

Dear ISS Representative:

Thank you for providing an opportunity to comment on your 2012 Draft Proxy Voting Policies. I am writing on behalf of Edison International to comment on ISS's draft policy on the evaluation of executive pay.

### **Peer Group Selection**

Rather than developing a customized peer group for each issuer, we recommend that ISS use the issuer's peer group if the issuer uses a recognized market index to benchmark executive compensation, unless ISS has reason to question the peer group selection. This would enhance the credibility of ISS's relative alignment analysis and be consistent with performance comparisons regularly used by investors.

If ISS uses a customized peer group, we recommend using a consistent peer group from year to year, unless there is a good reason to change it and ISS explains the reason. Changing the peer group annually without good reason may appear arbitrary and prevents compensation committees from taking into account ISS's expected peer group analysis when making compensation decisions.

### **CEO Pay Measurement**

In comparing CEO pay to TSR, the use of grant date fair value instead of realized value of equity awards is fundamentally flawed. Equity awards are a principal vehicle to achieve alignment of CEO pay with shareholder value. But alignment is demonstrated by comparing realized value, not grant date value, to shareholder return over the performance period. If the CEO receives no payment for equity awards because performance targets are not met, clearly the CEO's compensation is tied to performance.

We are not proposing a specific methodology for determining realized value of equity awards. But we urge ISS to adopt a transparent methodology that issuers and investors have access to, as opposed to a proprietary or "secret" one.

### **Applicability to Other Policies**

It is unclear whether the new methodology would replace the GICS group comparison in other ISS policies, particularly its policy on shareholder proposals regarding separation of chairman and CEO. We would appreciate clarification of this.

Thank you for considering our comments on ISS's 2012 Draft Proxy Voting Policies. If you would like to discuss any issues related to these comments, please do not hesitate to contact me.

Regards,

Barbara E. Mathews

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