

NACD CHAPTER PROGRAM SUMMARY



EVENT TITLE: Hot Topics for the Upcoming Proxy Season

EVENT DATE: 1/16/2025

EVENT TIME: 12:00 Noon ET

PROGRAM SUMMARY:

This NACD session hosted by the New England and Philadelphia Chapters provided an in-depth exploration of the most pressing issues public company boards will face in the 2025 proxy season. Panelists shared insights on evolving shareholder expectations, trends in shareholder proposals, the impact of the universal proxy card, executive compensation challenges, and the increasing importance of board oversight in emerging areas like cybersecurity and artificial intelligence (AI). Attendees gained actionable strategies for navigating these developments and aligning governance practices with stakeholder priorities.

The session began with a discussion on the **evolving trends in shareholder proposals**, which remain a cornerstone of proxy season activity. Panelists highlighted that while ESG (Environmental, Social, and Governance) proposals remain prevalent, their support levels have slightly declined, reflecting a shift toward more focused and material initiatives. Core governance proposals, including those addressing board composition, director independence, overboarding, and shareholder rights, are regaining prominence. Shareholders are increasingly scrutinizing board accountability, particularly in areas like diversity, tenure, and refreshment, underscoring the need for robust director evaluation processes.

The universal proxy card was identified as one of the most significant developments influencing director elections. This tool enables shareholders to vote for individual directors rather than selecting a single slate, dramatically altering the dynamics of board elections. Panelists stressed that this shift has heightened expectations for director transparency, effectiveness, and alignment with shareholder interests. Directors must now prepare for more granular assessments

of their qualifications and performance, making clear communication of their contributions and expertise essential.

Executive compensation continues to be a pivotal area of focus. Say on Pay votes remain critical, with stable yet high levels of support indicating that shareholders generally approve of compensation practices. However, panelists noted that evolving stakeholder priorities are driving changes in how boards structure executive pay. There is growing pressure to link compensation to long-term performance metrics and sustainability goals. Directors must ensure that compensation programs balance traditional financial metrics with emerging non-financial indicators, demonstrating a clear connection between pay and long-term shareholder value.

Shareholder activism remains a robust force, with an increasing number of campaigns targeting operational and strategic improvements. Panelists observed that activists are becoming more sophisticated, often presenting detailed value-creation strategies that institutional investors are willing to support. Boards must adopt a proactive approach by identifying potential vulnerabilities and engaging with shareholders early to address concerns. Regular shareholder engagement is critical to building trust and reducing the likelihood of contentious campaigns.

The session also explored the growing focus on **board oversight of emerging risks**, particularly in the areas of cybersecurity and AI. Cybersecurity is no longer viewed as an operational issue but as a critical governance priority requiring board-level expertise. Panelists highlighted that boards must ensure adequate frameworks are in place to address cybersecurity risks, conduct regular risk assessments, and hold management accountable for implementing robust controls. Similarly, the rapid adoption of AI presents both opportunities and challenges for public companies. Directors are expected to oversee AI-related risks, such as data privacy, ethical use, and potential biases, while ensuring AI investments align with the company's strategic objectives.

Another key topic was **the importance of effective communication with investors**. Panelists emphasized that transparency in governance practices and board decisions is crucial to maintaining shareholder confidence. Clear and

consistent messaging about board oversight, compensation decisions, and ESG initiatives can help mitigate risks of misalignment with shareholder expectations. Boards must also stay informed about the views of institutional investors, proxy advisors, and other stakeholders to anticipate potential concerns and adjust their governance practices accordingly.

In addition to these substantive governance topics, the session addressed the **changing regulatory and economic landscape** that is shaping the proxy season. Panelists discussed the potential implications of SEC leadership changes and evolving disclosure requirements, noting that boards must remain agile in responding to new rules and expectations. Economic uncertainties, including inflationary pressures and geopolitical risks, also require boards to prioritize resilience and adaptability in their oversight of strategy and risk.

The discussion concluded with a focus on **preparing for the 2025 proxy season**, with panelists providing practical recommendations for directors. These include conducting comprehensive board evaluations to ensure the right mix of skills and expertise, engaging early with shareholders to understand their priorities, and closely monitoring the regulatory environment to stay ahead of potential changes. Boards were also encouraged to prioritize ongoing education on emerging topics like AI, cybersecurity, and ESG, equipping directors to address these issues with confidence.

KEY TAKEAWAYS:

Shareholder Proposal Trends: While ESG proposals remain prominent, there is a renewed focus on core governance issues, such as board composition, director accountability, and shareholder rights. Boards must address these priorities with transparency and rigor.

Universal Proxy Card Impact: The universal proxy card has reshaped director elections, increasing the need for individual director transparency and alignment with shareholder expectations.

Executive Compensation: Boards must adapt compensation programs to reflect evolving stakeholder priorities, balancing traditional financial metrics with long-term performance and sustainability goals.

Shareholder Activism: Activist campaigns targeting operational improvements are on the rise, requiring boards to proactively engage with shareholders and address potential vulnerabilities.

Oversight of Emerging Risks: Cybersecurity and AI governance are critical priorities, necessitating board-level expertise and robust oversight frameworks to manage these evolving challenges.

Communication and Engagement: Clear and consistent communication with investors is essential to build trust, align governance practices with shareholder expectations, and mitigate risks during the proxy season.

This session provided public company directors with actionable insights to navigate the complexities of the 2025 proxy season, emphasizing the importance of proactive governance, transparency, and engagement to address evolving shareholder expectations and emerging risks.

MODERATOR:

Gloria Cordes Larson, Lawyer, Public Policy Expert, Boston Business Leader

SPEAKER(S):

Steve Barth, Partner, Foley & Lardner LLP

Stephen Brown, Managing Director & Senior Advisor, KPMG Board Leadership Center

Brianna Castro, Vice President of U.S. Research, Glass Lewis

Keith Jesson, Partner, Pay Governance

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