff regarding accounting or disclosures relating to Accounting Standards Codification Topic 606: Revenue from Contracts with Customers.

The trends FEI highlights are:

- **Early adoption** – The SEC requested clarification from some early adopters on decisions made when implementing the standard. Disclosing the remaining unsatisfied performance obligations and the accounting for rebates paid to customers were two of the focus points of the SEC staff comments.
- **Staff Accounting Bulletin No. 74 (SAB 74)** – FEI identified eighteen companies with comments on SAB 74 disclosures. Among the SEC comments were requests to disclose the qualitative aspects of the potential impact ASC 606 will have on the financial statements and if determinable, the expected quantitative impact.

Anti-Fraud Collaboration addresses actions to report financial fraud

The Anti-Fraud Collaboration released a report, *Encouraging the Reporting of Misconduct*, which provides recommendations from key parties in the financial reporting supply chain on the reporting of misconduct. The report, a compilation of best practices from roundtable discussions among corporate directors, financial executives and internal and external auditors, focuses on suspected financial reporting fraud and the negative impact that the fear of retaliation has on detecting such fraud in a timely manner.

The roundtable discussions focused on key issues, including:

- Actions an organization can take to encourage the reporting of misconduct
- Actions participants in the financial reporting supply chain can take to grow a retaliation-free environment and mitigate the fear of retaliation

The Anti-Fraud Collaboration was formed by the Center for Audit Quality, Financial Executives International, The Institute of Internal Auditors and the National Association of Corporate Directors.

Wachtell Lipton suggests ways to improve Compensation Discussion and Analysis

Wachtell, Lipton, Rosen & Katz released recommendations for the upcoming proxy season, *2018 Proxy Season: Five Ways to Improve Your Compensation Disclosure*. The release suggests companies take a fresh look at their Compensation Discussion and Analysis (CD&A) proxy disclosure in preparation for the 2018 proxy season.

The release makes the following suggestions related to CD&A:

- **Shareholder engagement** – The CD&A should demonstrate that the company requested, heard and considered feedback from shareholders relating to compensation matters.
- **Pay ratio disclosure** – As companies are drafting their pay ratio disclosure, they should consider the methodologies selected and applied in the calculation of the ratio. They will need to consider whether the methodology selected can be easily applied every year. Companies will also need to consider that if they decide to change methodologies or

assumptions, this too will need to be disclosed, along with the reasons for change.

- **Performance metrics and performance goals rigor** – The company can discuss how performance metrics are aligned with the company's strategy as well as how long- and short-term metrics align to provide the best outcome for the shareholder.
- **Peer group determination** – Companies should articulate why they have chosen certain criteria, such as industry, revenue and market cap, to select a company peer group.
- **Executive summary** – Executive summaries have become standard practice due to the length of the CD&A. Companies are advised to carefully select what is included in the summary and not make it an abbreviated reiteration of the full CD&A.

Explore additional Governance Insights editions

Visit **PwC's Governance Insights Center** on the web:
www.pwc.com/us/governanceinsightscenter
Follow us on LinkedIn
Follow us on Twitter: @paula_loop

Download the award-winning 365® business app on iOS and Android devices today!