CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
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February 6, 2009

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector and region, strongly supports the efforts of the Troubled Assets Relief Program ("TARP") in resolving the financial crisis.

While the Chamber is pleased that the administration has developed a set of principles related to executive compensation issues, the administration and Congress should be very careful not to implement policies that may cause significant unintended consequences. Both the administration and Congress have a responsibility to protect taxpayer dollars and ensure that TARP recipients are held to a higher standard of accountability related to the use of taxpayer funds and compensation. Effective corporate governance and executive compensation policies should be a part of that process.

The Chamber looks forward to working constructively with the administration and Congress to find common ground and to develop effective corporate governance and executive compensation policies. Accordingly, the Chamber respectfully requests to be an active participant in the upcoming White House-Treasury conference on long-term executive pay reform.

Moreover, the Chamber has developed important principles, crafted in consultation with businesses and investors, that should be incorporated into effective corporate governance and executive compensation policies.

1. **<u>Principles for Effective Corporate Governance, Investor Responsibility, and Executive Compensation</u>**

Policy makers in the past have not adequately taken into account the unintended consequences of reform, which have included excessive executive compensation and poor governance practices. While effective corporate governance and executive compensation policies are important, extreme solutions would lead to a flight of talent as well as capital. Balancing the need for effective policy development with the goal of creating economic growth, the Chamber developed the following principles for appropriate policy making related to corporate governance, investor responsibility, and executive compensation:

- Corporate governance policies must promote long-term shareholder value and profitability but should not constrain reasonable risk-taking and innovation.

- Long-term strategic planning should be the foundation of managerial decision-making.

- Corporate executives' compensation should be premised on a balance of individual accomplishment, corporate performance, adherence to risk management, and compliance with laws and regulations, with a focus on shareholder value.

- Management needs to be robust and transparent in communicating with shareholders.

These principles provide a template for policies that would allow for reasonable risk taking, continued innovation, the ability to acquire and retain talent, and protect investor rights.

2. Say on Pay

Say on Pay is a recent reform proposal which would give shareholders an advisory vote on executive compensation and could promote a continued dialogue between management, directors, and shareholders. However, Say on Pay could also be a costly burden and a distraction to companies when compensation is not a concern, where adequate shareholder dialogue already occurs, or if shareholders use it as an opportunity to advance other issues. Accordingly, the Chamber submits the following principles for Say on Pay:

- **Advisory –** Say on Pay resolutions should be advisory and non-binding to ensure boards understand shareholder opinions while preserving their decision-making authority.
- **Periodic –** Say on Pay resolutions should be periodic to minimize the cost, burden, and distraction associated with annual shareholder votes. If shareholders approve a company's executive compensation, the programs should not have to be put to another vote for three years. If a program is not approved, a vote should be required in the next year.
- **Opt Out**- Shareholders should be able to approve an opt out of say on pay. For example, if 2/3 of shareholders approve an opt out of say on pay, no vote would be required for 5 years.

These principles provide a basis to create a uniform system of advisory votes that are fair, open, and not unduly burdensome, particularly to small companies and those with concentrated share ownership. The Chamber looks forward to working with the administration and Congress on these issues.

Sincerely,

R. Bruce Josten

Cc: The Members of the United States Congress