SEC strengthens pay-for-performance rules

The U.S. SEC has announced amendments to its remuneration disclosure rules, requiring companies to provide information on the relationship between the paid executive compensation and financial performance. Starting with FY2022, the companies will have to provide a “pay-versus-performance table” for the five most recent fiscal years. The table is to include the current summary compensation table for all NEOs and an additional table disclosing “executive compensation actually paid.” It must also include the company’s TSR, the TSR of companies included in the reporter’s peer group, net income, and a financial metric chosen by the company. Additionally, companies are required to describe the relationship between executive pay and performance based on the information provided in the table. Lastly, companies need to disclose, for the most recent fiscal year, a list of three to seven performance criteria considered in linking pay with performance. Non-financial criteria can be listed; however, companies must include at least three financial criteria. Smaller reporting companies will have scaled disclosure, with their pay-versus-performance table including only a three-year reporting period and the company’s TSR.

U.S. and China agree on audit inspection

The U.S. and China have reached an agreement allowing U.S. regulators to inspect audits of China and Hong Kong-based companies listed in the U.S. The inspections will be conducted by the Public Company Accounting Oversight Board in accordance with U.S. standards. U.S. authorities have tried to access audit papers for Chinese-based companies for more than a decade, with their requests being denied over concerns regarding national security. Media reports indicate that Alibaba and JD.com are among the first companies to have received audit notifications.

McDonald’s announces board changes

Effective October 1, three new directors will join the board of McDonald’s. They are Marriott International CEO Tony Capuano, Salesforce CFO Amy Weaver, and Johnson & Johnson VP Jennifer Taubert. Additionally, Sheila Penrose will retire on September 30. Earlier this year, activist investor Carl Icahn had targeted Penrose for replacement, although a company spokesperson contends that her retirement is unrelated to the proxy contest. Following the reshuffling, the board will increase from 12 to 14 members.

Novartis to spin off Sandoz in 2023

Novartis has announced plans to spin off its generics and biosimilars unit Sandoz. The decision comes as a result of a recent strategic review, with the company also considering other options for the business. The review was triggered by a period of underperformance. Novartis CEO, Vas Narasimhan, said that there is no formal binding offers for Sandoz, however, should an offer arise, it would be considered. The new company is to be incorporated in Switzerland and listed on the SIX Swiss Exchange, with an ADR program in the U.S.