



SOCIETY OF CORPORATE SECRETARIES
& GOVERNANCE PROFESSIONALS

November 17, 2010

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.W.
Washington, D.C. 20549

Re: **Concept Release on the U.S. Proxy System, File No. S7-14-10**

Dear Ms. Murphy:

The Society of Corporate Secretaries and Governance Professionals appreciates the opportunity to respond to the Securities and Exchange Commission's Concept Release on the U.S. Proxy System, SEC Rel. No. 34-62495 (July 14, 2010) ("Concept Release"). As one of several letters that the Society has submitted and will be submitting, this letter attaches the Society's response to Institutional Shareholders Services, Inc. ("ISS") 2011 draft policies. We respectfully request that the SEC include this letter in the Concept Release comment file as part of our comments on **Proxy Advisory Firms**.

Founded in 1946, the Society is a professional membership association of over 3,100 attorneys, accountants and other governance professionals who serve more than 2,000 companies of most every size and industry. Society members support the work of corporate boards of directors and their committees, as well as the executive management of their companies, on corporate governance and disclosure matters. Our members generally are responsible for their companies' compliance with securities laws and regulations, corporate law and stock exchange listing requirements, including (but not limited to) those applicable to the annual and other meetings of shareholders.

The attached letter notes that the Society believes that proxy advisory firms must be more transparent in their policy formulation, that they should provide all public companies with advance draft reports of voting recommendations, and an opportunity to review and comment, that factual errors must be eliminated, and that a case by case analysis should be done for each vote recommendation rather than the blanket application of a policy.

Respectfully submitted,

Darla C. Stuckey
Senior Vice President, Policy & Advocacy
Society of Corporate Secretaries & Governance Professionals

cc: Mary L. Schapiro, Chairman
Luis A. Aguilar, Commissioner
Kathleen L. Casey, Commissioner
Troy A. Paredes, Commissioner
Elisse B. Walter, Commissioner



SOCIETY OF CORPORATE SECRETARIES
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November 11, 2010

Via email policy@issgovernance.com

Global Policy Board
Institutional Shareholder Services, Inc.
2099 Gaither Road
Rockville, Maryland 20850

Re: ISS 2011 Draft Policies

Dear Members of the Board:

The Society of Corporate Secretaries and Governance Professionals (the “Society”) appreciates the opportunity to respond to your 2011 Draft Policies and we thank you for making them available. Founded in 1946, the Society is a professional membership association of over 3,100 attorneys, accountants and other governance professionals who serve more than 2,000 companies of most every size and industry. Society members are responsible for supporting the work of corporate boards of directors and their committees and the executive management of their companies regarding corporate governance and disclosure. Our members are generally responsible for their companies’ compliance with the securities laws and regulations, corporate law, and stock exchange listing requirements.

Introduction

The Society applauds Institutional Shareholder Services, Inc.’s (“ISS”) efforts to seek public comments. We note that you are the only proxy advisory firm to do so, and we think this is an important step toward transparency of process that should be universal at all proxy advisory firms. The Society also appreciates that ISS provides some issuers with advance notice of voting recommendations and will engage with an issuer that believes mistakes have been made. Not all proxy advisory firms are this transparent and not all firms have taken the actions that ISS has to attempt to include the issuer community in the quest for “good governance”.

Despite ISS’s efforts, however, the Society believes that more must be done to increase the transparency in policy formulation, and that you (and all firms) should provide all public companies with advance draft reports of voting recommendations, as well as a meaningful opportunity to review and comment on the reports. We also believe that more process improvements must be made to eliminate factual inaccuracies and omissions in voting reports and other information about companies that is provided to ISS subscribers. And, while recognizing that the proxy voting calendar requires that numerous voting recommendations be made in a very short time frame, the Society nevertheless believes it is imperative that a case by case analysis be done on each recommendation rather than the blanket application of a policy—in the name of efficiency—that provides for only one acceptable “best practice” thereby dismissing a range of acceptable practices.

Thus, the Society believes that **all** proxy advisory firms should:

- Disclose and implement clear written standards and methodologies for developing voting policies and for the assumptions or rationales used in making vote recommendations;
- Disclose the processes used to gather the information, and disclose whether or not the recommendations go through a “second review” process by a more senior manager;
- Provide their recommendations to an issuer prior to their release in order to verify the facts upon which the recommendation is made; and give issuers an effective “appeal” process if they disagree with a recommendation or perceive that a report includes factual or other inaccuracies;
- Disclose in their reports whether the issuer invoked an appeal, and whether the firm revised its recommendation as a result; and
- Report to the SEC at the end of each proxy season the number of incidents where issuers took exception to the factual statements contained in proxy advisory firms’ reports.

We note that you have already adopted some of these practices. The further disclosures and requirements would make the processes and methodologies used by ISS, and all proxy advisory firms, more transparent, accountable and reliable. Below are specific comments on ISS’s 2011 proposed policy changes.

Management Say on Pay Frequency Proposals

ISS proposes to recommend in favor of an annual management say on pay vote, without consideration of the circumstances of the individual company. We believe that a "one-size-fits-all" approach that applies a uniform response would undermine the purposes of Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and the SEC's proposed rules designed to implement that legislation. Congress clearly contemplate that investors be provided with an informed choice from among four options -- 1, 2, 3 years, or abstain. As you are aware, this is an atypical ballot item insofar as it is more in the nature of a referendum than a traditional proxy advisory vote. A uniform recommendation – particularly one that lacks support through survey data -- would defeat those purposes. In adopting Section 951, Congress clearly determined that a "one-size-fits all" approach is not appropriate and crafted the law to provide for shareholder input. In fact, some of our members have polled their shareholders on this issue and have determined that there is a split of opinion among institutional investors.

Moreover, we note that your report did not mention that any of your clients, let alone a majority, would opt for an annual vote. This is not surprising since our members reported the same lack of consensus in their informal conversations. **Given the significant impact of ISS’s influence on voting results, and ISS’s business interest in more frequent say-on-pay votes, we believe that it is not appropriate for ISS to develop a bright-line voting recommendation for annual votes without survey data that suggests that the majority of your investor clients prefer this route, or without a history of voting data on the issue.**

We also recognize that even among our issuer members, there are differing views. Many consider three years more closely matched to current incentive compensation programs measured over that same period; others have chosen a middle ground of biennial votes that in effect try to accommodate the majority of their shareholders.

For all of these reasons we recommend that ISS remain neutral on this topic, and encourage its clients to make individual, informed decisions on how they wish to register their votes. We believe that such an approach would be perceived very positively by issuers and regulators without apparently going against the views of a majority of your institutions.

Director Attendance

Your draft policy proposes to limit acceptable reasons for directors who may fall below the 75% attendance threshold prescribed by the SEC. The Society acknowledges that consideration of the three enumerated categories is important. However, we urge you not to limit the potential reasons, but rather to consider the reasons on a case-by-case basis. The three categories could be used as guidance about the types of reasons that are most typically deemed to be compelling. But there could be other reasons that are sufficiently meritorious whether or not they fall within your enumerated categories such as valid business or other reasons (e.g., natural disasters). We propose that you be flexible when confronted with unusual facts or circumstances.

In addition, the Society urges ISS to continue to consider private communications in limited circumstances. There are legitimate reasons for keeping personal matters private, including illnesses or family emergencies. Directors should not be put in the untenable position of deciding between publicly disclosing these very personal matters or risk receiving an "against" recommendation from ISS that could have a significant impact on their vote total.

Independent Chair Shareholder Proposals

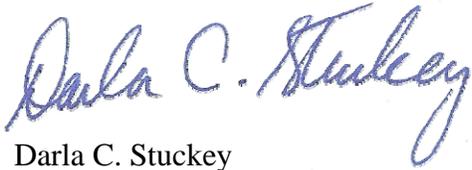
The Society supports independence of boards and their leaders, but it is our view that the form of that leadership must be left to each company to determine based on their own specific facts and circumstances. The ISS policy for a strong presumption in favor of the separation of Chair and CEO goes beyond state law governance standards, the current SEC regulations and beyond the Dodd-Frank Act. Accordingly, we do not believe that your policy should presume that an independent chair is best in all cases.

A presumption in favor of the separation of the Chairman and CEO roles absent compelling circumstances is inconsistent with the disclosure requirement upon which it is based and undermines shareholder choice on recommending the appropriate leadership structure for their companies. Item 407 of Regulation S-K does not require the type of detailed disclosure that would be necessary to rebut a strong presumption in favor of having an independent Chairman. Instead, Item 407 is worded in a neutral and affirmative manner to seek the reasons why the company has determined that a particular leadership structure is appropriate. We are particularly concerned that some of our smaller member companies may be unaware that your standards are more stringent than the applicable disclosure rules.

Similarly, the application of such a presumption is equally out of alignment with the congressional intent of the Dodd-Frank Act. Section 972 of the Dodd-Frank Act requires disclosure of whether the Chairman and CEO positions are held by the same person and reasons why they are or are not. Congress specifically rejected proposals that mandated the separation of CEO and Chairman, opting instead for disclosure that helps facilitate shareholder choice based on the specific facts and circumstances of each company. This policy ignores shareholder choice and has never been shown through empirical evidence to enhance shareholder value.

Thank you for the opportunity to comment. Please call me if you have questions or comments.

Very truly yours,

A handwritten signature in blue ink that reads "Darla C. Stuckey". The signature is written in a cursive, flowing style.

Darla C. Stuckey
Senior Vice President, Policy & Advocacy