



VIA E-MAIL

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To Whom It May Concern:

We appreciate the opportunity to comment on the 2014 Draft Policies. Our responses to each question are provided below.

PAY FOR PERFORMANCE QUANTITATIVE SCREEN (U.S. AND CANADA)

Our answers to your specific questions are provided below. More fundamentally, however, as in past years, we reiterate our concerns that the RDA measure specifically and the pay-for-performance evaluation methodology more generally are flawed due to the reliance on TSR as the sole quantitative factor used to assess corporate performance. While TSR performance is certainly important, we continue to believe that there are potential adverse consequences associated with creating a disproportionate focus on stock price performance at the expense of other operational and financial metrics which should ultimately contribute to long-term returns for shareholders. By continuing to use TSR as the sole quantitative benchmark for corporate performance and relegating an analysis of operational and financial performance metrics to the qualitative assessment, we believe that this policy puts many compensation committees in the position of having to choose between doing the right thing for the long-term value of the company and doing the right thing to secure favorable Say on Pay vote recommendations from ISS.

Additionally, these analyses focus on grant-date pay levels, as opposed to realized/realizable pay, which further decouples the link between this pay calculation and historical TSR performance. As defined, historical pay includes the grant date value of equity awards. These awards are often the largest component of CEO pay, and reflect compensation committee decisions with regard to *future* pay and performance alignment, rather than the alignment of *received* pay with demonstrated performance.

Are there circumstances under which performance or pay from the most recent year should weigh more heavily in a pay-for-performance analysis?

We believe special consideration should be given to companies in periods of transition, where a three year analysis may penalize the company/committee for past misalignment, while the most recent year may demonstrate significant improvements in the alignment between pay and performance. For example, in the instance of a new CEO, it may be warranted to place more emphasis on the most recent year. In this scenario, a multi-year pay-for-performance analysis may reflect a poor alignment between pay and performance under the previous CEO, a situation the board has already taken steps to correct if this individual has been replaced by a new incumbent. Alternatively, we encourage ISS to give strong consideration to eliminating this test altogether until there are at least two, or preferably three, years of historical compensation data specific to that incumbent.

Are there any unintended consequences from using a simple, unweighted three-year pay and performance measure as the basis for the RDA screen?

Except as discussed in our response to the previous question, we generally believe that the proposal to focus on the longer, three-year time period is a positive change, particularly since it has the effect of mitigating the impact of year over year changes in CEO pay.

BOARD RESPONSE TO MAJORITY-SUPPORTED SHAREHOLDER PROPOSALS (U.S.)

We believe that the decision by ISS to evaluate these responses on a CASE-BY-CASE basis is a good one, since it permits boards to make decisions that they believe are in the best interests of their shareholders. We encourage companies to provide complete and fulsome disclosure of the decision made, how shareholder views were incorporated into that decision, other factors that were also considered, and how and why the board arrived at the decision they did. We further urge ISS to provide clear guidance regarding what disclosure is expected and how this disclosure will be evaluated, and to take seriously the mandate to evaluate each response based on the specific facts and circumstances of each company. In our experience, CASE-BY-CASE evaluations are sometimes made in a manner which is inconsistent with previously stated methodology.

Thank you for the opportunity to review and provide comments to the proposed updates to ISS' proxy voting guidelines.

Sincerely yours,

STEVEN HALL & PARTNERS