GENERAL MILLS

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VIA EMAIL: rule-comments@sec.gov

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Proposed Rule on Pay Ratio Disclosure - File Number S07-07-13 (Release Nos. 34-9452; 34-70443)

Dear Ms. Murphy:

On behalf of General Mills, Inc., we respectfully submit our comments on the Securities and Exchange Commission's proposed rule on pay ratio disclosure set forth in Release Nos. 34-9452 and 34-70443 (the "Proposed Rule"). While we have concerns on the merits of the pay ratio disclosure, we thank the staff for its reasonable approach on a highly divisive topic, given the parameters established by the Dodd-Frank Act. As a company with global operations and a global workforce, we will incur significant costs to prepare the pay ratio disclosure, and we have an interest in seeing that these costs are justified by corresponding benefits to our investors. We have made a few suggestions below that would help us to implement the Proposed Rule in a way that more closely aligns the costs with the benefits. For ease of reference, our comments mirror the organization of the Release.

General Mills is one of the largest consumer foods companies in the world, with annual sales in excess of $17 billion and approximately 41,500 employees in the United States and around the world. In 2012, we received workplace awards in recognition of our commitment to being a great place to work in the US, Canada, the UK, France, Greece, China, India and Australia. Our company has historically delivered sustained, consistent growth in net sales, profits, earnings per share and returns to investors. Our management and board are focused on achieving superior financial performance for our shareholders, providing consumers with a wide variety of high-quality food products, enriching the communities where we operate, and maintaining a world-class workplace for all of our employees.

I. Employees Included in the Identification of the Median [Section II.C.2.a]

Absent clear legislative intent to the contrary, employees included in the median calculation should be limited to full-time employees.

Section 953(b) of the Dodd-Frank Act requires a registrant to disclose the ratio of the median of the total compensation of all employees to the annual total compensation of the chief executive officer. The Proposed Rule interprets "all employees" to include "any full-time, part-time, seasonal or temporary worker employed by the registrant or any of its subsidiaries."[1] We suggest that the Commission should adopt a narrower interpretation that only includes full-time employees. As noted in the Proposed Rule, there is "limited legislative history to inform our understanding of the legislative intent behind Section 953(b) [of the Dodd-Frank Act] or the specific benefits the provision is intended to secure."[2] In this context, the Commission has the authority to interpret the statute and to enact a rule in which the benefits to investors are reasonable in relation to its costs. The incremental benefit of requiring the inclusion of part-time, seasonal and temporary workers would be outweighed by the incremental cost.

We have conducted a preliminary evaluation of changes that we will need to make to our current payroll systems in order to comply with the Proposed Rule. Like many companies with global operations, we do not maintain a centralized payroll system, so the challenge of gathering the data necessary to determine the median employee, and of calculating this person's total compensation, in a way that is certifiable by our executive officers, will be formidable.

We would expect moderate cost savings from limiting the analysis to full-time employees, versus covering our entire workforce, but the savings could be significant for registrants in other industries. We estimate that approximately 13% of our employees are part-time, seasonal or temporary. We maintain employees in 31 countries (including the United States), and we would need to gather information from at least 20 payroll systems in order to calculate the pay ratio. We anticipate that we will need to involve a team of approximately 50 employees and outside advisors: 20-30 employees/contractors from our payroll systems, representatives from our executive compensation and benefits teams, information systems personnel, the legal and financial reporting teams to oversee the process, and executives and directors to review the work product. Outside advisors would include compensation consultants and payroll specialists. For purposes of calculating the pay ratio in the first year, we estimate that we would need an investment of $500,000-$1,000,000, representing the cost of the following labor and other resources. Most of these costs would also apply to subsequent years of compliance.

- payroll would gather data from each of the 20 payroll systems to identify the median employee,

- payroll would then gather compensation and benefits information needed to calculate total compensation for the median employee,

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[1] See Section II.C.2.a of the Proposed Rule.
[2] See Section IV.C.1 of the Proposed Rule.

- our executive compensation and benefits teams would develop the methodology, coordinate data gathering, normalize data among the payroll systems, and calculate the pay ratio,

- our information systems team would design a centralized database to house payroll data, assuming no additional payroll systems modifications,

- our legal team would ensure that the process and the resulting disclosure complies with SEC rules,

- our financial reporting team would review the process for Sarbanes-Oxley certification purposes,

- our executives and board would review the work product, and

- external advisors, including compensation consultants, payroll systems specialists, and outside counsel would assist with these processes.

Limiting the analysis to full-time employees would moderate our costs and would produce a more relevant pay ratio. Our chief executive officer is a full-time employee whose total compensation compares more meaningfully with other full-time employees. Conversely, there has been little or no evidence to suggest that the benefits of the Proposed Rule would be diminished as a result of limiting its scope to full-time employees.

II. Calculation Date for Determining Who is An Employee [Section II.C.2.b]

Companies should have discretion to establish a calculation date for determining who is an employee.

We are concerned that a fiscal year end calculation date will not provide us with adequate time to calculate the pay ratio and to prepare the disclosure with sufficient care, especially in the first few transitional years. Pursuant to the Commission's rules, we would have 120 days from our fiscal year end to calculate and disclose the pay ratio. In that short time period, we expect that at minimum, we would need to:

- Select a "consistently applied compensation measure" (potentially base salary or cash compensation contained in tax reports), and request and gather that data across our de-centralized payroll systems to identify the median employee,

- Decide whether to undertake statistical sampling as part of the process of identifying the median employee,[3]

[3] Based on an initial assessment, statistical sampling would not ease our compliance costs in the first years of implementation. Because we do not have centralized HRIS and payroll systems, we do not have the prerequisite knowledge about distribution of compensation among our workforce which is required to undertake a statistical sampling with any confidence. In order to ensure the validity of the statistical sampling, we would need to collect roughly the same amount of data that we would otherwise collect to compute the pay ratio directly. Furthermore, we

- Normalize the data (to maximize comparability across payroll systems) and compile it in one database,

- Identify the median employee and elements of his/her total compensation, articulating and applying assumptions, adjustments and estimates as reasonably necessary,

- Calculate total compensation for that median employee and other representative employees in the median range, to assess the variability in total compensation within the median range;

- Calculate the pay ratio, articulating and applying assumptions, adjustments and estimates as reasonably necessary, and

- Prepare an explanation of the pay ratio and the methodology, adjustments and estimates that were used.

Under the Proposed Rule, the pay ratio process coincides with a time of the year when many compensation and corporate secretary teams are engaged in other significant fiscal year end work, including preparing annual incentive awards based on fiscal year end results, addressing stockholder proposals, and drafting other pieces of the proxy statement such as the say on pay proposal and Compensation Discussion and Analysis.

Giving registrants the flexibility to establish their own calculation dates has the primary advantages of allowing sufficient time to prepare the pay ratio with due care, and allowing registrants to start on the process at a point during their fiscal year when the groups that will need to be involved, primarily the compensation and corporate secretary's team, will have more time to invest in this project.

Conversely, we do not see significant disadvantages to registrants or investors. The Proposed Rule already allows registrants to base pay ratio calculations on pay statements that do not coincide with fiscal year end, and the Rule has acknowledged the limitations of comparing pay ratios across registrants. Granting registrants the additional flexibility to determine their own calculation dates will not increase a registrant's ability to influence the outcome. Furthermore, it will not have an adverse impact on the comparability of pay ratios.

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would need to make an additional investment in expertise to develop, implement and explain the sampling methodology.

III. Status as "Filed" not "Furnished" [Section II.C.8]

The pay ratio should be treated as information "furnished" to, rather than "filed" with, the Commission.

Section 953(b) of the Dodd-Frank Act refers to the pay ratio information disclosed in the registrant's "filings" with the Commission, including proxy statements, annual reports and registration statements.[4] However, the statute does not prohibit the Commission from treating parts of such filings such as the pay ratio information, as "furnished" information. We see this principle at work in Form 8-K reports, which can contain both "filed" and "furnished" information in one document. There's no legislative history to suggest that the lawmakers considered this distinction or sought to limit the Commission's authority to do so. In fact, the Commission has used its authority to treat comparable information as "furnished."

The Commission has treated submissions as "furnished" rather than "filed" in situations where the disclosure is not conducive to certification, and in order to encourage more robust disclosure where registrants have latitude in the substance and quantity of disclosure.[5] Examples of "furnished" disclosure include the glossy annual report to shareholders furnished under 1934 Act Rule 14a-3, Form 8-K reportable events under Item 2.02 (Results of Operations and Financial Condition) and Item 7.01 (Regulation FD Disclosure), and the Audit Committee Report and the Compensation Committee Report included in the proxy statement pursuant to Regulation S-K.

We urge the Commission to treat the pay ratio as "furnished" information to encourage forthcoming and robust disclosure given the wide range of permissible methodologies, and material assumptions, adjustments and estimates that are likely to be used, and given the wide range of permissible disclosure. We anticipate significant variance in pay ratios and methodologies used from registrant to registrant.

Treating the pay ratio as "furnished" information would also assist in deterring frivolous lawsuits based on the new disclosure. In the most recent proxy season, registrants saw an increasing number of lawsuits seeking to enjoin annual meetings, because the companies had allegedly failed to provide sufficient executive compensation disclosure for the say on pay vote. The vast majority of these claims were deemed to be without merit, and the courts denied the injunction requests. The pay ratio disclosure will invite similar claims under federal securities laws.

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[4] Information that is "furnished" to the SEC is not subject to private securities liability under Section 18 of the 1934 Act, and this information has not been automatically incorporated by reference into 1933 Act registration statements and other documents filed with the SEC absent an affirmative declaration from the company. In addition, "furnished" information is not subject to CEO and CFO certification requirements under the Sarbanes-Oxley Act, which require a more elaborate review process.

[5] In a 1992 Proposing Release, the Commission took into account comments that the Board Compensation Committee Report on Executive Compensation should be furnished rather than filed to allow for more open and robust discussion in the reports. See <u>Executive Compensation Disclosure</u>, Release No. 33-6962 (Oct. 16, 1992) [57 FR 48126], Section II.H.

IV. Proposed Compliance Date [Section II.D.1]

The compliance date should be extended, so that all registrants must comply with the Proposed Rule for their first fiscal year commencing on or after January 1 following the effective date of the Proposed Rule.

According to the Proposed Rule, registrants would have to begin complying with respect to compensation for their "first fiscal year commencing on or after the effective date of the rule." [6] Our fiscal year end is the last Sunday in May. If the requirements were to become effective prior to that date in 2014, then we would be required to include pay ratio information for our very next proxy season, in the proxy statement filed for our 2015 annual meeting.

We would request an additional proxy season to enable us to implement systems to compile the disclosure and verify its accuracy, given that our employees reside in numerous countries other than the U.S. and we do not currently have centralized, consolidated payroll, benefits and pension systems that capture the information necessary to identify the median employee.

We are proposing to require that a registrant must begin to comply with proposed Item 402(u) with respect to compensation for the registrant's first fiscal year commencing on or after **JANUARY 1 FOLLOWING** the effective date of the rule. A registrant would also be permitted to omit this initial pay ratio disclosure from its filings until the filing of its annual report on Form 10–K for that fiscal year or, if later, the filing of a proxy or information statement for its next annual meeting of shareholders (or written consents in lieu of a meeting) following the end of such year.

The insertion of the January 1 language above would require all registrants to disclose pay ratios for their 2016 annual meetings (assuming the rule becomes effective sometime in calendar year 2014).

As a result of the preceding comments, we support the following actions:

- Employees included in the median calculation should be limited to full-time employees**.**
- Registrants should have discretion to establish a calculation date for determining who is an employee.
- The pay ratio should be treated as information "furnished" to, rather than "filed" with, the Commission.
- The compliance date should be extended, so that all registrants must comply with the Proposed Rule for their first fiscal year commencing on or after January 1 following the effective date of the Proposed Rule.

[6] See Section II.D.1 of the Proposed Rule.

Thank you again for providing us with an opportunity to comment on the Proposed Rule.

Sincerely,

Roderick A. Palmore