Seven Questions Directors Should Resolve to Discuss in 2016

It's that season again, and time to think about new year's resolutions. In this spirit, corporate directors will want to set agenda time during 2016 to consider the following questions.

1. How is our board responding to shareholders?

The board of directors is the link between shareholders and the company; directors represent shareholders. It only makes sense that directors listen to shareholders' perspectives. This doesn't mean the board acts on every shareholder comment, it does mean that the board knows its shareholder base and that it hears accurately. Shareholder comments have common themes, M&A, spin-offs, returning cash to holders, compensation, strategy, corporate governance and disclosure practices. Be prepared and consider what shareholder communications and engagement should look like at your company.

2. What is our proxy access strategy?

Directors must understand what 3/3/25 means (hint: not March 3, 2025). If your board has not yet addressed proxy access, now is the time. Even though the practical consequences may be limited, proxy access bylaws are becoming common. The board must be educated on the range of possibilities available for proxy access terms and it must have a strategy.

3. Should cybersecurity and emerging threats be on our agenda more often?

Companies operate in a knowledge based economy and the seriousness of known cyber-attacks is increasing; causing cybersecurity to be a regular board topic. Directors must understand the company's cyber profile; the nature of potential cyber threats; and the company's internal cyber risk-management framework, e.g. what's the level of preparedness, is there adequate staffing and budget. The board should be educated on the company's emergency plan for handling a major breach. Inviting an outside expert to address the board on this topic is a good idea.

4. Where do we stand on addressing ESG metrics?

Sustainability is the umbrella term that covers many acronyms; most common, ESG. (ESG = environment and energy + social responsibility + governance.) Attitudes around corporate sustainability are changing - it's not such an "out-there" topic anymore. Consideration of a company's material ESG issues has been added to some investor review processes. A growing number of investors want to invest in sustainability-focused companies. Directors should begin by focusing on the ESG issues that affect the company's financial performance, then ensure that sustainably and longer-term thinking are imbedded in strategic planning.

5. When is the last time the board discussed CEO succession?

CEO selection is the most important aspect of the board's job and CEO succession should be front and center in the board's work. After selecting a CEO, the board must actively review CEO performance, evaluate progress on annual and long-term goals, and give regular feedback directly to the CEO. And, at least annually, directors should discuss both the emergency succession plan and normal retirement succession. In survey after survey, directors say they are not spending sufficient time on this topic. Is your board ready to deal with an unplanned CEO succession emergency?

6. Has the full board been briefed on the hot topics its committees are discussing?

Audit committees are addressing potential new disclosure requirements regarding their oversight of the company's external auditor, including tenure and compensation. Compensation committees are dealing with a new CEO pay ratio and disclosure rule. Nominating and Governance committees are working through calls for more diversity on the board. All directors, regardless of which committee they serve, should be knowledgeable about committee matters.

7. How do we further develop our board's effectiveness?

The annual evaluation is now standard practice. What's new is disclosure. Based in part on the Council of Institutional Investors' report, "Best Disclosure: Board Evaluations," boards are taking fresh approaches to describing the evaluation process in disclosure documents. Some boards also disclose evaluation "takeaways." Of course, you can't disclose if the board doesn't use the evaluation tool to effectively measure performance and take a culture reading.

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