



**SOCIETY OF CORPORATE SECRETARIES  
& GOVERNANCE PROFESSIONALS**

521 FIFTH AVENUE • NEW YORK, NY 10175 • P 212.681.2000 • F 212.681.2005 • WWW.GOVERNANCEPROFESSIONALS.ORG

October 28, 2010

Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: **Concept Release on the U.S. Proxy System, File No. S7-14-10**  
**Data-Tagging Proxy-Related Materials Section IV.C.**

Dear Ms. Murphy:

The Society of Corporate Secretaries & Governance Professionals appreciates the opportunity to respond to the Securities and Exchange Commission's (the "Commission") Concept Release on the U.S. Proxy System, SEC Rel. No. 34-62495 (July 14, 2010) (the "Concept Release"). The Society intends to address all of the issues in the Concept Release in a series of comment letters; this letter addresses only the issue of Data-Tagging.

Founded in 1946, the Society is a professional membership association of over 3,100 attorneys, accountants and other governance professionals who serve approximately 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.

The Society generally supports the SEC's efforts to require issuers to provide interactive data for financial statements in accordance with Generally Accepted Accounting Principles (US GAAP). We understand the value of investors being able to make investment decisions among a range of possible investments using comparative data about the financial performance and risks of a large number of companies. However, we have concerns about whether comparative proxy and voting data will help shareholders make binary voting decisions on an individual company's proxy, such as whether or not to elect a director, or to approve a shareholder proposal. Such voting decisions are informed by consideration of whether the proposal makes sense for a particular company, given its own situation and circumstances, and not considerations of comparative data about a range of companies that may have entirely different situations.

We are particularly concerned about whether the executive compensation data in the proxy statement, especially the narrative disclosures in the Compensation Discussion and Analysis ("CD&A"), can be meaningfully compared by means of XBRL data tagging without

creating investor confusion. In addition, we question the timing of expanding the requirement of data tagging to the proxy statement until there is demonstrable evidence that investors are using the tagged financial data (currently required) and until it can be determined that the benefit of tagging proxy statement and voting information, including executive compensation data, outweighs its cost and the risk of potential investor confusion. Our reasons for suggesting that the SEC defer consideration of expanding the requirement of data tagging to the proxy statement are:

- The value of data tagging proxy statement and voting information, including executive compensation disclosure, for purposes of comparison is likely remote, since such disclosure is principles-based, composed of significant narrative text and more issuer-specific than financial statement disclosure; at most, any XBRL data tagging requirement related to this data should be limited to the compensation tables and footnotes and should not include the CD&A.
- There is little, if any, evidence to date that investors are using the tagged financial data in the Form 10-K, or finding it helpful; and
- It is too soon to ascertain whether the suggested benefits to investors of data tagging executive compensation outweigh the costs to issuers.

***Proxy Statement and Voting Data, Including Executive Compensation Data, Is Not Conducive to Data-Tagging and Could Lead to Confusion***

The data contained in corporate financial statements (and footnotes) is highly standardized because it must conform to the generally understood requirements of U.S. GAAP. Thus, when such data is tagged using XBRL it facilitates comparisons among various companies on an “apples-to-apples” basis. By contrast, the disclosure requirements applicable to the governance and compensation sections of the proxy statement are more principles-based and result in greater variation in the disclosure of information relating to a company’s corporate governance and executive compensation than is the case with financial statement disclosures. In adopting the CD&A requirements, the SEC noted, “the principles-based disclosure concept allows each company to assess its own facts and circumstances and determine what elements of the company’s compensation policies and decisions are material and warrant disclosure.” Because the CD&A and other narrative disclosures are comprised of company-specific facts and circumstances and vary significantly among companies, industries and even between individuals within the same company, such data is more difficult to code consistently, and therefore more difficult to compare on an “apples to apples” basis. We are concerned that investor confusion may result if investors attempt to compare tagged data that is coded inconsistently; the risk of confusion may increase over time as compensation vehicles change and evolve.

It is our view that non-quantitative executive compensation disclosures pose a significant challenge for XBRL US, Inc.<sup>1</sup>, much as was the case with MD&A corporate filings. It is

---

<sup>1</sup> XBRL US is the organization that developed the architecture and concepts for taxonomy used for US GAAP reporting, and has a mission to support the implementation of XBRL in US markets. XBRL US acts a focal point for all industry participants to provide guidance and best practice on the creation of consistent public

our fear that if investors and analysts lack meaningful ways to compare the narrative executive compensation data, they could revert to comparing only the numbers in the compensation tables, ignoring the data contained in the CD&A narrative and footnotes, and rely on an incomplete and potentially misleading analysis. Moreover, as more custom data tags are developed to account for company-specific variations, it will become increasingly difficult to compare data between companies, industries and even between individuals at the same company. Accordingly, we submit that if data tagging is required for any executive compensation information in the proxy statement, it should be limited to that which is in the compensation tables and the footnotes accompanying them; data tagging should not be required for the executive summary or the CD&A.

In this regard, we note that following the SEC XBRL mandate, the XBRL published a report of its observations of six-months of filings in which it found over 5,000 problems related solely to the use of the US GAAP Taxonomy, ranging from incorrect tags to missing concepts. As the XBRL US noted, “[t]hese issues are problematic because they ultimately lead to 1) mistakes in how public company financial data is reported and presented and 2) a lack of comparability in financial fundamentals from company to company.”<sup>2</sup>

### ***Lack of Data to Support Use or Usefulness of Current XBRL Data in Financial Statements***

We have been unable to find evidence, among Society member companies, or anecdotally from institutional investors, that they use tagged data, for any purpose. The evidence we have been able to obtain suggests the contrary: since January 2010, one large issuer with mostly institutional investors had only 56 “hits” to its XBRL page. The corporate secretary of that company believes that most of those hits resulted from the issuers’ own site maintenance, or access to the data by its accounting and legal professionals. The Society’s efforts to survey the largest pension fund investors as to their use of XBRL data were unsuccessful. We did learn, informally, that a few large investors get this information from proxy advisory firms, such as ISS, but we were unable to determine the extent to which such data is purchased or used. We urge the Commission to assess the extent to which the comparative XBRL financial statement data is used and useful to investors in making investment decisions among a range of alternatives before expanding the data tagging requirement to proxy statements, where it is less obvious that shareholders would find comparative data useful in making binary voting decisions applicable to a specific company and its particular circumstances.

### ***Too Soon to Ascertain that the Benefits of Data Tagging Outweigh the Costs***

The SEC’s 2008 XBRL adopting release estimated that the largest issuers would spend 70 hours in the second year to “detail tag” the financial data in the Form 10-Q reports. Recent survey data from Society members shows that more than twice as much time was actually required (167 hours). The tasks involved planning, software training, looking for the most

---

company data and by ensuring companies work with the taxonomy in such a way that the XBRL data reported is an accurate reflection of their financial position.

<sup>2</sup> “Avoiding Common Errors in XBRL Creation,” XBRL US, Inc., (4/10) p.3.

appropriate tags, developing customized tags, building the structure, communicating with FASB and the software vendor, identifying systematic errors and confirming custom tags with relevant constituents.<sup>3</sup> We think it important to note that our members spent the same amount of time data tagging the Form 10-Q as their financial teams typically spend refining and confirming all of the data in the Form 10-K, and that implementation required the deployment of significant additional resources during peak work periods.

Data tagging the Form 10-K disclosure will be more complicated, and is expected to take even more time than data tagging the Form 10-Q. Because it is too soon to know the experiences of the second or third phase-in groups, and the first phase-in group has yet to commence its Form 10-K filing, it is not known whether the time issuers spend on this effort will be closer to the SEC estimates. It is also too soon to know how much it will cost to data tag the Form 10-K. Lacking information regarding the costs of data tagging the Form 10-K, it is impossible to determine whether the benefits of XBRL outweigh the burden on issuers to date; it is likewise impossible to determine whether the benefits of extending the data tagging requirements to the proxy statement will outweigh the benefits.

Finally, we note that one of the hoped-for-results of XBRL was to make US issuers competitive with foreign issuers who reportedly use XBRL for their financial statements. However, we were unable to find international XBRL standards for proxy-related issues, or information suggesting that such standards conform to the XBRL US Standards. Unless there are data tagging requirements for both US and foreign issuer disclosures and the standards for tagging executive compensation data are comparable, it is not clear how data tagging will enhance the competitiveness of US corporations in the global economy.

### *Summary*

For the reasons stated above, we respectfully request that the SEC defer consideration of expanding the data tagging requirements to include proxy statement data, until it can be determined that investors are using and find useful the currently tagged financial data. We believe that the Commission should review the experience of all participants in the XBRL process: issuers, financial printers, investors and third party firms that use and analyze XBRL filings to prepare reports that they then sell to analysts and investors. We also believe that the Commission should review the costs and benefits of data tagging based on the experience of the first, second and third phase-in group of filers on Forms 10-K. This will give the SEC information about both the costs and benefits of data tagging, and help the SEC to determine whether the benefits of XBRL outweigh the costs of preparing, filing and assuming liability for those data.

If the SEC decides to extend the data tagging requirement to proxy statement disclosure:

---

<sup>3</sup>Eli Lilly spent between 275 and 300 hours; Kraft Foods spent approximately 100 hours; and Johnson & Johnson spent about 125 hours to detail tag the first periodic report.

- We respectfully request that such requirement be limited to the data in the Compensation Tables and accompanying footnotes, and not apply to the CD&A or other narrative text.
- We propose that the Commission adopt a phased-in approach, similar to that which it adopted for data tagging financial statements and notes in the periodic reports.
- We request that the SEC consider an exemption for small reporting companies.
- We also urge the SEC to provide additional time, ideally 10 to 20 days, to furnish the XBRL data as an exhibit to a Form 8-K filing, in light of both the time schedule for filing the proxy statement and other materials and the requirement to submit a preliminary proxy statement 10 days prior to filing.

We appreciate the opportunity to comment on this important proposal and would be happy to provide you with further information to the extent you would find it useful.

Respectfully submitted,

A handwritten signature in black ink that reads "Katherine K. Combs". The signature is written in a cursive, flowing style.

Chair, Interim CEO & President  
The Society of Corporate Secretaries & Governance Professionals

cc: Mary L. Shapiro, Chairman  
Luis A. Aguilar, Commissioner  
Kathleen L. Casey, Commissioner  
Troy A. Paredes, Commissioner  
Elisse B. Walter, Commissioner  
Meredith Cross, Director, Division of Corporation Finance  
Felicia Kung, Chief, Office of Rulemaking, Division of Corporation Finance