

The Honourable Elisse Walter, Chairman
Securities and Exchange Commission
100F Street NE
Washington, DC 20549
USA

March 8, 2013

Dear Madam,

Please find attached a letter regarding U.S. governance reforms from a group of global institutional investors with significant investments in the United States of America.

Should you have questions or wish to get in contact with the group, please contact Catherine Jackson at the address below:

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PGGM Investments
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The Netherlands

[REDACTED]

Kind regards,



Catherine Jackson
Corporate Governance Advisor, North America
PGGM Investments

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

The Honorable John Boehner
Speaker of the House
United States House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, D.C. 20510

March 8, 2013

Re: United States Corporate Governance Reforms

Dear Mr. President, Mr. Speaker and Senator Reid,

We represent \$3.3 trillion of assets, and the savings and pension assets in excess of 33 million individuals. Many of our funds have our greatest exposure to the United States, and therefore stand to benefit immensely by continued improvements in corporate governance practices of the companies in which we invest. We believe that good governance serves to mitigate the investment risks we face and that shareholders have an important role to play in ensuring a growing and vibrant economy.

This letter follows on a letter dated February 13, 2009, when we wrote to you stating our support for governance reforms in the United States. In 2009, we wrote to advocate for a number of important reforms – some of which have been incorporated into recent legislation. We thank you, Congress and the SEC for its support and action on key changes such as:

- Introducing an **advisory shareholder vote on executive compensation**.
- Repealing the authority for **brokers to vote uninstructed shares on directors**, thereby formalizing that the election of directors is not a routine matter.
- Providing some ability for shareholder to vote on executive severance payments as part of M&A transactions in order to identify unreasonable **golden parachutes**.
- Placing greater emphasis on the board's ability to **claw back compensation**.

We also wish to recognize the SEC's efforts to regulate proxy access, which we understand was a significant undertaking, despite the results being disappointing for shareholders.

Going forward, we hope that those charged with overseeing the U.S. capital markets continue their efforts to give shareholders the tools we need as the long-term owners of publically traded companies. To this end, we write today to ask that you enact additional reforms – most of which are issues that we addressed in our previous letter four years ago and that remain equally important today. We feel that these reforms will help to restore trust in the U.S. capital markets.

1. A fair process for the election of directors

The manner in which corporate leadership is elected and represented is of paramount importance to shareholders. While many companies have switched from plurality voting to so-called majority voting, in actual fact they rely on a "director resignation" standard. This gives boards the flexibility to override shareholder votes of opposition and appoint the candidate to the board which fundamentally undermines the power of shareholders to elect directors. For this reason, we ask that you actively support a binding majority voting standard. We would like to see this become a requirement of all corporations, regardless of the state in which they are incorporated.

2. Independent oversight of the board by an independent Chairman

In order to build a stronger economy, boards must assess and respond to the needs of various stakeholders. Management is one stakeholder among several in the corporation, and when the chairman and CEO roles are combined in one individual, there exists an inherent conflict of interest such that the chair is likely to be more focused on the priorities of current management, possibly at the expense of other stakeholders such as investors or employees. Our experience of investing in other markets has demonstrated that an independent, experienced chair is best positioned to leverage the talents of all board members and facilitate proper long-term oversight of management.

3. Shareholder access to the proxy

It is important that shareholders have access to the proxy in order that we may nominate directors to represent shareholders in response to serious unanswered concerns by the board, therefore we strongly encourage the SEC to reissue a proposed rule to implement Section 971 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Board accountability to its various stakeholders, including those who elect directors, is important in having a balanced perspective from which to oversee the company. We speak from experience when we say that it is often difficult to meet with directors, and believe that having proxy access is a gateway towards achieving accountability.

4. Compensation an issue among U.S. corporations

We understand that the SEC is continuing to work on the rules for outstanding provisions of Dodd-Frank relating to compensation, including: Section 953(a) requiring disclosure in the annual proxy statement of a clear description of the relationship between executive compensation and the company's financial performance; Section 954 requiring adoption of a claw-back provision for executive compensation; and Section 955 requiring disclosure of hedging by directors and employees of their equity compensation. We encourage the SEC to prioritize final rules for provisions as quickly as possible, and ask that the agency be given the necessary resources to do so.

5. Companies, shareholders and regulators to collaborate in developing best corporate governance practices

We find that a more flexible 'comply or explain' approach to company reporting is extremely effective because the standards for good governance practices are set by the parties most impacted by these standards, rather than by the proxy advisory firms. The collaborative setting of best practice standards and their application by companies allows for the flexible application of these standards and more fulsome disclosure. Many other markets in which we invest have such a code; according to the European Corporate Governance Institute, over 90 countries have codes.¹

6. Integration of financial, operational, environmental, social and governance practices and results into one comprehensive report to shareholders

Companies are, or should be, managed and overseen with all of these factors in the minds of management and directors. If such issues are not contemplated with a view of assessing the impact of any one practice on other practices, or on the company as a whole, then an integrated report would ensure such a discipline. If these factors are appropriately considered, then one report is a convenient way for shareholders to holistically assess performance the way management and boards review and assess corporate performance. Many companies issue sustainability reports, so we see

¹ http://www.ecgi.org/codes/all_codes.php

the combination of all information into one integrated report as being an efficient way to communicate corporate practices and results.

7. Disclosure of political contributions and lobbying expenditures

Non-US shareholders, like domestic shareholders, are concerned about the lack of disclosure of these costs. It is difficult for shareholders to understand how political expenditures are used, or what the benefits of these expenditures are to shareholders. Also, trade associations, 501c4 "social welfare" organizations and similar groups have become significant sources of 'indirect' corporate political spending. The lack of transparency leaves companies and shareholders in the dark about the use of their funds, thus potentially exposing them to unnecessary risks. Transparency of these activities would go a long way towards building trust in the capital markets, as providers of liquidity and safekeepers of investment returns.

8. Finally, we have concerns over the heightened focus by Congress on achieving unreasonable cost/benefit analysis of SEC rulemaking. While such forecasting is an important component of rule-making in order to avoid superfluous and expensive changes, we do not believe that it is possible to accurately forecast the many costs and benefits of good governance, such as the standards we have recommended in this letter. Good governance prevents poor practices and unreasonable risk-taking; it can be difficult to quantify non-events. Conversely, we are very aware of the costs of having inadequate rules. Over the long-term these financial costs have real impacts on the well-being of the economy, which go beyond the limited and inaccurate dollars and cents arguments that the SEC has had to defend itself against. The focus on the cost/benefit of rulemaking is, in our view, a strategy to delay the implementation of rules which are necessary to mitigate investment risks.

We look forward to working with you in the future, and encourage you to contact us should you have any questions.

With kind regards,



Claudia Kruse
Managing Director ESG
APG Asset Management –Netherlands



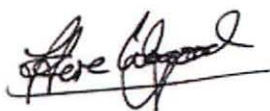
Councillor Kieran Quinn
Chair
Local Authority Pension Fund Forum - UK



Ann Byrne
Chief Executive Officer
Australian Council of Superannuation
Investors Inc. – Australia

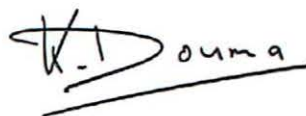


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Tim Goodman
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cc:

The Honorable Tim Johnson
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Michael D. Crapo
Committee on Banking, Housing, and Urban Affairs
United States Senate
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The Honorable Jeb Hensarling
Committee on Financial Services
House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
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The Honourable Elisse Walter, Chairman, Securities and Exchange Commission
Commissioner Luis Aguilar, Securities and Exchange Commission
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