

RESOLUTION

as approved by the Pension & Trust Investment Committee on February 11, 2018

Expressing NAST Support for Legislation, such as, S.536, the “Cybersecurity Disclosure Act of 2017”, Related to Corporate Cybersecurity

WHEREAS, One of the primary roles of state treasurers is the prudent management of public funds, including, in most states, overseeing long-term institutional investments; and

WHEREAS, As institutional investors with a long-term investment horizon, shareholders have a duty to be concerned with risks to their portfolios, and therefore should have access to information that helps them assess investment risks; and

WHEREAS, A growing corporate governance concern among publicly traded companies are cybersecurity breaches. In 2016 alone, there were 60 disclosed breaches at publicly traded companies affecting thousands of clients and consumers. As of the end of June 2017 there had already been 36 disclosed breaches this year. According to an IBM 2017 Cost of Data Breach Study, the average data breach can cost as much as \$3.6 million and disclose thousands of pages of sensitive corporate records; and

WHEREAS, Research by the Harvard Business Review indicates that companies are failing to institute practices that adequately address the long-term risk exposure to cyber threats, largely due to a lack of expertise with cybersecurity issues; and

WHEREAS, S.536, “Cybersecurity Disclosure Act of 2017” was introduced in the U.S. Senate in March 2017 by bi-partisan sponsors, and, if passed into law, would direct the U.S. Securities and Exchange Commission (SEC) to require registered issuers to disclose, in regular SEC reporting, whether any corporate board member has expertise or experience in cybersecurity. If no member has such experience, companies would be required to disclose what other cybersecurity steps were taken by the company when considering, identifying and evaluating possible board candidates; and

WHEREAS, Since its introduction in the Senate, multiple organizations have expressed support for S.536, including the Council of Institutional Investors, the Bipartisan Policy Center, and the California Public Employees’ Retirement System; and

WHEREAS, By enacting legislation that would direct the SEC to improve transparency around cybersecurity expertise on corporate governing bodies, institutional investors will have access to information that will allow them to make informed voting and investment decisions that reflect long-term risks to shareholder value.

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers supports the “Cybersecurity Disclosure Act of 2017” (S.536) (or substantially similar bills in subsequent Congresses) that will help provide institutional investors access to information about corporate cybersecurity competencies and risks.

Approved this 15 Day of March 2018, by the
National Association of State Treasurers

A handwritten signature in black ink, reading "Elizabeth Pearce". The signature is written in a cursive style with a large, looping initial "E".

Hon. Elizabeth Pearce
NAST President &
Vermont State Treasurer