

SCC Email Alert
6/9/2010

Subject: Corporate Governance Remarks by SEC Chairman Schapiro

SEC Chairman Mary Schapiro spoke yesterday to a group of CEOs attending the quarterly meeting of the Business Roundtable in Washington. Here is a link to a copy of her speech: <http://sec.gov/news/speech/2010/spch060810mls.htm>

Pasted below is what she said about corporate governance issues, including remarks on proxy access, proxy mechanics, and proxy advisory services.

Thank you for your interest in the Shareholder Communications Coalition.

Niels Holch
Executive Director

Corporate Governance

Some of the tiles for our mosaic involve a topic of key concern to you: corporate governance. I know that, at times, what constitutes "good" or "bad" governance can be a contentious issue, as can the issue of how—or whether—governance should be regulated. So let me share with you my thoughts.

The Commission's approach to corporate governance is not to mandate outcomes. We don't believe that there is a single structure that ensures accountability in all circumstances. We believe that it is the role of market participants to determine what represents "good" governance, either in terms of best practices or as applied on a company-by-company basis. It is the role of the SEC, as the federal government's primary institution charged with looking out for investors, to ensure that our disclosure rules support these determinations by requiring clear communication with investors about how the company is governed.

I agree with the BRT's Principles of Corporate Governance, which says: "[I]t is the responsibility of the corporation to engage with long-term shareholders in a meaningful way on issues and concerns that are of widespread interest to long-term shareholders, with appropriate involvement from the board of directors and management."

But meaningful engagement means the spectrum of viewpoints is represented, and all of the company's owners have access to the information they need to persuade or to be persuaded.

The SEC's recent rule changes do not dictate whether your company's governance structure should include an independent chair, a non-independent but non-executive chair, or a combined CEO/chair. We do believe, however, that the company's investors should know why a particular board structure has been selected.

Similarly, they should have detailed information about directors' and nominees' qualifications; about compensation consultants' fees and conflicts; and about the relationship between a company's overall compensation policies and its risk profile.

I know you are also interested in one of the tiles that we call proxy access. Unfortunately, I can speak only generally about the proposal, since we are still studying public comment. But I can confirm that I am committed to bringing a proposal back to the Commission to consider final adoption, within a timeframe that would put the rules into effect for the 2011 proxy season.

I recognize that—like some of the market structures that I've just mentioned—the mechanics of the proxy process have not kept pace with current market conditions or trading practices. For this reason, the Commission will soon consider publishing a Concept Release soliciting detailed ideas about how to modernize this voting infrastructure.

We would like to hear about everything from whether the system of OBO/NOBO ownership should be changed, to whether proxy advisory firms should be subject to greater oversight (and if so, what that oversight should look like).

I know that you and your companies will have important insights on these issues, and I look forward to your participation in this review.