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The Essential Eight technologies – Board byte: the internet of things

The IoT is one of the biggest disruptors for companies across industries. As more devices connect to the internet and to one another, it's moving beyond consumer devices to businesses of all kinds. The IoT creates opportunities for new products, services and business models. Boards should understand how this technology will impact their company's strategy.

Proxy pulse – 2017 Proxy season review

What were the big headlines in the 2017 proxy season? Environmental, social and governance issues like climate change and board diversity. Institutional investors are focused on this and taking action.

Events and education

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

NACD Advisory Council

New York, NY
October 31, 2017
Join GIC leader, Paula Loop, and GIC director, Barbara Berlin, as they discuss risk oversight.

Equilar Chairman and lead director peer exchange

New York, NY
November 2, 2017

Palo Alto, CA
November 13, 2017

Join GIC leader, Paula Loop, as she discusses board composition.

Stanford Institutional Investors Forum (SIIF)

Palo Alto, CA
November 7, 2017
Join GIC leader, Paula Loop, as she discusses investor governance hot topics.

University of Southern California and NACD Corporate Director Symposium

Los Angeles, CA
November 8, 2017
Join GIC managing director, Paul DeNicola, as he moderates a roundtable on nominating and governance committee issues.

Main articles

MSCI study finds that company performance and CEO pay don't always align

A study from investment research firm MSCI Inc. on CEO pay and company performance indicates that CEO pay was "poorly aligned" with total shareholder return over a 10-year cumulative period for three-fifths of the companies reviewed. For the 2006–2015 period, MSCI analyzed 423 of its MSCI USA Index constituents. Among the highlights of the study are:

- When compared to sector peers, 23 companies underpaid their CEOs relative to performance and 18 overpaid relative to performance ("severely misaligned" per MSCI).
- Ninety-nine companies were considered to be "generally well aligned" per the study with average total shareholder return (TSR) and average pay aligned.
- Of the companies that were considered to be "poorly aligned" by the study (lowest TSR and average pay), none experienced consistent say-on-pay vote disapproval.

SEC proposes Regulation S-K disclosure simplification amendments

The SEC proposed amendments for public comments to modernize and simplify certain Regulation S-K disclosure requirements. The proposed amendments are intended to decrease costs and alleviate burdens on companies while still providing material information to the public.

The SEC's press release highlights some of the proposed amendments, such as:

- Revising rules or forms to improve the Commission's disclosure framework
- Updating the rules with any developments since their adoption or last amendment
- Simplifying the disclosure process and exhibit filing requirements
- Utilizing technology to improve access to information

State Street reports on board leadership structure voting for first half of 2017

In its *Stewardship Activity Report*, State Street Global Advisors (SSGA) reported voting results for shareholder proposals requesting an independent board chairman.

SSGA voted against 73% of the proposals that sought an independent board chairman, supported 21% and abstained from voting on 6%. SSGA indicated that many companies are incorporating the SSGA guidance for enhancing the role of the independent lead director.

SSGA noted that it considered the following in voting decisions:

- How the role of independent lead director is described in the proxy disclosure
- The quality of SSGA's engagement with the lead independent director, specifically related to his role on the board
- The company's commitment to review its disclosure relating to the lead independent director using SSGA guidance
- The company's responsiveness in SSGA's prior year engagement and voting efforts

CEO overboarding continues to be area of focus for investors

A Wall Street Journal and Equilar analysis of S&P 500 companies indicates that the median one-year total shareholder return was 8.2% at companies with a CEO who serves on multiple boards, compared with over 15% for companies whose CEO serves on one or no boards.

Overboarding in this context is when a CEO serves on too many boards in addition to the company's board. It has been a growing area of focus from investors and shareholders. The same study indicated that CEOs who had at least two outside director positions had a median compensation of $13.6 million in 2016. CEOs who served on one or no boards earned 5.6% and 12.9% less, respectively.

Large institutional investor BlackRock voted against directors at 168 companies this year due to overboarding concerns. Proxy advisors Institutional Shareholder Services (ISS) and Glass Lewis have formalized their perspective in their proxy voting guidelines. ISS generally recommends withholding votes at the outside boards for CEOs who serve on more than two public company boards (besides their own). Glass Lewis similarly recommends voting against an executive who serves on more than two public company boards in addition to his or her own (but not voting against the CEO at the company he or she manages).

SEC seeks a budget increase for fiscal year 2019

In testimony before the House Committee on Financial Services, SEC Chairman Jay Clayton requested an increase in the agency's budget to $1.7 billion for fiscal year 2019. This is an increase from the amount requested in June for fiscal year 2018 of $1.602 billion (which was generally consistent with that of 2016 and 2017).

Clayton explained that the additional funds will allow the current hiring freeze to be lifted, and enable the Commission to hire professionals with key skills and expertise in several areas, including cybersecurity and electronic trading. The additional funds would also be used to continue existing multi-year plans to enhance information technology systems and networks that will enhance the Commission's ability to collect, analyze and act on large amounts of data.

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