



*Leggett & Platt*<sup>®</sup>  
INCORPORATED

JOHN G. MOORE  
VICE PRESIDENT  
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October 19, 2010

U.S. Securities and Exchange Commission

100 F Street, N.E.  
Washington, D.C. 20549

Attention: Elizabeth M. Murphy, Secretary  
Via e-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: File No. S7-1410 (Concept Release on the U.S. Proxy System)

I am writing on behalf of Leggett & Platt, Incorporated in response to the SEC's request for comments on the U.S. Proxy System as described in Release No. 34-62495. We appreciate this opportunity provide our point of view as the SEC moves forward in this important area.

Leggett is an S&P 500 diversified manufacturer that conceives, designs and produces a wide range of engineered components and products that can be found in most homes, offices, and automobiles. Leggett's operations include more than 140 manufacturing facilities located in 18 countries over 20,000 employee-partners.

Our comments will focus on Section V.A. of the Release, concerning the relationship between voting power and economic interest and the role played by proxy advisory firms. We are concerned that the increasingly prominent role of proxy advisors, without proper accountability and oversight, is interjecting a layer of bureaucracy and uncertainty between issuers and investors, rather than fulfilling the role of trusted intermediary that the industry promises. Unless the proxy advisory industry can be structured in a manner that assures unbiased, accurate and timely information and services, its roles of interpreting public disclosure, influencing corporate policy and handling delegated proxy votes are seriously misplaced.

Although we deal with a number of proxy advisory firms as a NYSE-listed company, we are both amazed and frustrated that our most worrisome incidents have been with the industry leader, Institutional Shareholder Services ("ISS"). First, the market dominance of ISS brings with it substantial pressure on small and large issuers alike to conform to a check-the-box, one-size-fits-all form of corporate governance that fits the ISS mold. It's no wonder that institutional investors have turned to proxy advisory firms to evaluate the hundreds, if not thousands, of governance structures described in proxies they receive; however, when one dominant firm reduces a company's policies to a label of "high, medium or low concern," issuers face a very real risk in standing behind specifically-designed and time-tested governance structures that run afoul of the policies ISS is pushing this proxy season. If innovation and diverse approaches

drive financial success, why encourage a proxy system that establishes cookie-cutter governance as the gold standard?

Nowhere is ISS's monopolistic influence more intense than its recommendations on shareholder approvals for equity plans. And it's in this area that ISS's policies and practices are the least transparent, relying on a proprietary "black box" formula to award thumbs up or down to a proposed plan. ISS uses this position to gain a substantial portion of its business by offering fee services and access to the black box to the issuers being evaluated.

In addition to their policy-making roles, proxy advisory firms also interpret and distill public company disclosures to evaluate them against their policies to make voting recommendations. The time and effort spent by an issuer to measure its policies against ISS and other standards, as well as the attention paid to preparing proxy disclosure, may be completely wasted—and the shareholders misled—depending upon (i) the proxy advisor's care in preparing the recommendation, (ii) the issuer's ability to respond and correct any errors in 24 hours, or less and (iii) the proxy advisor's availability and willingness to amend an errant recommendation.

As a case in point, ISS recommended that its clients vote against four of Leggett's Compensation Committee members this past proxy season. In correspondence objecting to the recommendation, we referenced ISS's own voting guidelines and governance policy update which were contrary to the recommendation. ISS neither responded to our appeal nor provided any justification for its conclusions. The only quality control is internal to ISS and the only recourse for an issuer is to contact the thousands of shareholders that have received ISS's reports. In all likelihood, this mistake on ISS's part (and their lack of corrective action) simply resulted from the crush of work they face during proxy season; nonetheless, the errors are not excused and the consequences for issuers are no less real. External oversight should be brought to bear so that ISS, along with all other proxy advisory firms, has the necessary incentive to ensure accuracy.

The impartiality and reliability of proxy advisory firms cannot be underestimated if the proxy system will continue to be based upon informed shareholder voting. Thank you again for providing us with an opportunity to comment on the Commission's concept release.

Sincerely,

LEGGETT & PLATT, INCORPORATED



John G. Moore  
Chief Legal Officer

c: David S. Haffner