From: Anderson, Donna
Sent: Friday, October 28, 2011 11:09 AM
To: policy@issgovernance.com
Subject: Open comment period

Following are our comments on each proposed policy revision.

Regards,

Donna

Donna F. Anderson, CFA
Global Corporate Governance Analyst
T. Rowe Price

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

Comment:
We agree that a case-by-case guideline is the most prudent approach to this question.

Our main concern is how ISS will define "response." In the wake of a relatively highly contested but successful MSOP vote, we expect companies to react in many ways. Some will decide not to respond at all. Others will reach out to a few significant shareholders to begin a discussion. Some companies may elect to make minor or even substantial changes to their executive pay programs.

Further complicating matters, company disclosures about their chosen responses are likely to vary widely in quality and detail.

In our view, when it comes to the re-election of the compensation committee, the most important fact to remember in the case of a company with a 70% support level (to use ISS's example) is that a clear majority of voting shareholders endorsed the company's pay program in its current form. We understand that a 30 percent dissent is significantly higher than average and indicates a number of shareholders have concerns. In fact, we would advise any company in this situation to engage in immediate dialogue with its institutional shareowners and make an effort to understand their views. However, it is not reasonable, in our view, for the dissenting shareholders nor for ISS to expect the compensation committee to take concrete steps to change the pay program when, in its current form, it has just received the support of the majority. We also are concerned about any ISS-imposed requirements for transparency in the process and whether 30% dissent is high enough to justify extensive disclosure in the company's proxy materials about the level of engagement that the board undertook. A board that investigates the reasons for the dissent, and considers the views of the dissenters, should not be required to explain why it ultimately took no action if a majority of shareholders supported the pay program.

Therefore, if the ISS definition of "response" deems a simple shareholder outreach campaign to be a reasonable reaction to such votes, then we believe a range of 60-70 percent support is a reasonable level where many shareholders will expect a response. However, if the ISS definition of "response" will give companies credit only for changes implemented in the program, then we believe the cutoff level must be 50 percent. The concerns of the minority should not be used to force material changes in a compensation plan, as such changes will affect all shareholders.

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

Comment:
We agree that this is a reasonable way to approach the small number of companies that may elect a different frequency than the one selected by the plurality (or majority) of votes in the prior year. Generally speaking, we believe a board's decision to ignore the outcome of the frequency vote and implement its less-frequent MSOP preference instead indicates an egregious lack of accountability. In such cases, we believe withholding support from the entire board would be justified.

Issue:
Proxy Access Proposals (U.S)

Comment:
T. Rowe Price has not yet established a position on proxy access proposals for 2012. However, we believe a case-by-case construct is the best way for ISS to approach this issue.

Of all the factors listed, we believe the first is the most important. In our view, proxy access could be a potent tool for bringing about change at perennially underperforming companies with unresponsive boards. However, we believe proponents should have a strong rationale for targeting a particular company and should recognize the potential for disruption if access bylaws are adopted but then used ineffectively. In this regard, proponents should be required to demonstrate a long-term commitment to creating shareholder value and not have a personal agenda or "axe to grind" with the company. For these reasons, we believe ISS should base its recommendation in large part on the proponents' rationales and their history of engagement as creators of shareholder value.

We are inclined to agree that certain restrictions on access to the company's proxy are reasonable and necessary. Such restrictions, in our view, should include a reasonable minimum ownership standard, a maximum number of seats, and an exclusion on filers seeking a change in control. We are less inclined to believe that a lengthy holding period is necessary. We can not offer specific figures at this time because we have not determined our own guidelines on this issue, but we would point to the provisions in the SEC's proxy access rule as a good general reflection of institutional shareholders' expectations with regard to such limits and requirements.

Issue:
Election of Censors (France)

Comment:
We agree there appear to be significant incentives in place to use censors as surrogate board members in this market. We support the changes in the ISS guidelines, as proposed. An interim appointment as censor leading to an election as a full board member may be a reasonable use of this convention. Also, it may be reasonable to support a significant shareholder that wishes to appoint a censor who is previously unaffiliated with the company. All other uses (particularly where a former director or company insider stays on as a censor) should be scrutinized.

Issue:
Board Independence (Brazil)

Comment:
We believe it is reasonable for investors to expect market-leading corporate governance practices from any company electing to list securities on the Novo Mercado. As compared with numerous markets around the world, a 30 percent board independence standard is not unreasonable for Brazilian companies with substantial numbers of outside shareholders. We would agree it's appropriate to impose the 30 percent standard on Novo Mercado listings immediately, but we would not support imposing the higher standard on Nivel 2 companies until next year or the year thereafter.

Issue:
Evaluation of Executive Pay (Management Say-on-Pay) (US*)

Comment:
We do not have specific comments on the existing or proposed frameworks, as T. Rowe Price uses a different method for evaluating MSOP proposals. However, our

general observation is that decreasing the emphasis on year-over-year changes would be a positive development overall.

Issue:
Equity Plans Related to Section 162(m) (U.S.)

Comment:
For seasoned companies as well as newly public companies, we believe the favorable tax implications of 162(m) approval outweigh most potentially negative features in a compensation plan. However, we believe repricing provisions are the exception and represent a practice that is so detrimental to shareholder interests that it outweighs the potential loss of the tax deduction. In those few cases with such provisions, we believe ISS should recommend voting AGAINST the 162(m) resolution, even for IPO companies.

Issue:
Equity-Based Compensation (France)

Comment:
We support the revisions as proposed. Generally speaking, we do not believe it is necessary for companies to disclose explicit performance targets, particularly when there has been strong pay-for-performance correlation in the past.

Issue:
Increase in Director Compensation Ceiling Proposals (Japan)

Comment:
We are concerned that it may be counter-productive to expect explicit pay-performance linkage in this market at this time. We take no issue with the basic framework of assessing non-performance-based increases on a case-by-case basis, but we would hope to see a fair amount of leniency in the first year of the policy's application. Companies with relatively low compensation or increasing board size are good examples where such leniency is justified, in our view. For companies without special circumstances, we agree shareholder returns and ROE are the appropriate yardsticks for this market; but we would encourage ISS to limit its negative recommendations to the companies with the most persistently poor correlations between pay and performance.