



GENERAL MILLS

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October 20, 2010

VIA INTERNET: <http://www.sec.gov/rules/concept.shtml>

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

Re: Concept Release on the US Proxy System - File Number S7-14-10 (Release Nos. 34-62495; IA-3052 and IC-29340)

Dear Ms. Murphy:

On behalf of General Mills, Inc., we respectfully submit our comments on the Securities and Exchange Commission's concept release on the US proxy system set forth in Release Nos. 34-62495; IA-3052 and IC-29340 (the "Concept Release"). As a company that is committed to promoting clear, meaningful communication with shareholders, we are interested in efficient and cost-effective methods for distributing proxy materials and for encouraging informed shareholder voting. We appreciate this opportunity to express our thoughts regarding the release. For ease of reference, our comments mirror the organization of the Release: the accuracy, transparency, and efficiency of the voting process; communications and shareholder participation; and the relationship between voting power and economic interest.

General Mills is one of the largest consumer foods companies in the world, with annual sales in excess of \$14 billion and more than 30,000 employees in the United States and around the world. Our products are enjoyed every day by millions of consumers around the world. General Mills has more than 400,000 shareholders. Our company has historically delivered sustained, consistent growth in net sales, profits, earnings per share and returns to investors. The company has been listed on the NYSE since 1928, and together with its predecessor firm, has paid regular dividends without interruption or reduction for 112 years. 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.

**Accuracy, Transparency and Efficiency of the Voting Process – Proxy Distribution Fees
[Section III. D.]**

The current monopoly and captive fee structure for distributing proxy materials to shareholders is a barrier to more cost-effective shareholder communication.

Under the current fee structure, cost savings from electronic data aggregation and distribution of proxy materials have been offset by fees charged by the proxy service provider and securities intermediaries. We have used notice and access delivery for our proxy materials during the last two years. However, we have not realized any cost savings from notice and access delivery, but have seen our costs for communicating with shareholders increase over the past two proxy seasons.

The absence of cost savings is due in part to the increase in our beneficial positions. During the past two proxy seasons, our company has seen beneficial positions in our stock increase by 58.5%, from 262,385 beneficial positions in 2008 to 415,968 beneficial positions in 2010. The increases are based on reports from the securities intermediaries, whose methodology for counting beneficial positions is neither transparent nor subject to oversight. The Commission's observation on page 58 of the Concept Release, that with regard to certain managed accounts, processing fees may be assessed for hundreds of thousands of beneficial positions though only one set of proxy materials is transmitted to the investment manager, reinforces our belief that there needs to be more transparency and accountability in how issuers are billed for the distribution of materials to beneficial positions. Today, issuers have little or no control over the proxy distribution process when it comes to these beneficial holders.

There is a similar lack of transparency with respect to suppression and mail elimination services. Issuers pay a fee of \$.25 per account, but it is unclear exactly what services are being performed or which accounts are being eliminated. Without greater transparency, issuers have no means of judging whether the amount of the fees is reasonably related to the service provided and there is no incentive on the part of the intermediaries to reduce these fees.

Also contributing to the absence of cost savings, the proxy service provider and securities intermediaries have introduced new notice and access fees, on top of existing processing fee increases set by the stock exchanges, substantially offsetting issuer savings in printing and postage from notice and access delivery. Currently, issuers have no opportunity to negotiate these fees and no way to know whether the additional fees are reasonably related to the incremental expenses of the service provider.

Costs for communicating with shareholders remain significant. Even with the full use of notice and access last year, we spent approximately \$500,000 printing and distributing proxy materials to our shareholders. In years where we have conducted additional solicitations, for example, by reminding shareholders to vote via mail or e-mail, we have incurred significant additional charges, even though the electronic communications rely on technology and automated processes with virtually no incremental cost for the proxy service provider to initiate. For example, we have been charged an electronic distribution processing fee of \$.50 per account to distribute reminder e-mails to an existing shareholder list to encourage voting at our annual meeting. This rapidly becomes a prohibitive expense for communicating with a broad shareholder base that includes retail shareholders. In other instances, the cost of distributing supplemental materials has prevented us from communicating with shareholders.

Overall, we have been satisfied with our proxy service provider's performance in delivering our proxy materials in a timely and professional manner. However, we are also very much in favor of a competitive market for these services, where multiple proxy service providers would have more of an incentive to reduce processing fees, allowing companies to realize cost savings from electronic delivery of proxy materials, and to minimize costs from additional communications with shareholders.

As a result, we support the following actions:

- Establishing a central data aggregator and facilitating competition for proxy distribution and tabulation services to reduce costs for issuers and to encourage communications with shareholders.
- Reviewing the current rates for fees paid to intermediaries for forwarding issuer proxy materials and other communications to ensure that such fees are reasonably related to the costs of such distribution and to identify ways to make the system more cost effective.
- Eliminating or significantly reducing fees that are no longer justified in an electronic delivery environment, such as the Incentive Fee and fees for automated electronic communications.
- Regulating notice and access fees to ensure that additional amounts paid by issuers are reasonable.
- Requiring more transparency and accountability from securities intermediaries with regard to how beneficial positions are counted.
- Requiring securities intermediaries to invest a certain percentage of fees in technology which allows issuers to access contact information for all beneficial owners at a minimal cost in order to facilitate shareholder communications.

Communications and Shareholder Participation – Issuer Communications with Shareholders [Section IV. A.]

There are real opportunities to improve shareholder communications by eliminating the objecting beneficial owner (OBO) status and providing issuers with ways to communicate directly with their shareholders.

Existing rules make it prohibitively expensive for issuers, especially widely held issuers, to communicate with their shareholders. As we discuss above, the current fee structure for proxy distribution, and the absence of competition among proxy service providers, contribute to this problem. The NOBO/OBO distinction is also a significant barrier to shareholder communication. Ordering a list of our non-objecting beneficial owners (NOBOs) would have cost us approximately \$43,000 this year, and would not have given us access to OBOs, which hold significant portions of most issuers' shares. As cited on page 67 of the Concept release,

according to one estimate, 70% to 80% of all public issuers' shares are held in street name, and 75% of those shares (52% to 60% of all shares) are held by OBOs, so that issuers are unable to make direct contact with the majority of their shareholders. Due to the expense and limited reach of the NOBO list, we have decided on more than one occasion to forego telephone contact and other communications to this group of investors.

Yet more than ever, issuers need cost-effective options to communicate directly with all shareholders. The elimination of broker discretionary voting in uncontested director elections, in combination with greater shareholder activism, majority voting for directors and declines in retail voting, make it increasingly likely that companies will need to contact retail investors directly to solicit votes on director elections and other proposals. The current system makes such communication difficult and cost prohibitive.

Issuers have duties under proxy and stock exchange regulations to keep their shareholders informed and to solicit their vote on important matters. As a result, shareholders' interest in privacy should be subordinate to the issuer's interest in being able to communicate with them to fulfill these duties. We believe that identifying shareholders is important for purposes of preparing the appropriate communications, and that additional rules facilitating communications with shareholders who still remain anonymous are not sufficient. For those shareholders who have a compelling reason to remain anonymous, for example, to protect their trading or investment strategies, they will have the option of using a custodial or nominee account, but they should bear the additional cost of this decision. As a result, we support the following actions:

- Eliminating the OBO status and making it cost-effective for issuers to access beneficial owner data, potentially through a central data aggregator, in order to facilitate direct and more active shareholder communications, including permitting issuers to send proxy materials directly to beneficial owners without having to go through securities intermediaries.
- In the alternative, making NOBO status the default when beneficial owners open their brokerage accounts. While we do not believe that customers should have to reaffirm this status selection periodically, the option could be presented on periodic statements from the broker-dealer.
- Requiring shareholders who elect OBO status to bear the cost of maintaining their privacy, such as by establishing a nominee account, and shifting the cost of distributing proxy materials to broker-dealers for customers who elect OBO status.
- Reviewing the fees associated with obtaining a NOBO list to ensure that such fees reflect the reasonable cost of preparing the list in light of existing technologies for retrieving and processing electronic data.

Communications and Shareholder Participation – Means to Facilitate Retail Investor Participation [Section IV. B.]

Retail investor voting response rates could be greatly enhanced by allowing them to provide advance voting instructions to their brokers.

Our institutional shareholders vote a much higher percentage of their shares than do our retail investors. Institutional investor voting is facilitated by a robust electronic voting system and by the ability of institutions to regularly engage proxy advisory firms to vote on their behalf. In contrast, retail investors have no comparable proxy advisory services, and due to the relatively smaller size of their holdings across a diverse portfolio of stocks, often have little incentive to research and vote proxies for each company in their portfolio. Recent changes to eliminate broker discretionary voting in uncontested director elections have exacerbated the prevailing pattern of lower voting responses by retail shareholders.

Enabling retail shareholders to provide advance voting instructions would increase voting by this group and ensure that their interests and desires are better represented at shareholder meetings. A set of standing, revocable instructions provided to a broker at the time an account is opened is far more likely to consistently reflect the intentions of an individual investor over time than no vote at all. Each year, investors should be given an opportunity to override those instructions by providing different instructions via the VIF.

**Relationship Between Voting Power and Economic Interest – Proxy Advisory Firms
[Section V. A.]**

Proxy advisory firms should be subject to federal regulation requiring greater transparency and accountability with respect to the formulation of voting recommendations and potential conflicts of interest.

Proxy advisory firms can significantly influence the outcome of shareholder votes on the election of corporate directors and proposals presented at shareholder meetings. Yet these firms operate on a largely unregulated basis, with no transparency or accountability for their voting recommendations, methodologies, policy setting processes, or potential conflicts of interest.

Like many large publicly-held corporations, a significant percentage of our outstanding stock is held by institutional investors. At last count, more than 70% of our shares were institutionally held. Many of those investors subscribe to one or more proxy advisory firms for voting recommendations or voting services. We estimate that approximately 20% of our outstanding shares are voted by shareholders who either adhere to the voting recommendations of RiskMetrics Group or who engage RiskMetrics to directly vote on their behalf. In uncontested director elections and compensation plan approvals, where brokers are not permitted to exercise discretionary voting power, RiskMetrics controls 25% to 30% of the votes cast. In those instances, its recommendations are likely to determine the outcome of the shareholder vote. Given the prevalence of majority voting policies and the elimination of broker discretionary voting, the RiskMetrics voting recommendation has become particularly important in uncontested director elections.

Despite the growing influence of proxy advisory firms, there continues to be limited transparency with respect to the underlying policies and analytical methodologies that they use to produce their voting recommendations. In particular, we are concerned that voting policies

with respect to environmental, social and governance issues may be susceptible to influence from external special interest groups or a small number of proxy advisory firm clients. As a result, a firm's voting recommendations may reflect the views of a few investors, rather than the best interests of all clients and the portfolio companies they own. Greater transparency about how voting policies are developed and the clients that support those policies will help identify the influence of special interests and ensure that all clients are properly represented. Similarly, where executive compensation analysis or recommendations depend on specific data and financial formulas, such information is not fully available to investors or issuers. Full public disclosure of this supporting information would allow issuers and investors to better anticipate, understand and evaluate the related voting recommendation. Given the impact of these recommendations, issuers and investors should not have to guess about basis for a firm's recommendation or the underlying analysis.

To the extent that the recommendations of the proxy advisory firms are based on a factual analysis, issuers do not have an adequate opportunity to review the information, engage in discussion about possible changes, or inform investors about concerns or objections to the report. For example, RiskMetrics provides limited opportunity for issuers to review and comment on its analysis and voting recommendations. Companies are required to provide feedback within 48 hours of receiving RiskMetrics' preliminary report, and factual clarifications can only be addressed by reference to information filed with the SEC. Glass Lewis does not provide issuers with advance copies of its reports and there is no opportunity for issuers to identify or correct errors before the report is issued to investors. Where the errors are not refuted through public disclosure (e.g. 8-K filings), the corrections are not reflected in the final report. Limited review and input from issuers creates the potential for misleading information and voting recommendations that are contrary to investor expectations and the stated voting policies of the advisory firms.

As a result, we support the following actions:

- Proxy advisory firms should be subject to proxy rules and regulated as investment advisors. At a minimum this regulation should include required disclosure concerning specific conflicts of interest, and duties to adopt and follow procedures to ensure the accuracy of their reports and voting recommendations.
- Standards of professional conduct applicable to advisory firms should require that advisory firms consider the best interests of investors and portfolio companies on a case-by-case basis in connection with each voting recommendation, rather than issuing across-the-board recommendations on particular issues.
- Firms must be accountable for their reports. That means that issuers must be given adequate advance opportunity to review and comment on voting recommendations, and substantiated comments and corrections should be reflected in the final reports or in subsequent amendments.
- Factual data and mathematical models and methodologies used to prepare recommendations about compensation programs and compensation plans must be publicly available to issuers and investors.

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Thank you again for providing us with an opportunity to comment on the Commission's concept release.

Sincerely,

A handwritten signature in black ink, appearing to read "Roderick A. Palmore". The signature is written in a cursive style with a large, stylized initial "R" and a long horizontal flourish at the end.

Roderick A. Palmore