



**September 7, 2017**

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### *Inside this edition*

#### **Comments urge SEC to revise or reject new PCAOB auditor reporting standard**

Certain organizations have submitted comments to the SEC asking it to revise or reject the PCAOB's proposed standard on auditor reporting.

#### **SEC simplifies IPO process**

The SEC issued new guidance that expands its efforts to streamline the IPO submission process.

#### **Activists continue to seek changes in board composition**

Gibson Dunn's *2017 Mid-Year Activism Update* indicates that the most common activism campaign target for public companies with over \$1 billion in market cap was changes in board composition.

#### **State Street issues guidance for climate disclosure**

State Street Global Advisors issued guidance on climate disclosures for "high-impact sector companies," noting that boards should regard climate change the same as any other significant risk to the business.

**See full articles below**

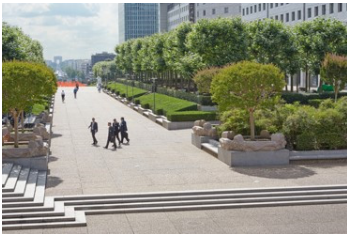
# Are your company and board ready for digital transformation?

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## **Engaging with the audit committee: Five ways for Chief Audit Executives to stand out**

It's not every day that you get to interact with the audit committee. Preparation is key to making a good impression—and having an impact.



## **Audit Committee Excellence Series: Overseeing taxes in a new era**

Increasing uncertainty, the technical nature and difficult judgments required make tax a challenging area for audit committee members. The frequent lack of deep tax backgrounds can make it even more difficult. But understanding the company's position and risks in the evolving global tax landscape is critical to your oversight role

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## Events and education

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

### **Equilar/NASDAQ Board Leadership Forum**

New York, New York

September 12, 2017

Join GIC directors, Barbara Berlin (panelist) and Leah Malone (moderator), discussing board assessment/evaluation.

### **Council of Institutional Investors (CII) Conference**

San Diego, California

September 13–15, 2017

Join the GIC team as they lead an audit committee simulation.

### **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.

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## Main articles

### Comments urge SEC to revise or reject new PCAOB auditor reporting standard

A number of organizations have submitted [comments](#) to the SEC asking it to revise or reject the PCAOB's new proposal on [auditor reporting](#). It calls for various changes to the standard auditor reporting model, including a requirement for auditors to communicate critical audit matters (CAMs).

Comments included concerns that, if finalized in its current form, the standard could:

- increase audit costs;
- force audit matters that may not be required to be communicated to be reported as CAMs (versus only critical matters which are required to be disclosed to the audit committee);
- result in the auditor disclosing confidential or sensitive information that the company may not have intended to disclose;
- undermine the role of the audit committee; and/or
- negatively affect communication between the auditor, management and the audit committee.

The SEC has indicated its intention to take action on the PCAOB's proposal by October 26, 2017.



#### *Insights and actions*

For more information on the auditor reporting proposal and PwC's response, refer to this brief [PwC publication](#) and our [response letter](#).

### SEC simplifies IPO process

The SEC issued [new guidance](#) that expands its efforts to streamline the IPO submission process. In an effort to foster capital formation, an administration priority, the SEC [announced](#) in June that the Division of Corporation Finance will permit all companies, not just emerging growth companies (EGCs), to file draft registrations for initial public offerings for confidential review. The updated guidance focuses on [two main changes](#): (1) eliminating the circumstances for including interim period financial statements in initial filings and subsequent amendments, and (2) allowing issuers with not-yet effective public registrations to switch to confidential review for future amendments.

The new guidance is effective immediately.

### Activists continue to seek changes in board composition

Gibson Dunn's [2017 Mid-Year Activism Update](#) indicates that the most common activism campaign target for public companies with over \$1 billion in market cap was changes in board composition. The update covered the first half of 2017, and identified 41 activists with 49 total public actions at 50 companies with a market cap of over \$1 billion. Activist campaigns can

target one or more areas in each.

In addition to the nearly 68% of activist campaigns focused on board composition and obtaining board seats, other activist targets included:

- Changes to business strategy – included in 61% of campaigns
- Mergers and acquisitions (including advocating both for and against activity) – 45.8% of campaigns
- Governance initiatives – 30.5% of campaigns
- Changes in management – 27.1% of campaigns

## State Street issues guidance for climate disclosure

State Street Global Advisors issued [guidance](#) on climate disclosures for “high-impact sector companies,” noting that boards should regard climate change the same as any other significant risk to the business. High-impact companies are defined as companies in the oil and gas, utilities, and mining sectors that account for over one quarter of annual [Greenhouse Gas \(GHG\)](#) production.

State Street has been engaging with companies on climate-related risks since 2013, noting the many climate-related reports they’ve reviewed varied significantly by region and by company. State Street’s guidance also mentioned that the US has not yet fully embraced establishing best practices in this area, as some European companies have done.

State Street suggests that companies detail the following four main areas to provide investors with a clearer picture of how the board oversees, manages and mitigates climate risk:

1. Governance and board oversight of climate risk
2. Establishing and disclosing long-term GHG goals
3. Disclosing the average and range of carbon price assumptions
4. Discussing impacts of scenario planning on long-term capital allocation decisions

This latest guidance follows State Street’s [Climate Change Risk Oversight for Directors](#), a framework for directors that was revised in June.

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