



By email: rule-comments@sec.gov

FAO: Elizabeth M. Murphy,  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090  
USA

18 November 2010

**Re: Shareholder Approval of Executive Compensation and Golden Parachute Compensation (S7-31-10)**

Dear Ms Murphy,

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of U.S. \$9.5 trillion.

The ICGN's mission is to raise standards of corporate governance worldwide. In doing so, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through ICGN Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. Information about the ICGN, its members, and its activities is available on our website: [www.icgn.org](http://www.icgn.org).

The purpose of the Remuneration Committee is to influence the development of national and international corporate governance policies and proposals relating to executive and non-executive remuneration and other related matters.

We are pleased to respond to your consultation on Shareholder Approval of Executive Compensation and Golden Parachute Compensation (S7-31-10). Our comments are as follows:

Questions - <u>Proposed Rule 14a-21(a)</u>	Comments
(1) Should we include more specific requirements regarding the manner in which issuers should present the shareholder vote on executive compensation? For example, should we designate the specific language to be used and/or require issuers to frame the shareholder vote to approve executive compensation in the form of a resolution? If so, what specific language or form of resolution should be used?	The SEC should establish a clear goal for this process for companies to solicit input, and invite oversight of executive compensation policy and program implementation. This is perhaps best accomplished by establishing a set of mandatory principles-based topics (similar to the approach in regards to the CD&A), and requiring a small number of basic questions (see below for suggestions). We suggest this approach because some opponents have indicated that companies may have difficulty

	<p>understanding the meaning of the response, particularly a negative vote. If there are a minimum set of designed questions it may help isolate areas of particular concern for shareholders, thereby allowing boards to better understand the perspective of owners.</p> <p>Potential questions:</p> <ul style="list-style-type: none"> <li>- Is the company's overall compensation philosophy appropriate?</li> <li>- Are disclosures clear and adequate?</li> <li>- Is the compensation program appropriately tied to performance?</li> <li>- Is the amount of compensation appropriate given the circumstances?</li> <li>- Are there specific aspects of the company's compensation program you feel are detrimental to overall alignment?</li> </ul>
<p>(2) Would it be appropriate to exempt smaller reporting companies from the shareholder vote to approve executive compensation? Please explain the reasons why an exemption would, or would not, be appropriate. Would the proposed amendments be disproportionately burdensome for smaller reporting companies?<sup>50</sup></p>	<p>The ICGN believes it is appropriate to require an advisory vote consistent with current (and future) disclosure requirements, such that companies required to disclose certain information regarding executive compensation are similarly required to obtain an advisory vote. We accept that in cases where companies have scaled down requirements, it may be appropriate to scale the advisory vote in some way. However, we do not consider the advisory vote a significant burden in any case, especially in comparison to the benefit of obtaining owners' input.</p>
<p>(3) Should we establish compliance dates to phase-in effectiveness of our proposed rules? Are there other transition issues that our rules should address?</p>	<p>Yes, the SEC should establish a deadline for implementation of the rules. The ICGN does not anticipate any significant transition issues.</p>
<p>(4) Section 14A(a)(1), like Section 111(e) of the EESA, does not specify which shares are entitled to vote in the shareholder vote to approve executive compensation, nor does this section direct the Commission to adopt rules</p>	<p>Voting rights related to the advisory vote should be consistent with existing rights. The advisory vote should not be treated differently than other general items, nor should owners have their right to vote on compensation related matters diminished</p>

addressing this point. As in our implementation of EESA Section 111(e), we are not proposing to address this question in our rules. Should our rules implementing Section 14A (a) (1) address this question? If so, how, and on what basis?	in any way.
<u>Questions - Proposed Item 24 to Schedule 14A</u>	Comments
(5) Are there other disclosures that should be provided by issuers regarding the shareholder vote on executive compensation? If so, what kinds of disclosure would be useful to shareholders?	Disclosures should include the results of the past 2 votes (once available), and any significant actions taken in regards to the compensation philosophy or program structure, whether as a result of the vote or otherwise.
<u>Questions - Proposed Amendments to Item 402(b)<sup>53</sup> of Regulation S-K</u>	Comments
(6) Should we amend Item 402(b) to require disclosure of the consideration of the results of the shareholder advisory vote on executive compensation in CD&A as proposed? If not, please explain why not.	Yes, it is appropriate to provide this disclosure. Given the advisory nature of the vote, it is particularly important to understand any significant action(s) taken.
(7) Should the requirement to discuss the issuer's consideration of the results of the shareholder vote be included in Item 402(b)(1) as a mandatory principles-based topic, as proposed, or should it be included in Item 402(b)(2) as a non-exclusive example of information that should be addressed, depending upon materiality under the individual facts and circumstances? In this regard, commentators should explain the reasons why they recommend either approach.	Yes, it is appropriate to include the consideration of the results as a mandatory principle. Given the advisory nature of the vote, it is particularly important to understand any significant action(s) taken. A materiality standard is appropriate to limit the scope to meaningful actions/results.
(8) Should the proposed requirement for CD&A discussion of the issuer's consideration of previous shareholder advisory votes be revised to relate only to consideration of the most recent shareholder advisory votes?	No, it is potentially appropriate for companies to discuss results from multiple votes, perhaps in the context of a trend in vote results for example.
(9) For smaller reporting companies, should we instead require disclosure to	In the case of smaller reporting companies, the narrowed narrative of

<p>address the consideration of previous shareholder advisory votes on executive compensation? Would such information be valuable outside the context of a complete CD&amp;A? Would the existing requirements under Item 402(o) of Regulation S-K, pursuant to which smaller reporting companies must provide a narrative disclosure of any material factors necessary to an understanding of the information disclosed in the Summary Compensation Table, be sufficient information for investors in smaller reporting companies?</p>	<p>material factors should suffice.</p>
<p>Questions - <u>Proposed Rule 14a-21(b)</u></p>	<p>Comments</p>
<p>(10) Should we include more specific requirements regarding the manner in which issuers should present the shareholder vote on the frequency of shareholder votes on executive compensation? For example, should we designate the specific language to be used and/or require issuers to frame the shareholder vote on the frequency of shareholder votes to approve executive compensation in the form of a resolution? If so, what specific language or form of resolution should be used?</p>	<p>It is appropriate for the SEC to include specific language or format such that the question is addressed in a consistent and unbiased manner.</p> <p>The ICGN favours annual advisory votes to be consistent with the period in which companies are making significant decisions regarding executive compensation.</p>
<p>(11) Should a new issuer be permitted to disclose the frequency of its say-on-pay votes in the registration statement for its initial public offering and be exempted from conducting say-on-pay and frequency votes until the year disclosed? For example, if an issuer discloses in its initial public offering prospectus that it will conduct a say-on-pay vote every two years, should we exempt it from the requirements of Section 14A(a)(1) and 14A(a)(2) for its first annual meeting as a reporting company?</p>	<p>No.</p>
<p>(12) Section 14A (a) (2) does not specify which shares are entitled to vote in the shareholder vote on the frequency of the shareholder vote to approve executive compensation, nor does this</p>	<p>We believe voting rights should be consistent with the existing share class structure as there is no rationale for diminishing existing owners' rights on an advisory vote.</p>

<p>section direct the Commission to adopt rules addressing this point. We are not proposing to address this question in our rules, but should our rules implementing Section 14A (a) (2) address this question? If so, how, and on what basis?</p>	
<p>Questions - <u>Proposed Item 24 of Schedule 14A</u></p>	<p>Comments</p>
<p>(13) Should we require disclosure about the general effect of this shareholder advisory vote? Is such disclosure useful to shareholders?</p>	<p>Basic, brief, factual disclosure of the effect is appropriate.</p>
<p>(14) Are there other disclosures that should be provided by issuers regarding the shareholder vote on the frequency of say-on-pay votes? If so, what kinds of disclosure would be useful to shareholders?</p>	<p>The current frequency.</p>
<p>Questions - <u>Proposed Amendment to Rule 14a-4</u></p>	<p>Comments</p>
<p>(15) Will the four choices available to shareholders for the frequency of shareholder votes on executive compensation be sufficiently clear?</p>	<p>Yes, but we believe it is appropriate for the SEC to specify the format to ensure consistency and objectivity in the question.</p>
<p>(16) Will issuers, brokers, transfer agents, and data processing firms be able to accommodate four choices (<u>i.e.</u>, 1, 2, or 3 years, or abstain) for a single line item on a proxy card? What technical or processing difficulties do such a change to the proxy card present? If there are technical or processing difficulties, are there practical ways to mitigate them?</p>	<p>No comment.</p>
<p>Questions - <u>Proposed Amendment to Rule 14a-8</u></p>	<p>Comments</p>
<p>(17) Is it necessary or appropriate to prescribe a standard, such as a plurality, as proposed, for resolving whether issuers have substantially implemented the shareholders' vote on the frequency of the vote on</p>	<p>Given the advisory nature of the vote, it does not seem necessary to prescribe a standard. The ICGN believes that at a minimum additional detailed disclosure of results breaking them down by class would be appropriate in any cases</p>

<p>executive compensation for purposes of Rule 14a-8? Is a standard other than plurality appropriate? Should the standard vary if the company's capital structure includes multiple classes of voting stock (<u>e.g.</u>, where classes elect different subsets of the board of directors)?</p>	<p>involving multiple classes of stock. In this way companies would have a clearer understanding of any potential concerns from its shareholders.</p>
<p>(18) Is the proposed amendment to Rule 14a-8(i) (10) appropriate? Should we, as proposed, allow the exclusion of shareholder proposals that propose say-on-pay votes with substantially the same scope as the votes required by Rule 14a-21(a)? If not, please explain why not.</p>	<p>This is appropriate.</p>
<p>(19) Should we, as proposed, permit the exclusion of shareholder proposals that seek to provide say-on-pay votes more or less regularly than the frequency endorsed by a plurality of votes cast in the most recent vote required under Rule 14a-21(b), as described above? Are there other circumstances under which shareholder proposals relating to the frequency of say-on-pay votes should be considered substantially implemented and subject to exclusion under Rule 14a8(i)(10)?</p>	<p>This is appropriate.</p>
<p>(20) Should we amend Rule 14a-8(i) (10) to address other specific factual scenarios that are likely to occur as a result of the implementation of Section 951 and our related rules? Are there other specific facts and circumstances under which Rule 14a-8(i) (10) should permit or prohibit the exclusion of shareholder proposals that seek say-on-pay votes?</p>	<p>No.</p>
<p>(21) Should the proposed note to Rule 14a-8(i)(10) be available if the issuer has materially changed its compensation program in the time period since the most recent say-on-pay vote required by Section 14A(a)(1) and Rule 14a-21(a) or the most recent frequency vote required by Section</p>	<p>No.</p>

14A(a)(2) and Rule 14a-21(b)?	
<u>Questions - Proposed Amendments to Form 10-K and Form 10-Q</u>	Comments
(22) Should we require, as proposed, disclosure in a Form 10-Q or Form 10-K regarding the issuer's plans with respect to the frequency of its shareholder votes to approve executive compensation? Would this disclosure be useful for investors?	Yes, particularly given the advisory nature of the vote, it is important to provide disclosure of the board's actions following the advice.
(23) Would the proposed Form 10-Q or Form 10-K disclosure notify shareholders on a timely basis of the issuer's determination regarding the frequency of the say-on-pay vote? Should this disclosure instead be included in the Form 8-K reporting the voting results otherwise required to be filed within four business days after the end of the shareholder meeting, or in a separate Form 8-K required to be filed within four business days of when an issuer determines how frequently it will conduct shareholder votes on executive compensation in light of the results of the shareholder vote on frequency?	It is appropriate to include results related to the advisory vote on executive compensation consistent with results from other proxy votes.
(24) Would the amendments to Form 10-Q and 10-K, as proposed, allow an issuer sufficient time to analyze the results of the shareholder votes on the frequency of shareholder votes on executive compensation and reach a conclusion on how it should respond? Should the issuer's plans with respect to the frequency of such shareholder votes instead be required to be disclosed no later than in the Form 10Q or Form 10-K for the next full time period ended subsequent to the vote (for example, if the vote occurs in the second quarter of the issuer's fiscal year, the disclosure would be required no later than in the Form 10-Q for the third quarter)?	It is appropriate to include results related to the advisory vote on executive compensation consistent with results from other proxy votes. We do not believe the advisory vote is complicated or difficult to interpret.
(25) Under the proposed rules, the shareholder vote on the frequency of the say-on-pay vote would not bind the issuer or board of directors of the issuer.	None we can identify at this time.

<p>Are there other ways to provide for a vote “to determine” the frequency of the say-on-pay resolution that are consistent with the Section 14A(c) rule of construction that the vote “shall not be binding”?</p>	
<p>Questions - <u>Proposed Amendments to Rule 14a-6</u></p>	<p>Comments</p>
<p>(26) Should we amend Rule 14a-6(a) under the Exchange Act as proposed so that issuers are not required to file a preliminary proxy statement as a consequence of providing a separate shareholder vote on executive compensation in accordance with Rule 14a-21(a)? If not, please explain why not.</p>	<p>Yes.</p>
<p>(27) Should we amend Rule 14a-6(a) under the Exchange Act as proposed so that issuers are not required to file a preliminary proxy statement as a consequence of providing a separate shareholder vote on the frequency of shareholder votes on executive compensation in accordance with Rule 14a-21(b)? If not, please explain why not.</p>	<p>Yes.</p>
<p>(28) Should we amend Rule 14a-6(a) under the Exchange Act so that issuers are not required to file a preliminary proxy statement as a consequence of providing any other separate shareholder vote on executive compensation? If so, please explain in what circumstances.</p>	<p>Yes.</p>
<p>Questions – <u>Relationship to Shareholder Votes on Executive Compensation for TARP Companies</u></p>	<p>Comments</p>
<p>(29) Should issuers who have outstanding indebtedness under the TARP be required to conduct a shareholder advisory vote under Rule 14a-21(a) for the first annual meeting after the issuer has repaid all outstanding indebtedness under the TARP? Should we amend Rule 14a-20</p>	<p>Yes. It would also be appropriate for TARP companies to be required to provide specific disclosures related to the transition of the compensation program prior to exiting TARP.</p>

to reflect this requirement?	
(30) Should issuers who have outstanding indebtedness under the TARP satisfy Rule 14a-21(a) when such issuers conduct a shareholder advisory vote to approve executive compensation pursuant to Rule 14a-20? Should we reflect this position in Rule 14a-21(a)?	Yes.
(31) Should issuers who have outstanding indebtedness under the TARP be exempted, as proposed, from the requirement to conduct a shareholder advisory vote under Section 14A(a)(2) and Rule 14a-21(b) until the first annual meeting after the issuer has repaid all outstanding indebtedness under the TARP? Is our proposed approach consistent with the purposes of Section 951 of the Act? Instead, should issuers who have outstanding indebtedness under the TARP be required to provide the shareholder vote on frequency at a time when they are still required to provide an annual vote under EESA? Should such an issuer be permitted, at its discretion, to conduct a shareholder advisory vote on frequency while it has outstanding indebtedness under the TARP and, if such vote is held, not be required to conduct such a vote at its first annual meeting after it has repaid all outstanding indebtedness under the TARP?	<p>Yes, TARP should be exempted from the requirement to conduct a shareholder advisory vote under Section 14A (a) (2) and Rule 14a-21(b) until the first annual meeting after the issuer has repaid all outstanding indebtedness under the TARP.</p> <p>TARP companies should not be permitted to alter the required frequency of the vote.</p>
<u>Questions - Proposed Item 402(t) of Regulation S-K</u>	Comments
(32) Should Item 402(t) disclosure be required only in the context of an extraordinary transaction, as proposed? Should we extend the Item 402(t) disclosure requirement to annual meeting proxy statements generally, or in annual meeting proxy statements in which the shareholder advisory vote required by Section 14A(a)(1) is solicited? Would this disclosure be useful in annual meeting proxy statements in the absence of an actual transaction, or are the existing compensation disclosure requirements	<p>It is appropriate to provide this disclosure in the context of any proposed transaction, as the disclosure is specifically intended to apply to the transaction. It is our expectation that regular annual disclosures contain sufficient information to analyze the basic structure of any existing arrangements (that may apply to transactions/events in general).</p> <p>The ICGN believe it is important to provide disclosure and quantification of compensation from bona fide post-</p>

<p>applicable to annual meeting proxy statements sufficient? Should we amend Item 402(j) to cover the matters required by Section 14A (b) (1) that are not otherwise required by that Item, rather than adopt proposed Item 402(t)?</p>	<p>transaction employment agreements that may be entered in connection with the transaction as this may be pertinent information in considering alignment of interests.</p>
<p>(33) As proposed, Item 402(t) would require disclosure of all golden parachute compensation relating to the merger among the target and acquiring companies and the named executive officers of each in order to cover the full scope of golden parachute compensation applicable to the transaction. Would it be potentially confusing to require disclosure under Item 402(t) that relates to golden parachute compensation of a broader group of individuals than required by Section 14A(b)(1)?</p>	<p>Disclosure of individual compensation and arrangements specific to NEO's is appropriate, and it would be helpful to provide a simple disclosure consisting of the aggregate golden parachute compensation for all others with a brief explanation of the total and how many individuals this covers.</p>
<p>(34) Does proposed Item 402(t) tabular disclosure capture "any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to" the transaction? Will proposed Item 402(t) elicit disclosure of all elements of golden parachute compensation that may be paid or become payable and the aggregate total thereof "in a clear and simple form"? If not, what specific revisions are necessary to accomplish these objectives?</p>	<p>To ensure the disclosure currently, and in the future, captures all pertinent compensation, the SEC should include a principle based column specifically to capture "any and all other" forms of compensation associated with the transaction.</p>
<p>(35) Should we also require tabular disclosure of previously vested equity and pension benefits and require the total amount to include those amounts? For example, should the value of vested pension and nonqualified deferred compensation be presented so that shareholders may easily compare that value to the value of any enhancements attributable to the change-in-control transaction? Similarly, should the value of previously vested restricted stock and the in-the-money value of previously vested options be presented so that shareholders can compare these amounts to the value of awards for which vesting would be accelerated?</p>	<p>It is appropriate to isolate the value enhancement associated with the transaction, but previously vested amounts may confuse the disclosures related to the transaction. It is important to include the value of any acceleration of vesting, or any cases where the terms of vesting, payout, or value are impacted by the transaction.</p> <p>The benefit of the proposed disclosures are to provide shareholders better ability to analyze the potential impacts on alignment of interests and objectivity from payments/arrangements associated with a particular transaction. Other compensation (vested pension, deferred</p>

<p>Would inclusion of these amounts in the total overstate the amount of compensation payable as a result of the transaction?</p>	<p>compensation for example) remains important, but care must be taken to provide clear disclosures isolating the impacts of the proposed transaction.</p>
<p>(36) In the table, will the proposed footnote identification of amounts of single-trigger and double-trigger compensation elements effectively highlight amounts payable on each basis? If not, should these elements be highlighted by disclosing them in separate columns, or by some other means? Is this information useful to investors?</p>	<p>Yes, this is beneficial to break out.</p>
<p>(37) Are there any elements captured by the "Other" column that should be presented separately, or in a different manner? If so, please explain why and how.</p>	<p>The footnote disclosure of each element captured in the "other" column is important.</p>
<p>(38) Should employment agreements that named executive officers of the target issuer enter into with the acquiring issuer for services to be performed in the future be excluded from the table, as proposed? Are such agreements used to induce target executives to support the transaction? Should such employment agreements instead be required to be quantified and included in the table? If such agreements should be quantified, should they be quantified separately, such as in a separate table, or is there a better way to present such agreements? If quantification is appropriate, should we specify how employment agreements should be quantified, for example by requiring a reasonable estimate applicable to the payment or benefit and disclosure of material assumptions underlying such estimates, or a valuation based on projected first year annual compensation, or average annual basis, or a present value for this compensation? If so, please explain.</p>	<p>The ICGN believe it is important to provide disclosure and quantification of compensation from bona fide post-transaction employment agreements that may be entered in connection with the transaction as this may be pertinent information in considering alignment of interests. However, these amounts should be kept separate from the table, or at least from the totals. It is appropriate to provide a reasonable estimate of value associated with these agreements, but disclosures should include any significant assumptions and a brief description of the method for making the assumption(s) necessary.</p>
<p>(39) In proxy statements soliciting shareholder approval of a merger or similar transaction, we are proposing</p>	<p>Yes, this approach is appropriate, but disclosure should provide a brief description of the method for clarity,</p>

<p>that the tabular quantification of dollar amounts based on issuer stock price be based on the closing price per share as of the latest practicable date. Is this measurement date appropriate? Would a different measurement, such as the average closing price over the first five business days following the public announcement of the transaction, more accurately reflect the amounts payable to the named executive officers in connection with the transaction? If so, explain why.</p>	<p>including any difference in method that will materially impact the value of compensation or payments.</p>
<p>(40) The proposed narrative disclosure would explain by whom payments would be provided. Are any additional instructions needed to provide clarity with respect to the tabular disclosure in circumstances where separate payments would be made by the target issuer and the acquiring issuer? Should a separate table be required where golden parachute compensation is payable to named executive officers of the acquiring issuer, as well as named executive officers of the target issuer?</p>	<p>These disclosures should not be provided on the target issuer's proxy, but would be appropriate on the acquiring issuer's material.</p>
<p>(41) Will the proposed narrative disclosure adequately describe the conditions upon which the golden parachute compensation may be paid or become payable to or on behalf of each named executive officer? What, if any, additional disclosure is needed to accomplish this objective? What, if any, disclosure that we have proposed to require is not necessary to accomplish this objective? Explain why.</p>	<p>Yes, but the SEC should emphasise an overarching principle requiring a comprehensive explanation of the conditions upon which golden parachute compensation may be paid. This would help capture any unforeseen circumstances.</p>
<p>(42) Are there other items of narrative disclosure that would be useful for investors? For example, should we require issuers to describe the basis for selecting each form of payment and to describe why it chose the various forms of compensation?<sup>113</sup></p>	<p>Investors mainly need information related to the drivers of potential compensation, any potential impact on alignment, and of course value. A brief rationale for the form of payments would be supportive of this information.</p>
<p>(43) As proposed, many of the table's columns would report more than one</p>	<p>The proposed breakdown is sufficient, but the footnote qualification is important.</p>

<p>element of golden parachute compensation, with footnote quantification of the individual elements. Would it facilitate investor understanding to present in separate columns any of those individual elements, such as the different components of cash severance? If so, explain which elements and why. Would additional columns make the table too complex?</p>	
<p>(44) As proposed, issuers would not have to provide Item 402(t) information with respect to individuals who would have been among the most highly compensated executive officers but for the fact that they were not serving as an executive officer at the end of the last completed fiscal year.<sup>114</sup> Should Item 402(t) information be required if such individuals remain employed by the issuer at the time of the proxy solicitation? If so, explain why. Also, as proposed, issuers would have to provide Item 402(t) information with respect to all individuals who served as the principal executive officer or principal financial officer of the issuer during the last completed fiscal year or who were among the issuer's other most highly compensated executive officers at the end of that year,<sup>115</sup> even if such persons are no longer employed by the issuer at the time of the proxy solicitation. Would Item 402(t) disclosure with respect to such an individual serve a useful purpose or should we exclude former employees from the disclosure requirement?</p>	<p>We believe this information is appropriate to exclude provided the compensation is not related to the transaction. If there is compensation related to the transaction it may be useful for shareholders to understand the relationship, and the individual's role in the transaction.</p>
<p><u>Questions - Amendments to Schedule 14A, Schedule 14C, Schedule 14D-9, Schedule 13E-3, and Item 1011 of Regulation M-A</u></p>	<p>Comments</p>
<p>(45) Should we require Item 402(t) disclosure, as proposed, in transactions not specifically referenced in the Act? Is this disclosure necessary to minimize potential regulatory arbitrage? If not,</p>	<p>Yes, it seems the principle for disclosure is the same.</p>

<p>please explain why not.</p>	
<p>(46) Are there any impediments to providing this disclosure in such transactions? If so, please explain.</p>	<p>None we can identify.</p>
<p>(47) Are the proposed exceptions from the Item 402(t) disclosure requirements for bidders and target companies in third-party tender offers and filing persons in Rule 13e-3 going-private transactions where the target or subject company is a foreign private issuer appropriate? Is the proposed exception from the Item 402(t) disclosure obligation with respect to agreements or understandings with senior management of foreign private issuers appropriate? If not, why not? Are any other exceptions for transactions involving foreign private issuers necessary?</p>	<p>Yes, these are consistent with accommodation to foreign private issuers.</p>
<p>Questions - <u>Proposed Rule 14a-21(c)</u></p>	<p>Comments</p>
<p>(48) If golden parachute arrangements have been modified or amended subsequent to being subject to the annual shareholder vote under Rule 14a-21(a), should we require the merger proxy separate shareholder vote to cover the entire set of golden parachute arrangements or should we, as proposed, require a separate vote only as to the changes to such arrangements? For example, if a new arrangement is added, would the Section 14A(b)(2) shareholder advisory vote be meaningful if shareholders do not have the opportunity to express their approval or disapproval of the full complement of compensation that would be payable?</p>	<p>It would be most appropriate to require a new vote if the terms of any agreement are altered in any material way or if a new agreement is added.</p>
<p>(49) Should we exempt certain changes to golden parachute arrangements that have been altered or amended subsequent to their being subject to the annual shareholder vote under Rule 14a-21(a)? For example, should we require a separate vote under Rule 14a-21(c) if the only change is the addition</p>	<p>Amendments to these agreements have potentially significant impacts on the alignment of interests affecting transactions. We believe there are potential unintended consequences to creating too many loopholes by which amendments to arrangements would not require approval.</p>

<p>of a new named executive officer not included in the prior disclosure or a change in terms that would reduce the amounts payable? Should we provide an exemption for golden parachute arrangements previously subject to an annual shareholder vote if the only change is the subsequent grant, in the ordinary course, of additional awards under an employee benefit plan, such as stock options or restricted stock, that are subject to the same acceleration terms that applied to those already covered by the previous vote? For example, if subsequent to the previous vote, additional equity awards are granted in the ordinary course pursuant to a plan, such as an annual option grant, and those awards are subject to acceleration in the event of a change in control on the same terms as earlier awards that were subject to the previous vote, should we exempt those subsequent awards? Should any other types of changes to golden parachute compensation arrangements be so exempted?</p>	<p>To the degree amendments are truly insignificant in terms of value and potential impact on alignment of interests; we believe exemptions would be appropriate and save shareholders the expense of repeating an approval process. However, the example provided is a circumstance we believe should require new approval because the value of the subsequent grant may be significant. It is not sufficient to assume that because the terms of acceleration in this example are the same, the impact of the amendment on shareholders' view of the payments and their impact on the transaction are negligible.</p>
<p>(50) Where an issuer voluntarily includes Item 402(t) disclosure in an annual meeting proxy statement to satisfy the exception from the Section 14A(b)(2) shareholder vote, should all Item 402(t) disclosure be required to be presented in one section of the document, without cross references, to facilitate shareholder understanding? If not, why not? Does proposed Instruction 6 to Item 402(t) (2) assure certainty and predictability regarding the availability of this exception? If not, what additional instructions are needed?</p>	<p>Yes, it is appropriate to provide these disclosures together to ensure the result is based on complete information.</p>
<p>(51) Section 14A (b) (2) does not specify which shares are entitled to vote in the shareholder vote to approve the agreements or understandings and compensation specified in Section 14A (b) (1), nor does this section direct the Commission to adopt rules addressing this point. We are not proposing to address this question in our rules, but should our rules implementing Section 14A (b) (2) address this question? If so,</p>	<p>We believe voting rights should be consistent with the existing share class structure as there is no rationale for diminishing existing owners' rights on an advisory vote.</p>

how, and on what basis?	
<u>Questions – Treatment of Smaller Companies</u>	Comments
(52) Should we fully, partially, or conditionally exempt smaller reporting companies or some other category of smaller companies from some or all of the requirements of Section 14A? Are the provisions of Section 14A unduly burdensome on small companies and if so, how are they unduly burdensome?	No, we believe the proposed rules are appropriate for small issuers.
(53) Should we fully, partially, or conditionally exempt smaller reporting companies or some other category of smaller companies from any or all of our proposed rules? If so, which ones? Are any of our proposed rules unduly burdensome to smaller reporting companies and if so, how are they unduly burdensome?	The proposed rules appropriately balance the needs of investors for key information in these situations with the SEC's desire to minimize the burden on smaller companies.
(54) Are the golden parachute arrangements of smaller reporting companies relatively simple and straightforward compared to those of larger issuers? Would the disclosure of such arrangements required by proposed Item 402(t) impose an undue burden on smaller reporting companies?	The ICGN would support a requirement for small companies to quantify golden parachute arrangements in merger proxies. It is troubling to think companies would: 1) develop an agreement without knowing how to quantify the value; and 2) go through a merger transaction with a potentially significant unknown value associated with one or more parachute agreements. This information is meaningful for shareholders in deciding their vote on the transaction as well as the advisory vote on the parachute agreement(s).
(55) Should we clarify in an instruction to Rule 14a-21, as proposed, that smaller reporting companies are not required to include a CD&A in their proxy statements in order to comply with our proposed amendments?	If necessary, this appears to be appropriate.
(56) Are there any other steps that we should take to reduce the burden on smaller reporting companies?	The proposed rules balance the needs of investors for key information and the SEC's desire to minimize the burden on small companies.

If you would like to discuss any of these points, please do not hesitate to contact Carl Rosén, our Executive Director, at +44 207 612 7098 or [carl.rosen@icgn.org](mailto:carl.rosen@icgn.org).

Thank you for your attention and we look forward to your response on the points above.

Yours sincerely,



Christianna Wood  
Chairman, ICGN Board of Governors



Ted White  
Co-chair, ICGN Remuneration Committee



Ian Burger  
Co-chair, ICGN Remuneration Committee