pwc

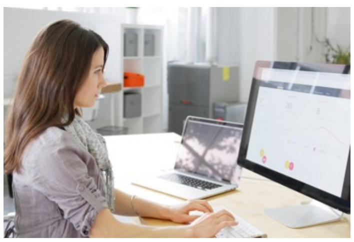
October 3, 2017

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

Inside this edition

See full articles below

[The quarter close](#)
A look at this quarter's financial reporting issues.



Virtual shareholder meetings—What boards need to know
Virtual annual shareholder meetings are becoming more popular. But this trend has not been without controversy. The Council of Institutional Investors (CII) and some large shareholders publicly oppose virtual-only meetings. Companies thinking about using virtual technology at their meetings will want to ensure the board and management are aligned.

Events and education

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

Engagement Summit Productions – Fall Summit
New York, New York
October 12, 2017
Join GIC director, Barbara Berlin (moderator), as she discusses hot governance topics with a small group of the largest asset managers during the conference.

The Conference Board Corporate Development Conference
New York, New York
October 12–13, 2017
Join GIC leader, Paula Loop, as she moderates a panel of directors discussing what the board needs to know about dealmaking.

Main articles

ISS' 2018 Global Policy Survey results released

Institutional Shareholder Services Inc. (ISS) released the results of it *2018 Global Policy Survey*.

The document summarizes the findings of the *Governance Principles Survey*, which sought feedback on a limited selection of governance topics. A separate, more detailed supplemental survey remains open until October 6. ISS received 602 responses from 571 different organizations, of which 121 were institutional investors representing 116 different organizations. The key findings include:

- **One-share-one-vote:** Among investors, 43% indicated that unequal voting rights are not appropriate for public companies, while another 43% stated that they may be appropriate in limited circumstances. Of the non-investors, 50% believe that companies should apply whichever capital structure suits the company best.
- **Gender diversity:** When asked if lack of gender diversity on a public company board is problematic, 69% of investor respondents and 54% of non-investors answered yes. Investors and non-investors alike cited engagement as the preferred action by investors in response to concerns about a lack of gender diversity.
- **Virtual board meetings:** Approximately 19% of investors and 42% of non-investors indicated, without reservation, that "virtual-only" or "hybrid" shareholder meetings are acceptable.
- **Pay ratio disclosure:** Seventy-two (72) percent of investors say they will use pay ratio disclosure information to compare across companies and industries and to assess the year-on-year changes in the ratio at a company. Forty-four (44) percent of non-investor respondents indicated they have some doubt about the usefulness of the pay ratio data.
- **Share issuance and buyback proposals:** The majority of the investor group, 44%, and a small group, 8%, of non-investors indicated that shareholders should vote on share issuances and buybacks. A majority, 61%, of non-investors believe that share issuances and buybacks are matters for the board to decide.

NYC Comptroller's office launches Boardroom Accountability 2.0

The New York City Comptroller Scott Stringer and the New York City pension funds launched the Boardroom Accountability Project 2.0, aimed at pushing for diverse, independent and climate-competent boards. The original focus of the Boardroom Accountability Project was to implement proxy access bylaws to give shareholders more of a voice on the board.

The boards of 151 US companies were called upon to disclose the race and gender of their directors and their board members' skills in a standardized "matrix" format and to enter into a dialogue regarding their board's "refreshment" process.

The Comptroller's office stated, "this type of standardized disclosure would boost accountability and help shareowners like the New York City Pension Funds identify boards that have a lack of diversity or relevant expertise, and to engage those companies to recommend qualified, diverse and independent candidates."

SEC Chairman addresses cybersecurity at the Commission

Following new information related to a previously detected 2016 breach of the SEC's EDGAR system, Chairman Jay Clayton issued a statement addressing cybersecurity at the Commission. The SEC had detected the breach in 2016, but in August, the Commission learned that the EDGAR breach may have resulted in "illicit gain through trading," and the matter is now the subject of an internal investigation.

Clayton's statement emphasized the importance of cybersecurity to the capital markets, its participants and the Commission. He cited these five points as important in the Commission's approach to cybersecurity:

- the types of data the SEC collects, holds and makes publicly available;
- how the SEC manages cybersecurity risks and responds to cyber events related to its operations;
- how the SEC incorporates cybersecurity considerations in its risk-based supervision of the entities it regulates;
- how the SEC coordinates with other regulators to identify and mitigate cybersecurity risks; and
- how the SEC uses its oversight and enforcement authorities in the cybersecurity context, including to pursue cyber threat actors that seek to harm investors and market.

He indicated that, looking forward, cybersecurity will continue to be a priority of the Commission. This will require ongoing evaluation of the type of data the SEC obtains, especially sensitive data, such as personally-identifiable and nonpublic information, and the need for it. In the statement, the SEC noted that it views its regulatory role as disclosure-based. To support public companies, the Division of Corporation Finance issued guidance on how issues related to cybersecurity should be disclosed.

"By promoting effective cybersecurity practices in connection with both the Commission's internal operations and its external regulatory oversight efforts, it is our objective to contribute substantively to a financial market system that recognizes and addresses cybersecurity risks and, in circumstances in which these risks materialize, exhibits strong mitigation and resiliency," said Clayton.

SEC Chairman Clayton also testified before Congress on the breach. For more information on the breach and remediation efforts taken by the SEC, refer to Clayton's testimony.

Insights and actions

SEC Chairman Clayton's statement is a reminder to all companies about the importance of cybersecurity risks and the policies and procedures that should be in place to address those risks. Directors should be speaking to their chief information officers (CIO) on a periodic basis to understand what their companies are doing to mitigate the risk. See *7 key questions your board should ask about cybersecurity*. For additional thought leadership on cybersecurity from PwC's Governance Insights Center, see IT oversight and cybersecurity.

SEC approves interpretive guidance on pay ratio rule

The SEC approved interpretive guidance relating to the pay ratio disclosure that will become effective in 2018. “Today’s guidance on pay ratio reflects the feedback the SEC has received and encourages companies to use the flexibility incorporated in our prior rulemaking to reduce costs of compliance,” said Clayton.

The guidance states the Commission’s view on reasonable estimates, assumptions and methodologies, and statistical sampling allowed by the rule. It also includes a clarification of the internal documentation that can be used when calculating the median compensation. Further, it provides guidance on a recognizable test that can be used to test if a company’s worker is an “employee” for the purposes of the rule.

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!