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To Whom It May Concern:

We appreciate the opportunity to comment on the 2013 Draft Policies. Our responses to each question are provided below.

MANAGEMENT SAY-ON-PAY PROPOSALS (U.S.)

Peer Group Construction

Are there additional or alternative ways that ISS should use the company's self-selected peer group to inform its peer group construction?

We are very much in support of ISS efforts to create peer groups that more closely align with the subject company. However, we also believe that in the overwhelming majority of cases, company-created peer groups are carefully constructed and well vetted by both company management and compensation committees. We believe that the compensation committee is far better suited to make these determinations than an index, broad industry code, or algorithm, no matter how carefully constructed, and believe that the peer group selection process is already transparent to shareholders through robust CD&A disclosure.

Therefore, we would suggest that rather than focus on simply the GICS codes of the companies in the comparator group, ISS focus instead on the selected companies themselves, subject to the appropriate revenue scope constraints. In our experience, comparator companies in different GICS codes are often unique from other companies in their GICS code, and have been specifically selected for these unique characteristics.

Additionally, we believe that consideration should be given to the fact that seeking to identify a specific number of peers is bound to result in the inclusion of inappropriate matches in many cases.

Since company size is highly correlated with levels of executive pay, what is a reasonable size range (revenue/assets) for peer group construction?

In most instances, we believe that the current ISS range of .45x to 2.1x that of the subject company is appropriate for purposes of peer group construction.

Are there additional factors that investors should consider in peer group construction for pay-for-performance evaluation?

We believe that size, industry, and company-selected comparators are the most appropriate factors for peer group selection. Additional factors may include companies from which the subject company has recruited talent or to which it has lost talent in the past and companies that compete for revenues and investment dollars. Unfortunately, it is very difficult for an outsider to have such knowledge.

Realizable Pay

How would you define realizable pay?

We believe that pay-for-performance assessments should be made using realized, not realizable pay. We believe that comparing historical assessments of performance (in the form of historic TSR and other operational performance metrics) to a pay number which includes some forward-looking elements is not appropriate.

We define realized pay to include the sum of the following elements:

- Base salary paid,
- Annual incentive paid,
- Time-vested restricted shares vested during the year, valued using the stock price on the date of vest,
- Options vested during the year, valued using the intrinsic value on the date of vest,
- Performance shares earned for a cycle ending during the year, valued based on the stock price on the date earned, and
- Cash long-term incentive plan payouts.

Should stock options be considered based on intrinsic value or Black-Scholes value, and what is the rationale for your choice?

We believe that options should be valued based on intrinsic value. While we acknowledge that options have a theoretical value until they expire, this value does not reflect realized pay, which, if performance is to be measured solely based on TSR, we believe is the most appropriate pay number for purposes of assessing pay-for-performance alignment.

What should be an appropriate measurement period for realizable pay? One year, or three years, or five years, or others?

As stated previously, we do not believe that realizable pay is the appropriate pay measurement for an assessment of pay-for-performance alignment.

We believe that realized pay, which reflects a blend of payouts for one-year (annual bonuses), three-year (performance shares and most cash LTIPs) and four- or five-year periods (most time vested options and restricted shares) can reasonably be compared to performance over one-, three- and five-year performance periods.

Pledging of Company Stock

What would you consider a “significant” level of pledging of company stock that causes concern for investors?

We believe strongly that it is impossible to identify a one-size-fits-all determination of “significant” levels of pledging. In our experience, the determination of what constitutes a concern for shareholders varies across executives and companies, and should reflect the committee’s assessment of the facts and circumstances of each company and executive.

If pledging raises concerns significant enough to warrant voting action, should this action be directed at the (i) management say-on-pay proposal (if available), (ii) the board, or (iii) members of one of the board committees (e.g. audit, governance, compensation – please specify)?

We believe that concerns over pledging should be communicated through the management say-on-pay proposal (if available). Absent a management say-on-pay proposal, we believe that concerns should be communicated through votes for the committee which makes determinations of whether or not a particular hedging level is appropriate.

Would you consider a company’s remedial actions on pledging (such as a commitment not to pledge in the future, commitment to unwind their positions within a reasonable period) to be sufficient to address concerns?

Yes, we believe that a commitment not to pledge in the future should be sufficient to address concerns.

SAY ON GOLDEN PARACHUTE PROPOSALS (U.S.)

In your organization’s view, when evaluating payments arising from problematic pay practices in the context of a say on golden parachute proposal, would you differentiate between new and existing arrangements when determining whether to support the proposal? If yes, please specify.

We believe that it is critical to differentiate between new and existing arrangements when evaluating golden parachute proposals. In our experience, these arrangements are often contractually obligated, and it may be difficult, prohibitively expensive or impossible for companies to re-negotiate these obligations prior to the expiration of the existing agreement. We therefore believe that recognizing when the arrangements became effective is critical to assessing the appropriateness of the design.

Would the number of problematic features be a consideration when evaluating a say on golden parachute proposal? If yes, please specify.

In our view, these arrangements do not lend themselves to bright-line tests. Therefore, consistent with ISS' approach to other, similar analyses, we believe that the evaluation of a say on golden parachute proposal should be conducted on a case by case basis, with a qualitative assessment of the arrangements as viewed on a holistic basis. We believe that in some instances, either because of contractual obligations or to address concerns unique to the company or the executive, responsible golden parachute programs may contain features which may be deemed "problematic" by ISS or others. In these instances, we believe that consideration should be given to the totality of the arrangement and the particular circumstances, rather than an undue focus on one element in isolation.

Are there any other factors that should be considered in evaluating say on golden parachute proposals? If yes, please specify.

We believe that consideration should also be given to the committee's stated rationale for the design of the golden parachute arrangements. As noted previously, we are aware of certain instances where facts and circumstances warrant a departure from "best practices" in order to preserve the best interests of shareholders. We believe that today's compensation committees are best qualified to make such determinations, are careful in their deliberations, and go to great pains to explain their rationale for these deviations. We believe that this should be given appropriate weight in any assessment of the overall appropriateness of the program.

Thank you for the opportunity to review and provide comments to the proposed updates to ISS' proxy voting guidelines.

Sincerely yours,

STEVEN HALL & PARTNERS