### Board Diversity

A board comprised of members that bring various backgrounds and skillsets to the table has been proven to improve business performance and business leaders agree that board diversity is important. But in order to achieve diversity in the board room, internal systems, processes and perceptions may need to be updated.

Gender diversity, specifically, is a focus point at many firms with large institutional investors such as BlackRock and State Street making voting policy updates and taking very public stances on the matter. As reported in Georgeson's Annual Corporate Governance Review, investors voted on more proposals in 2017 year over year from 2016 and 2015.

### Director Qualifications Disclosure

On Dec. 16, 2009, the U.S. Securities and Exchange Commission (SEC) adopted amendments to Regulation S-K of the Securities Act of 1933 that require U.S. public companies to enhance their disclosures in proxy statements about the qualifications of director nominees. There is increasing demand for public companies to provide information regarding the considerations involved in identifying director nominees so shareholders are better equipped to evaluate company leadership. Many large institutional investors are supportive of increased disclosure in this area.

### Shareholder Engagement

Public companies are engaging with their shareholders on governance and other business-related topics on an increasing basis. Particularly for the largest companies, shareholder engagement has expanded beyond the proxy season and become a year-round strategic endeavor. Effective engagement programs allow issuers to develop relationships with governance teams at institutional investor firms, anticipate and prepare for potential issues at the annual meeting and even potentially mitigate or avoid activism scenarios.

### ESG Proposals

Environmental, social and governance (ESG) proposals were a prominent trend in the 2017 and 2018 proxy season and we expect this trend to continue. A number of prominent institutional investors, including BlackRock, Vanguard and Fidelity, have changed their voting policies on climate change matters to be more supportive of certain shareholder-sponsored proposals on this topic. Proxy advisory firms including Institutional Shareholder Services (ISS) and Glass Lewis updated their policies on climate change risk and shareholder proposals for 2018.

### CEO Pay Ratio

Under the 2010 Dodd-Frank financial reform, beginning in 2018 the SEC requires publicly traded companies to disclose how their CEOs are compensated in comparison to employees. Calculating and disclosing pay ratio has presented some challenges. Significant variables exist between industries and even between peer companies. Some companies have anticipated more human resource and human capital management concerns than investor scrutiny.

### Executive Compensation

As discussed in the Georgeson and Latham & Watkins “2018 Proxy Season” webcast, compensation issues that remained at the forefront of the 2018 proxy season included say on pay, say when on pay and compensation risk. Additionally, tax reform (Tax Cuts and Jobs Act) including changes to the executive compensation deduction rules in Section 162(m) of the Internal Revenue Code affect both compensation plan design and proxy disclosure.

### Activism

Activist campaigns continue to evolve and take aim at more companies of all market capitalizations. Activist are also increasingly utilizing innovative strategies to influence and “democratize” shareholders in order to take action against management. Activist defense campaigns can impose substantial cost burdens upon issuers. The 2017 proxy fight between Procter & Gamble and Nelson Peltz of Trian Fund Management was the most expensive in history — with both parties spending over $60 million according to Fortune.1

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