

BEHIND THE BOARDROOM DOOR

Behind the Boardroom Door: Managing shareholder activism

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For members of public-company boards, shareholder activism on issues like executive compensation, board composition and “ESG” issues (environment, social, and governance) is one of the most complex and fraught challenges to navigate.

The National Association of Corporate Directors New England chapter is convening four experts in the field at its next gathering on April 9 in Waltham: Keith E. Gottfried, corporate partner with the law firm of Morgan, Lewis & Bockius LLP and the global leader of its nationally recognized shareholder activism defense practice; Kathy Lane, a member of four public company boards and former CIO for TJX Companies, National Grid, and Gillette; former Perry Ellis International chairman J. David Scheiner; and Maureen T. Wolff, CEO of Sharon Merrill Associates, a leading national investor



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Maureen T. Wolff, CEO of Sharon Merrill Associates, is a leading national investor relations advisory.

relations advisory. A preview of some of their themes:

What are activist-shareholder issues you see as emerging — or of unprecedented new importance — for boards of directors in 2019:

Wolff: Gender diversity is becoming an absolute necessity. Boards without at least two independent women directors are opening themselves up to potential activism, not to mention criticism by other stakeholders.

Lane: Social media activity has become a significant driver of unintended consequences for corporations and their boards. Directors, as well as management, need to be more diligent than ever in how they use social media and what they say to preserve and protect both institutional and personal reputations.

Scheiner: It has been 10 years since a recession. It will come — and always does. Does your company have a plan in place should their business drop 10 percent? Is your team prepared for this?

Environmental, social and governance are always major issues for activist shareholders — what are you seeing new on those fronts this spring?

Lane: I'm seeing more and more focus on the environmental and social aspects particularly, because they are such a high priority among the next generation of employees, shareholder, and customers. A good practice for boards is to include agenda items, at minimum annually, review how ESG is resourced, focus areas, material risks, and mitigating steps.

Wolff: What's becoming more prevalent is the large mutual funds like BlackRock, State Street and Vanguard are taking a much deeper interest in ESG issues. In some cases, they are partnering with activists to effect change. More than ever, it's imperative for the board to understand exactly what investors expect from the company. It's not only equity investors who care about ESG and corporate social responsibility. Debt holders also are querying management teams about those issues as well. Investors aren't looking for perfection – just measurable progress toward clearly defined objectives.