Some Thoughts for Boards of Directors in 2015

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The challenges that directors of public companies face in carrying out their duties continue to grow. The end goal remains the same, to oversee the successful, profitable and sustainable operations of their companies. But the pressures that confront directors, from activism and short-termism, to ongoing shifts in governance, to global risks and competition, are many. A few weeks ago we issued an updated list of key issues that boards will be expected to deal with in the coming year (accessible at this link: The Spotlight on Boards). Highlighted below are a few of the more significant issues and trends that we believe directors should bear in mind as they consider their companies' priorities and objectives and seek to meet their companies' goals.

I. ACTIVISM

Companies today are more vulnerable to activist attacks than ever before. Over the past decade or so, several trends have converged to foster an environment that is rife with opportunities for activists to extract value. These include the steady erosion of takeover defenses, the expansion of the ability of shareholders to pressure directors, the increasingly impatient and short-termist mindset of Wall Street, and a regulatory disclosure regime that is badly in need of modernization to reflect the current realities of rapid stock accumulations by activists, derivative securities and behind-the-scenes coordination among activist hedge-funds and investment-manager members of "wolf packs."

The number of activist attacks has surged from 27 in 2000 to nearly 250 year-to-date in 2014, in addition to numerous undisclosed behind-the-scenes situations. Activist funds have become an "asset class" in their own right and have amassed an estimated $200 billion of assets under management. In this environment, boards and management teams have been spending a significant amount of time preparing for and responding to activist attacks, and proactively considering whether adjustments to their companies' business strategies are warranted in order to avoid becoming a target.

Three decades of campaigns by public and union pension funds, Institutional Shareholder Services (ISS) and Council of Institutional Investors (CII), and their academic and corporate raider supporters, have served to promote majority voting standards, eliminate rights plans, declassify boards and otherwise shift power to shareholders. This, in turn, has precipitated important changes to the governance landscape and played a key role in laying the groundwork for today's activism. Yesterday's corporate governance crusades have turned an evolutionary corner in the last few years, to morph into the heavyweight attacks of today where entire boards of directors are ousted in proxy fights and a 3% shareholder can compel a $100+ billion company to accommodate its demands for spin-offs, buybacks and other major changes.

The proliferation of activism has prompted much reflection and revisiting of the basic purpose and role of corporations. As recently stated by the Financial Times' chief economics commentator Martin Wolf, "Almost nothing in economics is more important than thinking through how companies should be managed and for what ends." Activist attacks vividly illustrate what is truly at stake in corporate governance debates—such as how to balance demands for stock prices that are robust in the short term without sacrificing long-term value creation, and whether maximization of stockholder value should be the exclusive aim of the corporate enterprise. The special agendas, white papers and "fight letters" of activists are anything but subtle in framing these issues and have direct, real-world implications for the future paths of the corporations they target as well as the futures of employees, local communities and other stakeholders. In short, the rapid rise in the number of activist attacks, the impact they are having on U.S. companies and the slowing of GDP growth, have added a new spark and sense of urgency to the classic debate about board- versus shareholder-centric models of corporate governance: who is best positioned to determine what will best serve the interests of the corporation and its stakeholders?

In this regard, a key question is whether activists actually create value. It is clear that many activists have produced alpha returns for themselves and their investors. Pershing Square, for example, realized an estimated $1 billion gain on its investment in Allergan on the day that Valeant announced its takeover offer for Allergan, and will reap an estimated $2.6 billion profit as a result of Actavis's pending acquisition of Allergan. However, it is far from clear that activists have more insight and experience in suggesting value-enhancing strategies than the management teams that actually run the businesses, or are more incentivized than boards and management teams (whose reputations, livelihoods and/or considerable portions of personal wealth tend to be tied to the success of the company) to drive such strategies. By way of comparison, the management and operational changes that Pershing Square advocated for J.C. Penney had disastrous results for the company and Pershing Square realized steep losses on that investment.

Moreover, to the extent that activists do precipitate stock price increases, a further question is whether such gains come at the expense of long-term sustainability and value-creation. To be sure, some activists tend to engage in a more constructive form of advocacy characterized by a genuine desire to create medium- to long-term value. However, the far more prevalent form of "scorched-earth" activism features a fairly predictable playbook of advocating a sale of the company, increased debt or asset divestitures to fund extraordinary dividends or share buybacks, employee headcount reductions, reduced capital expenditures and R&D and other drastic cost cuts that go well beyond the scope of prudent cost discipline.

The experience of the overwhelming majority of corporate managers and their advisors is that attacks by activist hedge funds are followed by declines in long-term future performance, and that such attacks (as well as proactive efforts to avoid becoming the target of an attack) result in increased leverage, decreased investment in capital expenditures and R&D, employee layoffs and poor employee morale. A number of academic studies confirm this view and rebut the contrary position espoused by shareholder rights activists who believe that activist attacks are beneficial to the targeted companies and should be encouraged. For example, a recent report by the Institute for Governance of Private and Public Organizations concludes: "[T]he most generous conclusion one may reach from these empirical studies has to be that 'activist' hedge funds create some short-term wealth for some shareholders as a result of investors who believe hedge fund propaganda (and some academic studies), jumping in the stock of targeted companies. In a minority of cases, activist hedge funds may bring some lasting value for shareholders but largely at the expense of workers and bond holders; thus, the impact of activist hedge funds seems to take the form of wealth transfer rather than wealth creation."

The debate about whether activists create value underscores one of most critical factors in determining the outcome of activist attacks and the future direction of this trend:

credibility. Starting with the Enron debacle and culminating in the financial crisis, the public confidence level in boards was impaired and shareholders became generally more skeptical of their oversight effectiveness. Activists, in espousing the virtues of good corporate governance and shareholder rights, gradually rebranded and cleansed themselves of the raider stigma of the 1980s and gained mainstream credibility with shareholder rights proponents, the media, institutional investors and academia. And some activists clearly have more reputational capital than others. As hedge funds of varying degrees of firepower and sophistication have sought to claim the activist label, it is clear that not all activists have the same playbook, track record or approach to dealing with companies. These macro trends boil down to specifics in each proxy fight, with the key questions being whether management and the board can articulate a credible and convincing case for the company's business plan and demonstrate the results of that plan, and whether institutional investors will support a long-term growth strategy despite the allure of more immediate results.

Against this backdrop, it is essential that boards not be unduly distracted from their core mission of overseeing the strategic direction and management of the business. Directors should develop an understanding of shareholder perspectives on the company and foster long-term relationships with shareholders, as well as deal with the requests of shareholders for meetings to discuss governance, the business portfolio and operating strategy. Directors should also work with management and advisors to review the company's business and strategy with a view toward minimizing vulnerability to attacks by activist hedge funds.

II. RISK MANAGEMENT

One of the most challenging tasks facing boards continues to be risk management. To compete and succeed in today's global economy, companies must manage a host of complex business, financial, legal and other risks that require heightened levels of vigilance, technical expertise and resources. In addition, the risk management paradigm has evolved from being primarily a business and operational responsibility of management, to being characterized also as a governance issue that is squarely within the purview of the board's oversight role.

In recent years, one area that has come sharply into focus is cybersecurity. As businesses increasingly rely on cloud computing, mobile devices and other networked technologies, cyberattacks are becoming more frequent and sophisticated. This focus has been galvanized by a number of high-profile cyberattacks in the last year or so. For example, the attack on Target Corporation in December 2013 gave hackers access to payment card data of approximately 40 million customers and personal data of up to 70 million customers, and the attack on JPMorgan Chase this past summer affected approximately 76 million households and seven million small businesses. As stated by SEC Commissioner Luis A. Aguilar this past March: "In sum, the capital markets and their critical participants, including public companies, are under a continuous and serious threat of cyber-attack, and this threat cannot be ignored."

Cybersecurity has accordingly been attracting considerable attention from regulators, investors and the media. The SEC issued guidance in 2011 regarding public company disclosures of cybersecurity risks, and has issued comment letters to approximately 50 companies regarding such disclosures. This past March, the SEC held a roundtable to discuss cybersecurity issues, and it is reviewing cybersecurity preparedness of dozens of registered broker-dealers and investment advisors.

On the corporate governance front, ISS will recommend voting "against" or "withhold" in director elections when it believes that a company has experienced a material failure of risk oversight. Earlier this year, ISS cited this policy in recommending that Target shareholders vote against all seven of the directors who served on Target's audit or corporate responsibility committees at the time of the December 2013 data breach. In addition, shareholder groups have led "withhold the vote" campaigns driven by risk oversight topics, such as the campaign launched by CalPERS and the New York City Comptroller against members of Duke Energy's board committee overseeing health, safety and environmental compliance following a coal ash spill.

In boardrooms, directors have been reviewing not only the company's policies and structures for managing this risk, but also the effectiveness of the board's oversight in this area. Issues include whether directors' technical expertise should be enhanced with tutorials or other education initiatives; whether the board's role in overseeing cybersecurity protocols should be delegated to any board's committees and, if so, whether the allocation of responsibility among the board and these committees is cohesive and clearly delineated; and how to strike the right balance between the role of the board and the day-to-day responsibility of the management team.

In performing their oversight role, directors should satisfy themselves that the policies and procedures designed and implemented by the company's senior executives and risk managers are consistent with the company's strategy and risk appetite, that these policies and procedures are functioning as directed, and that necessary steps are taken to foster a culture of risk-aware and risk-adjusted decision-making throughout the organization. The board should establish that the CEO and the senior executives are fully engaged in risk management and should also be aware of the type and magnitude of the company's principal risks that underlie its risk oversight. With respect to cybersecurity risks, the board may wish to consider third party guidance in order to gain a better understanding of whether the company follows best practices and the ways in which such practices have been tailored to the company's specific needs. For example, the National Institute of Standards and Technology (NIST) has issued a framework that aims to establish a common vocabulary for discussions between businesspeople and technical specialists and offers a tiered approach to developing and refining cybersecurity programs.

III. PROXY ACCESS

Following the invalidation of the SEC's proxy access rule in 2011 and the effectiveness of amendments to the SEC's rules that allow a private ordering approach, proxy access seemed to quietly simmer as shareholder rights proponents cautiously experimented with different holding periods, ownership thresholds and other variations of proxy access. There was no clear consensus in the governance community around the "best practice" version of proxy access, and shareholder proposals evolved by trial-and-error to cure substantive vulnerabilities and procedural defects that permitted companies to exclude them from their proxy statements under Rule 14a-8. During the 2012 and 2013 proxy seasons, only 39 shareholder-backed proxy access proposals were put to a vote and, of these, only ten were approved by shareholders. That incubation period seems to be drawing to a close; 2015 promises to be a big year for proxy access.

There has been a notable spike in the number of proxy access proposals, driven in large part by the New York City Comptroller's "2015 Boardroom Accountability Project," which is seeking to install proxy access at 75 U.S. publicly traded companies reflecting diverse industries and market capitalizations. These proposals are precatory, but ask that the company agree to submit for shareholder approval a binding bylaw that would enable shareholders (or groups of shareholders) who meet specified criteria to nominate director candidates for election to the board and to have these nominees and their supporting statements included in the company's own proxy materials. In most cases, these proposals provide that in order to nominate director candidates, the nominating shareholder must have held at least 3% of the company's outstanding shares for a minimum continuous holding period of at least 3 years. If the precatory proposal garners a majority shareholder vote at the company's 2015 annual meeting, it will generally not become effective unless and until the company submits and shareholders approve an implementing bylaw amendment at the company's 2016 annual meeting.

Companies that receive proxy access proposals should first assess whether the shareholding, form and content requirements of Rule 14a-8 are satisfied. The current wave of proxy access proposals has evolved to cure most substantive vulnerabilities and, absent procedural defects, the SEC has generally been unsympathetic to proxy access exclusion requests. Assuming that the company cannot exclude the proposal from its proxy statement under Rule 14a-8, the company's options for responding to the proposal include the following: (1) submit the proposal to a shareholder vote and make a board recommendation as to how shareholders should vote, (2) preemptively adopt a proxy access bylaw or submit a competing proxy access proposal with more stringent requirements, or (3) attempt to negotiate a compromise or alternative outcome with the shareholder proponent. In weighing these options, a key consideration is whether the proposal is likely to receive majority shareholder support. If the proposal receives the support of a majority of votes cast, proxy advisory firms such as ISS (as well as members of the investment community) will expect the board to be responsive to the proposal.

It remains to be seen whether proxy access will achieve the same widespread acceptance as majority voting, board declassification and other governance issues that peaked in the last decade. While some proponents of proxy access claim that a "tipping point" of investor support has been reached, the reality is that many institutional investors do not reflexively support proxy access proposals, even those crafted with thresholds mimicking the SEC's now-withdrawn 3% ownership / 3-year holding period formulation. Shareholders have many avenues for constructively influencing boards of directors, including with respect to board composition, and the number of proxy fights has risen in the last few years notwithstanding the lack of proxy access.

When it comes to proxy fights, many investors have the good sense to realize that more is not necessarily better, and that proxy fights have real downsides for all shareholders in terms of expense, management distraction and effective board functioning. As a result, many major institutional investors have been willing to engage in a case-by-case, fact-specific assessment of a company's circumstances in deciding how to vote on proxy access, even in the face of supportive proxy advisory firm recommendations. Companies that have developed good relationships with their shareholders, and that are able to demonstrate that effective governance policies are already in place, should be well-positioned to try to resist these proxy access proposals through further engagement and investor outreach.

IV. PROXY ADVISORY FIRMS

ISS and Glass Lewis continue to be in the spotlight as a result of mounting concerns about their tremendous influence over voting outcomes as well as their lack of transparency, analytical and reporting errors, conflicts of interest and inflexible voting policies. Their ideological orientation generally takes the view that more shareholder power is better, often leading them to take extreme positions that are not shared across the spectrum of institutional investors. For example, one commentator has observed that ISS supported 96 percent of proposals to adopt cumulative voting, but out of 107 such proposals at Fortune 200 companies between 2006 and 2012, only one received majority support. Other situations where ISS took outlier positions include its recommendation to withhold votes for a majority of the Target board as a result of Target's December 2013 data breach (shareholders nonetheless re-elected all of the directors), and its recommendation in favor of splitting the chairman and CEO roles at JPMorgan Chase (the proposal received only 32 percent support from shareholders). Activists have astutely tapped into this bias and have generally found a loyal, motivated and influential ally in the proxy firms. Indeed, most activist attacks feature not only strategic or economic proposals, but also corporate governance criticisms and proposals to enhance shareholder power—of which, conveniently, the activists will be the primary beneficiary.

This past summer, the SEC took a much-anticipated first step toward addressing concerns about proxy advisory firms. Notably, the SEC cast new light on the two principles that have formed the bedrock of ISS's and Glass Lewis's influence. The first principle is the idea that fund managers have a fiduciary duty to vote the shares they manage in the best interests of their clients, and that this generally entails voting all of their shares at each meeting. The second principle is the notion that fund managers may discharge this duty by voting their shares in accordance with recommendations of proxy advisors. The net effect is that proxy firms have become a cost-effective way for fund managers to deal with the large volume of votes required to be made each proxy season, and many institutional investors have accordingly outsourced their voting responsibilities to proxy firms as an ostensible means of fulfilling their duties.

The SEC's new guidance clarifies that rote outsourcing of voting discretion to proxy advisory firms without engaging in active oversight is not consistent with an investment adviser's fiduciary duties. Instead, managers must ensure that the proxy firm's recommendations are based on accurate information, they must evaluate the firm's capacity and competency and, where material errors are discovered, those errors cannot be ignored. The SEC also indicated that investment advisers are not required to vote every proxy at every meeting. Instead, they generally have broad flexibility to abstain from voting or focus on only a subset of particular proposals or items. However, when investment advisers do vote, the SEC has indicated that they must adopt reasonably designed protocols to ensure the proxies are voted in their clients' best interests. In addition, the SEC confirmed that with respect to potential liability for false or misleading statements, proxy firms are no different from companies and other persons who are soliciting votes. Proxy firms are also required to disclose conflicts of interest, and such disclosures must be sufficiently specific to enable an assessment of the reliability and objectivity of their voting recommendations.

It remains to be seen how this guidance will impact voting dynamics in the 2015 proxy season. It could, for example, magnify the voices of activists if institutional investors decide to abstain from voting, or conversely it could prompt investors to adopt a default rule whereby they generally vote in favor of management's recommendations. It seems likely that the SEC's guidance is a step in the right direction, but further SEC Staff, Commission-level or legislative action will be needed to increase the overall accountability of proxy advisory firms, resolve conflicts of interest and address the lack of transparency in their methodologies and analyses. Equally critical is the extent to which institutional investors embrace a more thoughtful and responsible use of proxy voting advice. In a working paper published in August, SEC Commissioner Daniel Gallagher observed that "over the past decade, the investment adviser industry has become far too entrenched in its reliance on these firms, and there is therefore a risk that the firms will not take full advantage of the new [SEC] guidance to reduce that reliance."

As the regulatory landscape continues to evolve, companies must also adjust to the ever evolving policy positions of ISS and Glass Lewis. A few of the more noteworthy changes on the horizon for 2015: (i) ISS and Glass Lewis will generally recommend withhold/against votes if the board amends the company's bylaws or charter without shareholder approval in a manner "that materially diminishes shareholders' rights or that could adversely impact shareholders" (the ISS formulation) or that "reduce[s] or remove[s] important shareholder rights" (the Glass Lewis formulation); (ii) ISS will implement a more "holistic" methodology in evaluating independent chair proposals, taking into account a number of governance, board leadership and performance factors (and ISS's backtesting indicates this new policy would have resulted in greater ISS support for independent chair proposals than its prior policy); and (iii) both proxy advisors have revised their methodologies for evaluating compensation-related proposals. Our firm's summary of these updates is available at this link: Proxy Advisory Firms Update Proxy Voting Guidelines.

V. BOARD EVALUATIONS AND COMPOSITION

A key priority for boards is an ongoing candid assessment of their effectiveness in performing their oversight role. While annual self-evaluations are a standard practice and a NYSE listing rules requirement, investors have been demanding more robust disclosures about board evaluation processes and, in some cases, the results of those evaluations. CII, for example, published a report in September that calls for more thorough and meaningful disclosures by companies—such as specific details about who does the evaluating of whom, how often evaluations are conducted, who reviews the results and how the board decides to address the results. The report highlights the disclosures of a few companies that CII considers to be best-practice leaders in this area. ISS has also focused on the importance of board evaluations in formulating its new QuickScore 3.0 ratings, which will now take into account whether companies disclose a policy requiring annual performance evaluations of the board.

There are a variety of approaches that can be used in formulating an effective evaluation process, and each board should consider its particular dynamics and needs and should not feel compelled to adopt any single prescribed form of board review. Many consulting firms have published their recommended forms and procedures for conducting these evaluations and have established advisory services in which they meet with the board and committee members to lead them through the evaluation process. While these services may provide useful tools, it is not required that the board receive outside assistance nor that multiple-choice questionnaires and/or essays be the means of evaluation. Many boards have found that a board discussion, with or without an outside consultant, is the best way to conduct evaluations. It should be noted that documents and minutes created as part of the evaluation process are not privileged, and care should be taken to avoid damaging the collegiality of the board or creating ambiguous records that may be used in litigation against the corporation and the board.

One issue that should be regularly considered by boards, including as part of their evaluation process, is whether the board has the right mix of industry and financial expertise, objectivity, diversity of perspectives and business backgrounds. In thinking about board composition, directors should take a long-term strategic view focused not just on filling immediate vacancies on an ad hoc basis, but on constructing a well-rounded board that can handle the multi-dimensional responsibilities inherent in its oversight role. Recruiting and retaining directors has become quite challenging, particularly with respect to directors who possess skills and experiences that are in high demand—such as cybersecurity and technology skills, relevant industry experience, international backgrounds, and audit and accounting skills.

In addition, boards should not lose sight of personal qualities as well as team dynamics such as mutual respect, trust and openness. While these intangible factors may be difficult to quantify or describe with precision, they are very much at the heart of effective board functioning. Indeed, a research note issued earlier this year by the Conference Board summarized the results of a survey of more than 420 directors that sought to assess the quality of interactions among board members and the extent to which "an appropriate environment exists in the boardroom that is conducive to openly sharing information, constructively deliberating issues, engaging in high-quality decision making and generating valuable collective board outcomes." This research indicated that the quality of team dynamics has a significantly greater impact on firm performance than the sum of individual director contributions, and the paper suggests greater attention should be paid in board evaluations to board functioning as a whole as opposed to focusing primarily on individual director performance.

In addition, team dynamics is an important yet often overlooked issue in activist battles for board representation. In contrast to ISS's default assumption that there is little downside to injecting "new blood" into boardrooms (and its resulting bias in favor of short-slate dissident nominees), proxy contests often entail sharp words, personal attacks and divide-and-conquer strategies by activists that promote balkanization, factions and distrust in the boardroom.

VI. LONG-TERM VALUE CREATION

It is beyond dispute that U.S. public companies today are under tremendous pressure to deliver near-term results, and that this pressure is having a real impact on corporate strategies and investments. Company performance is constantly measured against the yardstick of real-time stock price and market fluctuations, with particular significance accorded by Wall Street to quarterly earnings targets. Activists are quick to point out the ways in which stock buybacks, spin-offs, special dividends and other transactions could provide immediate gains for shareholders, regardless of the impact that these actions may have on the company's long-term sustainability and growth. Institutional investors, motivated in part by the performance-based compensation structures of fund managers, have been receptive to activist proposals and have all too often been reinforcing the short-term mindset rather than standing up for the values of "patient capital." And corporate managers themselves may also be part of the problem, as the emphasis on pay-for-performance compensation structures has increased the correlation between short-term results and compensation. It seems as if short-termism has become the prevailing default mindset, and a long-term perspective is maintained only with concerted effort and resolve.

The short-term pressures facing public companies were candidly summed up by Michael Dell in reflecting on the privatization of Dell Inc. last year:

> As a private company, Dell now has the freedom to take a long-term view. No more pulling R&D and growth investments to make in-quarter numbers. No more having a small group of vocal investors hijack the public perception of our strategy while we're fully focused on building for the future. No more trade-offs between what's best for a short-term return and what's best for the long-term success of our customers. For example, in the past year we have made investments of several hundred million dollars in areas with significant time horizons, such as cloud and analytics, that might not have been feasible in today's environment for public companies.

Indeed, short-termism is causing observable shifts in corporate strategies, not only in activist situations but also more pervasively among companies seeking to preempt an activist attack or otherwise meet shareholder expectations. In a letter issued this past March to CEOs of S&P 500 companies, Laurence Fink, Chairman and CEO of BlackRock, expressed concern "that, in the wake of the financial crisis, many companies have shied away from investing in the future growth of their companies. Too many companies have cut capital expenditure and even increased debt to boost dividends and increase share buy-backs."

Data compiled by the S&P Dow Jones Indices suggests in the 12-month period ended June 2014, S&P 500 companies returned a record amount of cash to shareholders, consisting of approximately $533 billion in buybacks and $332.9 billion in dividends. S&P 500 companies are on track to spend $914 billion on share buybacks and dividends this year, or about 95 percent of earnings, according to Bloomberg and the S&P Dow Jones Indices. This in turn is impacting capex levels: Barclays has estimated that the portion of cash flow allocated to capex is down to 40% from more than 50% in the early 2000s, and annual data compiled by the Commerce Department indicates the average age of fixed assets reached 22 years in 2013, the highest level in almost 60 years.

In this environment, the need for boardroom resolve and commitment to long-term growth is critical not only for companies, but also for the vitality and competitiveness of American businesses in the global economy. A long-term oriented, well-functioning and responsible private sector is the country's core engine for economic growth, national competitiveness, real innovation and sustained employment. Achievement of these objectives requires prudent reinvestment of corporate profits into research and development, capital projects and other value-creating initiatives. In addition, in thinking about the company's long-term strategy, the board should consider not only its shareholders, but also the broader group of constituencies—including employees, creditors, customers and local communities. The interests of these constituencies tend to converge with long-term shareholder interests insofar as they ultimately impact the sustainability and vitality of the company's operations and business relationships. Moreover, they are integral to the overall purpose and role of the corporation as the engine of American prosperity. Activism and short-termism should not be allowed to continue to retard GDP growth. Responsible investors and corporations must work together to protect our economy.

One promising proposal to reverse the growing focus on short-term performance and to build value for the long term is set forth in an important article by Dominic Barton, Global Managing Director of McKinsey & Company and Mark Wiseman, President and CEO of the Canada Pension Plan Investment Board, "Focusing on Long Term Capital," in the January-February 2014 issue of the Harvard Business Review (a summary is accessible at this link: Focusing Capital on the Long Term). Noting that short-termism "is undermining corporate investment, holding back economic growth and lowering returns for savers," they propose that "large asset owners such as pension funds, mutual funds, insurance firms, and sovereign wealth funds … adopt investment strategies aimed at maximizing long-term results" and that the "other key players—asset managers, corporate boards, and company executives … follow suit." This is exactly the kind of proposal that boards and responsible investors should be working together to promote.