



Keynote address: Paula Loop, Leader of PwC's Governance Insights Center

Governance Insights:

- Institutional investors are focusing attention on stewardship.
- Climate-related shareholder proposals are also on the agenda; for example, four shareholder proposals were approved this past proxy season, when in past seasons, typically none were approved.
- Hedge fund activists have started focusing on operational activism, shifting some focus from capital allocation and carve ups.
- Technology is widely recognized as both a major enabler and a disruptor to our businesses. Evolving technology brings opportunities for greater efficiencies and different ways to interact with customers, but it also brings greater risk in cyber/data privacy (e.g., GDPR). The average age of a board member is over 60, and the average workforce is much younger, so it is imperative for board members to increase their digital IQ.
- Attention to risk, reputation/trust, and cyber are key boardroom topics; it's important to have action plans demonstrating progress.
- Directors are now paying more attention to investors. The trend is to have someone on the board engage with investors in addition to management.
- A notable fact from the last proxy season is that 115 directors did not get affirmative votes; in 2016, only 50 directors did not receive affirmative votes.

Participant Questions:

- 1) **Board assessments—should they be done, and is it important they be done by a third-party firm?** It is suggested that board feedback be done continually and not when there are issues. Nominating/governance or the lead director is typically responsible. One recommended process is to gain third-party assistance every couple of years and leverage this process in the interim years. A very effective process is to deliver individual verbal feedback on strengths and weaknesses. The top reasons individuals are replaced are not being prepared for meetings and lack of understanding the strategy.

- 2) **If you want to add board diversity, is it a good idea to add board seats?** If you want to accomplish diversity quickly, then adding seats is certainly an easy option.
- 3) **Should boards have tech committees?** There are pros and cons. The main pro is that the committee structure permits a deeper dive on tech topics, but the con is that three to four board members have the understanding vs. the full board.

Key Director Questions/Actions Provided by Panelists:

- Is this a time to think differently on our strategy? When was the last discussion on strategic direction and the need for adjustments?
- Is management aware of the technological and competitive disruption that could impact the company's business model and bottom line?
- Where is the talent coming from to advance our strategy/technology advancements?
- Do we have action plans focused on continuous improvements to cybersecurity and risk monitoring?
- Is the company's current technology outdated to the point that it negatively impacts our bottom line?
- What are the potential vulnerabilities or opportunities for our company as a result of expansions by tech giants such as Amazon or Google?
- What is the digital IQ of our board?
- How will artificial intelligence impact our operations?
- Am I utilizing the technology on my tablet or smartphone? A best practice is to keep trying new technology.
- What was the last course, webinar, seminar, or educational event I attended? Continuous learning will keep directors current in the boardroom.

Panel Discussion Focused on the Changing Geopolitical Environment

Moderator: **Mary Shelton Rose**, Advisory Partner, PwC US Brexit Response Office

Panelists: **Jay Bryson**, Managing Director and Global Economist at Wells Fargo Securities; **Scott Carlton**, President of SGL Carbon LLC; **Paula Loop**, Leader of PwC's Governance Insights Center

Question 1: Jay

Q: Uncertainty has become the unifying theme across the global political environment. The rise of Populism, Brexit, and President Trump's victory all became surprising realities. Can you comment on the phenomena that are driving this reaction to global versus local attitudes? Can you comment specifically on what you see as potential outcomes of the trade discussions and their impact on commercial strategy for multinational companies?

A: Key trends in globalization are the result of the fall of the Berlin Wall and the rise of China. The global financial crisis increased frustration, and this is still playing out, so it is not clear whether globalization or local attitudes is the trend. Another observation is that the Border Adjustment Tax is most likely dead.

Question 2: Paula

Q: You spend a great deal of time speaking to board members. With the global political and economic landscape continuing to evolve, what are the top issues directors should be concerned about?

A: In addition to my opening comments I would say that directors should be sure that CEO opening comments include an update on industry, competitor trends, risks, etc. I can't emphasize enough the need to stay educated and up to date on technology trends.

Question 3: Scott

Q: In working with clients, we are hearing that companies are using this uncertain climate as a time to relook at their operating model and to pivot geographies, product portfolios, etc. Putting both your operational executive and board member hats on, what is your experience? How does this impact 5- to 10-year multinational company strategic plans?

A: The board is taking a bigger role in discussion on where to place plants and operations around the globe. I have seen a trend to relook at local plants vs. shipping worldwide. It is also important that a board not be on autopilot about the strategy; it's important to stop and ask the questions about adjustments.

Question 4: Jay

Q: We can't really have a global business discussion without a focus on China. How do you expect China's economic situation to impact investment into the country? In recent years, we've seen an expansion of Chinese Trade partnerships. With so much uncertainty in other parts of the European Union and to an extent in the United States, do you think we will continue to see a rise in partnerships and deals with China?

A: There is a question whether China will become another Japan—stagnate. Much of China's capital is used in state-owned enterprises vs. dynamic enterprises. Anticipate China in more bilateral trade deals.

Question 5: Scott

Q: I believe you have personal experience working in the evolving Chinese environment. Can you shed some light on how you see the changing economy and challenging regulatory environment impacting the opportunities and risks that board members should be discussing with their management teams?

A: The board can play a key role in risk evaluation on global ventures and plants, especially the larger investments. For example, did management evaluate whether there is transparency in accounting or what talent/skills are needed to manage our local investment? For example, sending everyone from corporate typically won't dictate success. The board can also play a role looking at the risks across multiple investments should each of them have issues.

Question 6: Paula

Q: We have become accustomed to access to a global talent pool. With the Brexit discussions, our own potential changes in the United States, etc., having access to skilled talent in the right place at the right time may become much more challenging in the future. How can businesses prepare themselves in advance of these changes? How can directors help their companies get ahead of these changes?

A: I can tell you this is a top concern expressed in our CEO survey. This has typically not been the focus of boardrooms, but I recommend talent questions be included in the strategy discussion.

Question 7: Scott

Q: How do you see the evolving talent issue impacting sourcing—onshore/offshore as an example?

A: Experience has taught our company that multinational talent is best working in global environments.

NACD Resources:

- The *NACD Directorship* magazine article “[How to Win in the Digital Revolution](#)” provides insights on how companies can embrace the digital revolution and learn to be disruptors in their respective industries.
- Another *Directorship* article, “[Digital Transformation: Two Guiding Principles for Boards](#),” explores the actions directors should take to capitalize on these emerging digital trends.
- The *NACD Resource Center* offers a [Cyber-Risk Certificate Course](#).