Peer Group Construction

While we commend ISS for proposing revised guidelines on peer group composition to more accurately reflect a company's actual peers, we remain somewhat concerned that a system primarily based on GICS is inherently flawed with regard to any company with multiple lines of business. For example, for a company such as Comcast, our cable distribution business generates approximately 60% of our $60 billion in revenue, with the remaining revenue being generated by our NBCUniversal businesses. Because of these different lines of business, which fall in many different GICS groups, we have developed three peer groups to more appropriately evaluate our true peers as they relate to compensation, with two based on the industries in which we operate (the transmission/distribution industry and entertainment/media industry), and the third based on revenue and market cap size. In our view, in looking at which 8-digit GICS codes of a company's peers to select, it is appropriate to first look to the GICS of the other relevant industry-based peers in a company's peer group regardless of their size, before looking at the GICS of companies who are included by virtue of their revenue, asset or market cap size. In addition, constraining the ISS peer group composition by revenue, asset or market cap size may further aggravate any meaningful peer group composition. While we understand why placing limits on including companies in the ISS peer group that exceed a certain revenue, asset or market cap range relative to the subject company may help contain upside pressure on compensation, that same rationale does not support why companies from a company's industry specific peer group(s) should be excluded because they fall below the bottom end of the range, which could, presumably unintentionally, harm the largest company among its industry peers. Finally, because the GICS code system is by definition a labeling and codification system based on a single attribute of a company, any new methodologies employed to construct ISS's peer group composition should allow for an element of discretion to take into account any company specific issues, such as those noted above.

Realizable Pay

While a realizable pay analysis may be helpful to some compensation committees in determining an executive's compensation package, we do not believe it is a meaningful analysis for a say on pay evaluation. First, because realizable pay is dependent on a company's stock price, the analysis could result in significant year over year volatility, with one year skewing favorably and another negatively for the same company, with no other meaningful change in the company's compensation practices other than its then current stock price. Further, this volatility would be more pronounced for companies that award a greater percentage of stock-based compensation, which by its very nature is incenting strong executive performance, and may very well result in negative implications for a company that has seen its stock price increase significantly, while benefiting a company whose stock price has decreased significantly. It presumably would also add further volatility year over year depending on the extent an executive sells any stock. Accordingly, we believe the current methodology, which compares compensation based on the actual values when awarded and is based on the compensation committee's decision making at the time the relevant compensation is awarded, should be the only methodology that is warranted. Since compensation practices are evaluated annually, we believe that one of ISS's primary goals in its say on pay design and methodology should be to ensure that it results in consistent outcomes that can be applied on a comparable basis for a multitude of companies, and a primary way to achieve this goal is to evaluate and compare compensation practices in the year decisions on that compensation are actually made. We believe that including a realizable pay component to the say on pay analysis will attenuate this goal.

Pledging of Company Stock

While we do not believe that pledging stock is per se a problematic practice, we believe that ISS, in adding pledging of stock as a problematic pay practice, should set clear, and reasonable, parameters as to what it will consider as problematic. In particular, we believe that ISS should consider the total amount of stock pledged as it relates both to the company’s total market value and to an executive’s overall stock holdings, including short and longer term restricted stock and option vestings. More importantly, regardless of any thresholds that ISS may set in determining what rises to a “significant” level of stock pledging, ISS should be mindful that it does not have, and will not have, the requisite knowledge to evaluate other considerations, based on the executive's own facts and circumstances, that many companies evaluate before approving an executive’s pledge. For example, a company may evaluate whether an executive has the financial ability (which would take into account his or her financial situation apart from company-related compensation) to support any loans secured by stock or to substitute non-company stock as collateral if the value of the stock pledged decreases, as well as whether the amount of shares pledged takes into account historical stock price volatility and includes a significant cushion to protect against significant stock price declines. Accordingly, because ISS has no real ability to evaluate these considerations in any meaningful way, ISS should respect a company’s decision to approve an executive’s pledge if that company discloses the factors it has evaluated in approving an executive’s pledge.

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