This year's proxy season will shine a light on corporate political spending

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This proxy season, expect shareholders to make headway on major governance issues. The following five look all but certain to have the ear of directors. Here's how we think they will unfold.

Gender diversity

Institutional investors have made no bones about it: They will vote against nominating and corporate governance committee chairs and members that fail to diversify their boardrooms. Last month, the world's third largest asset manager, State Street Global Advisors, issued guidance on this front. And at the same time, the firm made a splash in the public eye with their "Fearless Girl" statue in the Big Apple's financial district.

Moreover, a coalition comprised of CalSTRS and 20 other large institutional investors has engaged over 80 companies to foster greater diversity, specifically, by refreshing nominating and governance committees with more diverse or diversity-focused directors.

Considering the dearth of female directors on U.S. boards and the concerted efforts of men and women from multiple constituencies, expect slow but steady progress in this area. While mountains of work remain, an uptick has occurred over the last few years. You can also expect efforts around increasing diversity to come primarily through private ordering and efforts of the private sector, given the Trump administration's preference for less government regulation.

Proxy access

Heading into this proxy season, proxy access ranks as the "shareholder right" with the most momentum. A broad swath of stakeholders supports the ability of shareholders to not only nominate directors to run against a company's chosen slate, but to put the names of those nominees on the company's proxy card. Fuel for the proposal comes in large part from New York City Comptroller Scott Stringer, through his Boardroom Accountability Project.

Proxy access made real strides in 2016. Shareholder-submitted proxy access proposals went to a vote at 78 companies in the Russell 3000, and more than half of those proposals passed. And more than half of the companies in the S&P 500 had adopted proxy access bylaws by the end of the 2016 proxy season, compared to only two companies in 2013.

Many more companies will reach settlements with shareholders and adopt some form of proxy access by the end of 2017. Most of these companies will adopt a bylaw giving shareholders who have held at least 3 percent of the company's shares for at least three years the right to name director candidates on the proxy.

Shareholder meetings

New York City Comptroller Stringer is targeting for scrutiny more than a dozen S&P 500 companies that conduct virtual-only annual shareholders meetings. This presents a classic dilemma: should companies use innovation and technology to reach larger audiences remotely and reduce costs, or preserve the physical in-person experience for a smaller audience and forgo cost savings?

Those in Comptroller Stringer's camp see entrenched boards disenfranchising shareholders. His campaign calls for voting against directors on those companies' nominating/governance committees, unless companies change those meetings to in-person or "hybrid" ones. This entails conducting a traditional in-person meeting, albeit one that companies livestream and which includes live, online questions and voting.

The number of virtual-only meetings will continue to grow due to the availability of the technology and its cost benefits. In fact, the overall number of virtual-only meetings has skyrocketed to about 250 this year, up from 155 in 2016 and only 19 in 2010. However, those companies feeling the heat from shareholders will opt for the hybrid version.

The thinking here is that once new technology is introduced it rarely goes away, as inevitably the costs go down and quality gets better. Still, companies will need to work with their virtual meeting service providers to give remote shareholders an experience that likens to those who attend in person.

Annual "say-on-pay"

Under the Dodd-Frank Act, companies must ask shareholders to vote on the frequency of executive compensation plan shareholder advisory votes every six years. The first one of those years is 2017.

Thus far in this proxy season, about half of Fortune 250 companies have recommended annual (instead of biennial or triennial) say-on-pay votes. Approximately 20 of "say-on-frequency" votes to date have garnered an average of 87 percent support for annual votes.

Even if President Trump follows up on his intention to roll back Dodd-Frank and receives cooperation from a Republican Congress, shareholders would return to simply filing proposals asking companies to voluntarily give them a say-on-pay, which is how this all started way before Dodd-Frank.

All but a small cohort of companies that have passed the say-on-pay test with flying colors the past five years, so most would see no harm in continuing the practice, especially if it means staying out of the next public pension fund voting campaign. For that reason, annual say-on-pay is here to stay.

Politics and lobbying

Seven years after the Supreme Court's Citizens United decision, more than two-thirds of the S&P 500 has some level of disclosure of their corporate political spending. Prior to the controversial, landmark decision, that figure clocked in at just 20 percent.

In all of 2016, shareholders filed 105 proposals on this topic with 61 going to a vote and receiving average support of about 26 percent. In just January and February of this year alone, at least 90 corporate political activity proposals had been reportedly filed. This is without a doubt a robust start to 2017.

As the number of political spending and lobbying disclosure shareholder proposals keeps pace with the previous two years, expect more S&P 500 companies to adopt such policies. Moreover, with a call for more transparency following the 2016 presidential election, political activist groups are joining with shareholder activists to call for increased disclosure, including aggressively pressuring the largest investors to support their cause.

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