

From: James McRitchie
Sent: Sunday, October 30, 2011 5:21 PM
To: policy@issgovernance.com
Subject: 2012 Draft Policies

Thank you for the opportunity to comment on the draft 2012 proxy voting policies (<http://www.issgovernance.com/policy/2012comment>). Please see my responses to a limited number of ISS policies and questions below:

Board Response to Management Say-on-Pay Vote (U.S.)

Q: Does a support level of less than 70 percent warrant an explicit response from a company to address concerns – i.e., including actions or an action plan? If not, what opposition level warrants an explicit response?

A: Any support level below 70% should elicit a response within the following year as to what actions or adjustments have been taken to address shareowner concerns. The lower the support, the more adjustments should be expected. Failure to provide an adequate response should result in a recommendation to vote against the chair of the compensation committee where support was below 60%. Where support was below 50% and inadequate response is provided, ISS should recommend voting against all members of the compensation committee.

Board Response to Management Say-on-Pay Frequency Vote (U.S.)

We agree with the proposed policies.

Proxy Access Proposals (U.S)

Q: Does your organization intend to generally support or oppose proxy access shareholder proposals? Would your organization's view differ based on whether the proposal is a binding bylaw resolution versus a precatory (non-binding) one? If so, how?

A: We will generally support both binding and nonbinding proxy access proposals.

Q: If your organization is likely to take a Case-by-Case approach on proxy access shareholder proposals, are there any additional factors not enumerated in ISS' proposed policy that your organization believes are central to the evaluation of these proposals? If yes, please specify.

A: It is difficult to write an access proposal in 500 words. Therefore, shareowners may need to do more research concerning applicability to specific companies. Additional factors would be "true" independence of the board, trajectory of the business over several years, failure to address failed say on pay votes or to implement successfully passed shareowner proposals, use of a virtual-only shareowner meeting or other behavior that demonstrates a callous disregard for shareowners.

Q: Would your organization look for specific thresholds or limits when evaluating these shareholder proposals (e.g., a minimum or maximum ownership percentage or number of board seats)? If yes, what specific parameters does your organization favor?

A: We are leaning toward thresholds of 1% held for at least 1 year or 50-100 shareowners who have all held \$2000 of stock for a year to be able to nominate up to 20% of the board. We would allow multiple non-overlapping groups to make such nominations as long as they are not coordinating efforts, are not 13D filers and are not seeking control as defined in Regulation 405. The lower range of 50 shareowners would apply in the case of corporations with 1,000 shareowners or less.

Under our thresholds, there could be an actual change in control if three or more non-overlapping shareowners or groups nominated directors and those directors are elected.

Q: Would your organization oppose the shareholder proposal if it allowed 13D filers seeking a change in control to place candidates on ballots? If no, please explain.

A: Yes. Although not opposed in principle, there would need to be considerable disclosures and other conditions.

Evaluation of Executive Pay (Management Say-on-Pay) (US and Canada)

Q: What additional factors, if any, should ISS consider and display to improve investors' ability to evaluate companies' long-term pay-performance alignment?

A: We believe consideration needs to be given to such factors as pay ratios to employees within the same company, industry or generally as well as relative to median pay of other CEOs/NEOs by size and/or industry. We are concerned there has been a never ending ratcheting up of pay as most seek to be above average among peers. Since we believe most CEOs and NEOs are overpaid, we have chosen to simply vote against all pay above median, unless there are special considerations, at least until we see pay begin to ratchet down.

Political Contribution Proposals (US)

Q: Does your organization believe that the proposed ISS policy appropriately and reasonably addresses corporate political contributions disclosure as a proxy issue? Is additional information from companies regarding their political contributions policies and oversight mechanisms sufficient, or would your organization prefer disclosure on specific information about actual political contributions (aggregate or individual) reported in company materials such as on a Web site or in a company report?

A: ISS does not go far enough. We supported the proposal by Northstar Asset Management at Procter & Gamble (PG) that recommends the Board of PG adopt a policy under which the proxy statement for each annual meeting will contain a proposal describing:

- The Company's and P&G PAC policies on electioneering and political contributions and communications,
- Any specific expenditures for these electioneering and political contributions and communications known to be anticipated during the forthcoming fiscal year,
- The total amount of anticipated expenditures,
- A list of specific electioneering expenditures made in the prior fiscal year, and
- Management's analysis of the congruency of those policies and such expenditures with company values and policies;
- And providing an advisory shareholder vote on those policies and future plans.

Sincerely,

James McRitchie, Publisher and Investor

[CorpGov.net](http://www.corpgov.net) (Corporate Governance)

<http://www.corpgov.net>

9295 Yorkship Court

Elk Grove, CA 95758