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ProxyPulse

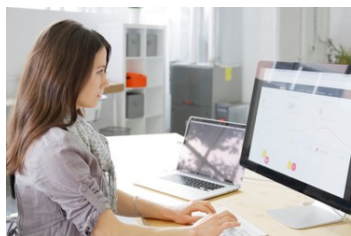
2017 Proxy Season Review

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Are your company and board ready for digital transformation?

As overseers of company strategy, the board of directors plays an important role in the company's digital transformation. The board needs to understand what this transformation entails and how the company plans to execute it successfully. Digital skills are a big part of the conversation—at the company and in the boardroom.



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.



Proactively managing major data-breach risks

The recent Equifax data breach is another reminder for boards to continue to discuss with management how the company is addressing cyber and privacy risks. Given the changing cyber threat landscape, boards should get updates on the company's preparedness and response plan should a breach occur, and not forget a communications plan for employees and customers about cyber and privacy risks. Boards will also want to discuss with management the company's cybersecurity strategy and its data privacy compliance program. To help have a deeper discussion with management on this topic, directors should read this publication. It addresses the Equifax breach, the associated risks and what companies should be doing as a result.

Events and education

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

NACD Global Board Leaders' Summit

National Harbor, Maryland

October 1–4, 2017

Join GIC managing director, Paul DeNicola, as he moderates a panel of directors discussing board effectiveness.

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

Genstar Private Equity firm to acquire proxy advisor ISS

Institutional Shareholder Services Inc. (ISS) [announced](#) that Genstar Capital entered into a definitive agreement to acquire ISS from Vestar Capital Partners for \$720M. ISS was previously acquired by Vestar Capital in 2014 and by MSCI in 2010.

According to the news release, ISS will continue to operate independently, and ISS's executive leadership team will remain in place. The acquisition is expected to close in the fourth quarter.

Robert Jackson nominated for SEC Commissioner vacancy

President Trump [nominated](#) Columbia University Professor Robert Jackson to fill the Democratic SEC Commissioner vacancy. The nomination is for the remainder of the term, expiring June 5, 2019. In addition to teaching law at Columbia Law School, Mr. Jackson is a director of the school's Program on Corporate Law and Policy. He also served as a special advisor to the Department of the Treasury during the financial crisis. No timeline for his confirmation has been released. In July, President Trump [renominated](#) former Obama nominee Hester Peirce to fill the Republican vacancy on the Commission.

In other SEC staff news, SEC Chairman Jay Clayton [named](#) additional executive staff. Additions to the Commission's executive team include: John Cook (Senior Advisor to the Chairman), Jeffrey Dinwoodie (Senior Advisor to the Chairman), Raquel Fox (Senior Advisor to the Chairman), Kristina Littman (Senior Advisor to the Chairman), Alan Cohen (Senior Policy Advisor to the Chairman), Christopher Carofine (Director of Communications) and Shelby Begany Telle (Confidential Assistant).

PCAOB publishes Staff Inspection brief on 2017 inspections

The PCAOB's recent [Staff Inspection Brief](#) provides information about the organization's ongoing 2017 inspections. As per the [press release](#), "The brief is intended to help investors, auditors, and others understand the areas of significant audit risks targeted by PCAOB inspectors, and encourage auditors to work to improve audit quality." The PCAOB generally uses a risk-weighted approach to select audits and areas of focus. In 2017, the planned inspections include approximately 195 firms. This includes 11 firms subject to annual inspections and 55 non-US firms in 26 jurisdictions.

The PCAOB's [press release](#) indicates that the areas of focus are:

- Audit areas in which inspectors have identified deficiencies in the past, such as assessing and responding to risks of material misstatement
- Audit areas affected by recent economic developments, including the high rate of merger and acquisition activity and fluctuations in oil and natural gas prices
- Financial reporting areas that require significant judgment, including going concern considerations and income tax disclosures
- An audit firm's compliance with new transparency rules (Form AP)
- Preparation for new accounting standards for revenue recognition and lease accounting
- Work by other auditors on multinational audits
- The auditor's use of information technology, particularly software audit tools
- The audit firm's system of quality control

SEC receives public comments on the PCAOB's proposed new auditor reporting model

The SEC's comment period for the PCAOB's [auditor reporting model proposal](#) ended on August 18. The SEC received 50 comment letters through August 30, including letters from accounting firms and [various other organizations](#), including the [Council of Institutional Investors \(CII\)](#), the [California Public Employees' Retirement System \(CalPERS\)](#), the [U.S. Chamber of Commerce's Center for Capital Market Competitiveness](#), and [NASDAQ](#). All comment letters are posted on the SEC's [website](#). The SEC [indicated its intention](#) to take action on the PCAOB's proposal by October 26.

Correction: In our September 7 Governance Insights newsletter, we incorrectly stated that a timeline for SEC action had not been released.



Insights and actions

For a summary of the proposed standard, see this PwC [In brief](#). PwC supports enhanced auditor reporting, but recommends SEC rulemaking to address unintended consequences. See [PwC's comment letter](#).

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