Not Just Financial Reform: What Every U.S. Public Company Needs to Know About Dodd-Frank's Corporate Governance and Executive Compensation Reforms

July 21, 2010

Overview

- **Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act")**
  - The Act has been passed by Congress and was signed by President Obama today (July 21, 2010).
  - There are ten different executive compensation and corporate governance sections in the Act and many have multiple provisions.
    - Only two sections are limited to financial institutions (excessive compensation and risk committee requirements).
  - Virtually <u>all</u> of the executive compensation and corporate governance provisions in the Act apply to <u>all</u> listed U.S. companies.
  - Most provisions do not apply to foreign private issuers (though there are some technical ambiguities).

Advisory Say on Pay Vote (Sec. 951)

- **Mandates shareholder advisory vote on executive compensation for all listed U.S. companies.**
  - Effective for first annual meeting (or meeting in lieu thereof) occurring after January 21, 2011.
  - Shareholders must be given a vote on whether to approve the compensation of the named executive officers as disclosed in the proxy statement pursuant to Item 402 of Regulation S-K.
  - The Say on Pay vote is non-binding and may not be construed as:
    - Overruling a decision by the board.
    - Creating or implying any change in or additional fiduciary duty for the board.
    - Limiting the shareholders’ right to make executive compensation proposals.
  - SEC has authority to exempt certain categories of issuers (such as smaller reporting issuers) from the Say on Pay requirement.
  - Only one vote required; executives’ compensation arrangements do not need to be voted on individually.

Advisory Say on Pay Vote (Sec. 951)

- **TARP companies were already subject to a mandatory advisory Say on Pay vote.**
  - In 2009, of the 237 TARP companies that publicly reported the results of their Say on Pay votes, all 237 passed. So far in 2010, only one TARP company (KeyCorp) has had its Say on Pay resolution rejected by its shareholders.
- **Many companies have already voluntarily adopted an advisory Say on Pay vote. According to a recent RiskMetrics article, 128 companies holding Say on Pay votes in 2010 had an average rate of shareholder support of 89.2% (slightly below the 2009 average). (RiskMetrics, *Risk & Governance Weekly*, June 25, 2010)**
- **So far in 2010, shareholders at two companies holding voluntary Say on Pay votes (Motorola and Occidental Petroleum) have rejected the compensation packages of the executives.**

Advisory Say on Pay Vote (Sec. 951)

- **Under current proxy rules, the inclusion of a Say on Pay vote would require a preliminary proxy statement to be filed ten calendar days prior to the filing of the definitive proxy statement.**
  - However, in the TARP context, the SEC amended the Exchange Act rules to provide that a preliminary proxy statement was not required to be filed due to the inclusion of a mandatory Say on Pay vote held pursuant to TARP.
  - Presumably, the SEC will issue similar rules here.

Say When on Pay Vote (Sec. 951)

- Issuers must include in their first proxy statement including the Say on Pay vote required by the Act (and at least every six years thereafter) a separate resolution subject to shareholder vote on whether the Say on Pay vote should be held annually, biennially or triennially.
  – Shareholders will presumably vote on a "multiple choice" question and pick which schedule they prefer.
  – What voting standard should apply?
    – Should the winner be the choice that gets a plurality of the vote?
    – Can management set three years as the default and only adopt a shorter timeframe if a majority of shareholders choose otherwise?
    – Companies should consider reviewing their by-laws and amending them to provide for a default standard.
- While some commentators have argued that the Say When on Pay vote is non-binding given conflicting language in the Act, the specific subsection states that the Say When on Pay Vote is "to determine whether [the Say on Pay vote] will occur every 1, 2, or 3 years." (Emphasis added).
- Rule 14a-4 (which mandates the form of a proxy) will likely need to be amended to address the Say When on Pay vote. Conceivably, the SEC could take the opportunity to set a voting standard as well.

Say When on Pay Vote (Sec. 951)

- **Companies should begin to determine what voting frequency makes sense for them. While the majority of voluntary Say on Pay adopters to date have decided to hold votes annually, others have chosen biennial or triennial votes.**
- **Companies should also reach out to significant shareholders to discuss their preferences.**
- **Companies should review their by-laws and other relevant governance documents (charters, corporate governance guidelines, etc.) to assess whether they should be amended to address their Say When on Pay voting standard.**

Advisory Say on Golden Parachutes Vote (Sec. 951)

- **Section 951 also requires disclosure of, and an advisory vote on, golden parachute agreements or understandings and compensation for all listed U.S. companies.**
  - Applies to any shareholder meeting occurring six months or more after Enactment.
  - A separate vote is required at any shareholder meeting to approve an acquisition, merger, consolidation or sale of substantially all of the issuer's assets (a "Transaction").
  - Issuer must disclose to shareholders in clear and simple terms:
    - Any agreements or understandings
    - with any named executive officer
      - For votes by the target company's shareholders, disclosure covers agreements between target company and its NEOs and also seems intended to cover agreements between such NEOs and the acquiring company, but read literally, requires disclosure of agreements between the target company and acquiring company's NEOs.
      - For votes by the acquiring company's shareholders, the disclosure covers agreements between that company and its own NEOs.
    - concerning any type of compensation (whether present, deferred or contingent)
    - that is based on or otherwise relates to the Transaction
    - and the aggregate total of such compensation that may be paid or become payable on such Transaction.

Advisory Say on Golden Parachutes Vote (Sec. 951)

- **Examples of items to disclose:**
  - Accelerated vesting of awards
  - New employment agreements with the acquiring company.
  - Query how to address agreements entered into between the proxy and the closing.
- **As with the Say on Pay vote, the Say on Golden Parachutes vote is non-binding and may not be construed as:**
  - Overruling a decision by the board.
  - Creating or implying any change in or additional fiduciary duty for the board.
  - Limiting the shareholders' right to make executive compensation proposals.

Advisory Say on Golden Parachutes Vote (Sec. 951)

- **If the agreements or understandings were previously subject to a Say on Pay vote, no Say on Golden Parachutes vote is required (though the related disclosure is still required).**
  - Would new, material grants of equity awards need to be approved if they used vesting terms that had already been approved in a prior Say on Pay vote?
  - New agreements entered into in connection with the Transaction would still need to be disclosed.
- **When can a company conclude that a Say on Golden Parachutes vote was "subject to" a Say on Pay vote? Does it matter whether the vote was favorable?**

Advisory Say on Golden Parachutes Vote (Sec. 951)

- **Only one vote required; agreements do not need to be voted on individually.**
- **SEC to issue regulations clarifying the specific disclosure required.**
  - Timing for regulations not specified, but presumably they will be released prior to the date when the Say on Golden Parachute vote requirement goes into effect (January 21, 2011).
- **Companies should review their certificate of incorporation and bylaws and, if necessary, consider amending them to make clear that any supermajority voting requirement otherwise applicable to shareholder approval of a Transaction does not inadvertently apply to the Say on Golden Parachutes vote.**
  - The vote is advisory only, but the failure to achieve a favorable outcome – made more difficult by the higher voting standard – could attract adverse press.

Disclosure of Shareholder Vote (Sec. 951)

- **Section 951 also requires that every institutional investment manager subject to Section 13(f) report how it cast its ballot on Say on Pay, Say When on Pay and Say on Golden Parachute votes.**
  – Applies to managers with more than $100 million of registered equity securities (in aggregate) under management.
- **This requirement expands on current vote reporting requirements applicable to mutual fund managers.**

Broker Non-Votes (Sec. 957)

- **Section 957 requires all national securities exchanges to prohibit brokers from voting proxies for shares without receiving specific voting instructions from the beneficial owner of the shares (resulting in so-called broker non-votes) with respect to votes on:**
  – Election of directors (already not permitted for NYSE member firms).
  – "Executive compensation."
  – Other significant matters as determined by the SEC.
- **Votes on "executive compensation" will clearly include Say on Pay, Say When on Pay and Say on Golden Parachutes votes and will presumably include votes on compensation plans in which executives participate.**
  – Votes on most equity plans are already "non-routine" for NYSE member firms but this provision could extend the ban to votes on cash plans and any other equity plans not currently captured by NYSE rules.
- **Section 957 amends the Exchange Act and has no stated effective date. Even if effective upon enactment, compliance by exchanges is determined by the SEC which will presumably issue transition rules.**

Broker Non-Votes (Sec. 957)

- **Treatment of broker non-votes for vote counting purposes is governed by state law.**
- **Under Delaware law's default voting standard (e.g., affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter), broker non-votes do not count in either the numerator or denominator for vote counting purposes (i.e., they are simply ignored).**
  - However, to the extent that brokers have historically voted with management, companies with a large retail shareholder base could be impacted. It could also increase the influence of activist institutional shareholders and proxy advisory firms (e.g., RiskMetrics).
- **Under other state law or bylaw voting standards, however, broker non-votes could essentially count as a no vote (e.g., affirmative vote of the majority of all shares outstanding).**

Independence of Compensation Committee (Sec. 952)

- **The new standards that must be implemented under Section 952 are in <u>addition</u> to the independence standards already applicable to compensation committee members pursuant to:**
  – Existing listing standards
  – Section 16 of the Exchange Act
  – Section 162(m) of the Internal Revenue Code
  – State law
- **Section 952 requires the SEC to direct national securities exchanges and national securities associations, no later than July 16, 2011, to adopt a condition for the listing of any security that issuers have an independent compensation committee.**
  – Act contains conflicting language regarding whether or not the compensation committee independence rules apply to any issuer or only equity issuers.
- **Factors for exchanges to take into account in defining independence:**
  – The source of compensation of the board member, including any consulting, advisory or other compensatory fee paid by the issuer to that member.
  – Whether a member of the board is affiliated with the issuer, its subsidiary or affiliate of a subsidiary.

Independence of Compensation Committee (Sec. 952)

- **The new compensation committee independence requirements will <u>not</u> apply to:**
  - Foreign private issuers that disclose annually to shareholders why the foreign private issuer does not have an independent compensation committee.
  - Controlled companies (issuers that are listed on a national securities exchange or association of which more than 50% of the voting power for election of directors is held by an individual, a group or another issuer).
    - This exception will only help private equity funds to the extent that they own more than 50% of a portfolio company.
    - If a private equity fund owns less than 50%, but is nevertheless affiliated with the portfolio company, this exception would not apply.
    - Private equity funds will need to be careful as they divest portfolio companies.
  - Limited partnerships, bankrupt companies and open ended mutual funds.
- **These standards are similar to, but could be somewhat more relaxed than, the standards applicable to determine the independence of audit committee members required by SOX.**
- **Issuers should review existing director questionnaires to ensure that the necessary information regarding fees and affiliation will be elicited and applied to the compensation committee independence determination.**

Authority to Retain Compensation Consultant/Legal Adviser (Sec. 952)

- **As part of the listing requirements to be implemented pursuant to Section 952, a compensation committee must:**
  – Have the authority to retain a compensation consultant or legal adviser that reports directly to the compensation committee.
    – This is already a NYSE (but not NASDAQ) listing requirement.
  – Be provided with the funding to retain a compensation consultant or legal adviser.
    – Rule 10A-3 of the Exchange Act mandates a similar listing requirement with respect to audit committee counsel and advisers.
- **SEC also directed to issue rules requiring proxy disclosure regarding whether an issuer chose to retain a compensation consultant (but not a legal adviser) and whether the compensation consultant's (but not the legal adviser's) work raised any conflict of interest and, if so, the nature of the conflict and how the conflict was addressed.**
  – The new disclosure requirement is effective for meetings occurring on or after July 21, 2011.
  – These new disclosure rules are in addition to existing Item 407 disclosure requirements relating to the role (and, in certain cases, the fees) of compensation consultants.

Selection of Compensation Consultants/Counsel (Sec. 952)

- **The listing requirements to be implemented under Section 952 will also require that a compensation committee may only select a compensation consultant or other adviser after taking into account factors identified in SEC regulations that affect the consultant's/adviser's independence including:**
  - The provision of other services to the issuer by the entity that employs the consultant or adviser (is issuer a big client on an absolute basis?).
  - The amount of fees from the issuer as a percentage of total revenues received by the entity that employs the consultant or adviser (is the issuer a relatively big client?).
  - The adviser's or consultant's employer's procedures to manage conflicts.
  - Any business or personal relationship of the consultant or adviser to the members of the compensation committee.
    - Auditor independence rules under Regulation S-X contain detailed rules regarding financial, employment and business relationships with the issuer and with board members that affect independence.
  - Any stock of the issuer owned by the consultant or legal adviser.

Selection of Compensation Consultants/Counsel (Sec. 952)

- **Any factors identified by the SEC to determine independence must be "competitively neutral" among categories of consultants and legal advisers.**
  – Presumably this is intended to put boutiques and full service firms on a level playing field.
  – There is already a trend for executive compensation consultants to leave full-size firms and set up boutiques, with or without the support of their former employers.
- **None of the compensation consultant/legal adviser-related requirements in Section 952 applies to controlled companies (as defined above).**

Compensation Consultant Study (Sec. 952)

- **The Act requires the SEC to conduct a study and review of the use of compensation consultants and the effects of such use and report to Congress on the results of that study no later than July 21, 2012.**
- **The use of legal and other advisers does not appear to be within the scope of the study.**

Pay Versus Performance Disclosure (Sec. 953)

- **The SEC is required to promulgate rules (timing/effective date not specified) requiring each issuer to disclose in its proxy statement for its annual meeting a clear description of the compensation required to be disclosed by the proxy rules, including information that shows the relationship between executive compensation actually paid and the financial performance of the issuer.**
  - This requirement focuses more on the results than the awards.
  - Over what period is the financial performance and paid compensation to be measured and compared?
    - The stock performance graph previously required in connection with executive compensation disclosure in proxy statements (now found in the annual report) showed stock price over five years.
  - The information can be presented in either graphic or narrative form.
- **Depending upon the SEC's approach, this provision could result in rules equally complex to those currently in effect regarding disclosure of how and why awards are made.**

Pay Versus Performance Disclosure (Sec. 953)

- **What/when is compensation "actually paid"?**
  - Is compensation paid when it vests?
  - When it is distributed?
  - When an option is exercised?
  - How long after an employee receives/is awarded/vests in a share must the "value of the stock" continue to be taken into account? What if the employee no longer holds the share?
  - Would compensation earned or accumulated be a better concept than paid?
- **What is "financial performance of the issuer"?**
  - "Financial performance of the issuer" is to be measured "taking into account any change in the value of the shares of stock and dividends of the issuer and any distributions."
    - Query whether the Act also intends for "compensation actually paid" to take into account these items.
  - Is financial performance measured as:
    - Share price?
    - Total shareholder return?
    - Performance versus peer group?

Pay Versus Performance Disclosure (Sec. 953)

- **Who and what is being compared?**
  - Will the disclosure require a comparison of the issuer's financial performance to the aggregate compensation for all NEOs, or will the comparison be done on an individual basis?
- **Executive compensation reform almost always has unintended consequences – this rule will likely be no different.**
  - Will companies be encouraged to use cash awards that will be measured over a shorter period of time?

Pay Disparity Ratio (Sec. 953)

- **“The gap between chiefs' pay and that of lower-level workers has yawned in recent years. J.P. Morgan, the financier, is credited with suggesting that executives earn no more than 20 times the pay of low-level workers. How quaint: a 2000 study by Towers Perrin showed that chiefs at big domestic companies earned 531 times what their hourly employees did, on average.” (Gretchen Morgensen, “Market Watch: Explaining (or not) Why the Boss is Paid So Much,” *New York Times*, January 25, 2004)**

- **Section 953 directs the SEC (no deadline specified) to amend Item 402 to require disclosure of:**
  - The annual compensation of the CEO (measured under the proxy rules).
  - The median total annual compensation of all employees other than CEO (measured under the proxy rules).
    - Median, not average: if you have 10,000 employees (including the CEO), the median is the compensation of number 5,000.
  - The ratio of the median of the compensation of all employees (other than the CEO) to the CEO’s compensation.

Pay Disparity Ratio (Sec. 953)

- **Presentation of Ratio**
  - Section 953 states that issuers must disclose the ratio of the median of the compensation of the compensation of all employees (other than the CEO) to the CEO's compensation rather than the reverse.
  - Taking Ms. Morgensen's example, if the CEO's compensation is 531 times the median compensation, the ratio required to be disclosed by Section 953 is <u>not</u> a crisp 531:1, but rather 1:531 (or 0.00188).

Pay Disparity Ratio (Sec. 953)

- **The disclosure regarding pay disparity ratio is to be required in "any filing of the issuer described in 17 CFR §229.10(a)."**
  - Read literally, this covers any filing of:
    - Registration statements under the Securities Act
    - Registration statements under section 12 of the Exchange Act
    - Annual or other reports under sections 13 and 15(d) of the Exchange Act
    - Going-private transaction statements under section 13 of the Exchange Act
    - Tender offer statements under sections 13 and 14 of the Exchange Act
    - Annual reports to security holders, proxy and information statements under section 14 of the Exchange Act
    - Any other documents required to be filed under the Exchange Act.
  - Presumably, the disclosure will only be required in the proxy statement (like all other Item 402 disclosure) and, at best, referred to in other filings.

- **How frequently must the data be updated? Each filing? Upon a material change? Or only once a year in connection with the annual proxy?**
  - The SEC will presumably rely upon an annual calculation made in connection with the proxy statement.

Pay Disparity Ratio (Sec. 953)

- **For purposes of determining the ratio, "the total compensation of an employee of an issuer shall be determined in accordance with 17 CFR section 229.402(c)(2)(x), as in effect on the day before the date of enactment of this Act."**
  - Method frozen in time.
  - Potentially extraordinarily burdensome for issuers given the amount of time and resources already required to perform Summary Compensation Table calculations for only a handful of executive officers.
- **The median calculation covers "all employees of the issuer."**
  - Will it be limited to actual employees of the issuer or will it require inclusion of employees of subsidiaries and affiliates?
  - Will it include foreign employees? Part-time employees? Leased employees?

Pay Disparity Ratio (Sec. 953)

- **Questions to Consider:**
  - Which companies will have the highest ratios?
    - Will it be the investment banks or the mass retailers?
  - What is the purpose of the disclosure and where does it lead?
  - Will this disclosure affect companies' behavior with respect to their operations? Will it result in a further demand for political change?
    - *See* the Patriot Corporations Act (proposed in the House in 2009), which would give federal contract bidding preference to companies that pay their executives less than 100 times what they pay their lowest-paid full-time employee.
  - Should companies consider including supplementary disclosure to put all this in perspective, particularly compared to competitors?
  - Should an issuer with a more disparate ratio (because it offers goods and services through company-owned facilities rather than franchise-owned facilities) explain the difference?
  - Will similar issues arise for companies that use part-time employees instead of full-time employees?
  - How about companies that use independent contractors instead of full-time employees?

Clawback (Sec. 954)

- **SEC required to promulgate rules that direct national securities exchanges and associations to condition the listing of any security upon the issuer's development and implementation of a clawback- and incentive-based compensation-related policy.**
  - The rules will require issuers to adopt a policy:
    - Providing for disclosure of the issuer's policy on incentive-based compensation based on financial information required to be reported under the securities laws; and
    - Mandating a clawback in the event of an accounting restatement due to material noncompliance of the issuer with any financial reporting requirement under the securities laws.

Clawback (Sec. 954)

- **Clawback mechanics**
  - The issuer must recover
  - from any current or former executive officer of the issuer
  - who received, based on erroneous data, incentive-based compensation (including stock options awarded as compensation)
    - What does "received" mean?
    - Is a stock option "received" on grant? Vesting? Exercise? Sale of shares received upon exercise?
  - during the three-year period preceding the date on which the issuer is required to prepare an accounting restatement,
  - in excess of what would have been paid to the executive officer under the accounting restatement.
    - Is the clawback based on the award or the payment of the compensation?
    - If the strike price of an option is higher than it would have been, is that an offset against the clawback?
    - If a bonus was discretionary, must the compensation committee consider how it would have exercised its discretion taking into account the restatement? Or does the clawback only cover objectively-determined incentive-based compensation based on quantifiable financial information?

Clawback (Sec. 954)

	SOX	TARP Rules	Section 954
Who is Covered?	CEO and CFO	5 senior executive officers and next twenty highly compensated employees	Any current or former executive officer
Agreements Subject to Clawback	Compensation and profits realized from the sale of issuer securities during 12-month period following the first public non-compliant filing	Bonus payments based on materially inaccurate financial statements or if employee knowingly engaged in providing inaccurate information	Compensation during 3-year period preceding the actual restatement in excess of what would have been paid absent the restatement
Misconduct Requirement	Restatement arising from misconduct of issuer (without regard to CEO/CFO's individual conduct)	Financial statements considered de facto materially inaccurate for employee who knowingly engaged in providing inaccurate information	Restatement without regard to misconduct

Disclosure of Hedging Policy (Sec. 955)

- **Section 955 directs the SEC to issue rules requiring an issuer to disclose in its proxy statement whether directors or employees are permitted to purchase financial instruments that are designed to hedge or offset any decrease in the market value of equity securities granted as part of their compensation or held, directly or indirectly, by them.**
  – Disclosure rule, not a substantive requirement.

- **It is a long time practice in the financial services industry to prevent hedging.**
  – The FSB's Implementation Standards for its Principles for Sound Compensation Practices state that financial institutions "should demand from their employees that they commit themselves not to use personal hedging strategies or compensation- and liability-related insurance to undermine the risk alignment effects embedded in their compensation arrangements."

- **Many non-financial companies may also already address certain types of hedging in their insider trading policies.**

Disclosure of Hedging Policy (Sec. 955)

- **Anti-hedging policies make sense for equity awards that are intended to align an executive's interest with that of the company. Allowing executives to hedge their equity awards undermines that alignment.**
  - For stock owned pursuant to a company's stock ownership policy, the same logic may apply.
  - An anti-hedging rule makes less sense for other stock owned by an employee or director.
- **Section 16(c) of the Exchange Act generally prohibits directors and officers from taking short positions in company stock, including through the use of derivatives.**
  - Rule 16c-4 provides an exception for covered short positions, generally when the long position consists of direct ownership of the company stock and not a long derivative position.
- **Section 955 only covers hedging of equity positions; it does not cover, for example, credit default swaps on an issuer's unfunded SERP liabilities.**

Proxy Access (Sec. 971)

- **Section 971 permits (but does not require) the SEC to issue rules permitting shareholder use of an issuer's proxy solicitation materials for the purpose of nominating individuals for membership on the issuer's board of directors.**
- **The SEC is also permitted to exempt certain issuers or classes of issuers (such as small issuers) from any proxy access requirement.**
- **SEC previously issued proposed rules on proxy access and is expected to finalize them shortly following Enactment.**

Disclosure Regarding Chairman/CEO Structure (Sec. 972)

- **SEC to issue rules no later than January 17, 2011 requiring issuer to disclose in its annual proxy the reasons why the issuer has chosen:**
  - The same person to serve as chairman of the board and CEO; or
  - Different individuals to serve chairman of the board and CEO.
- **As of February 2010, the SEC's proxy rules already require issuers to:**
  - "Briefly describe the leadership structure of the registrant's board, such as whether the same person serves as both principal executive officer and chairman of the board, or whether two individuals serve in those positions. […] This disclosure should indicate why the registrant has determined that its leadership structure is appropriate given the specific characteristics or circumstances of the registrant."

Application to Foreign Private Issuers

- **Compensation committee independence requirements are applicable to foreign private issuers unless the issuer provides annual disclosure to its shareholders of the reasons that it does not have an independent compensation committee.**
  - NYSE and NASDAQ compensation committee independence requirements are not currently applicable to foreign private issuers.
- **Clawback provision does not clearly exclude foreign private issuers and does not reference proxy provisions to which foreign private issuers are not otherwise subject.**
- **All other provisions of the Act almost certainly will <u>not</u> apply to foreign private issuers either because FPIs are not subject to the proxy solicitation rules or because the provision references executive compensation disclosure requirements to which FPIs are not otherwise subject.**

Further Action and Effective Dates

Provision	Further Action Required	Effective Date
Broker Non-Vote on Executive Compensation	Presumably SEC to issue transition guidance.	Subject to SEC transition guidance, upon Enactment.
Say on Pay, Say When on Pay and Say on Golden Parachutes	SEC to issue rules re disclosure required for Say on Golden Parachutes vote. Other provisions effective without any further rules.	Proxy statements for shareholder meetings occurring after January 21, 2011.
Disclosure re: Chairman/CEO Structure	SEC required to issue rules by January 17, 2011.	Effective date presumably to be specified in SEC rules (likely 2011 proxy season).

Further Action and Effective Dates

Provision	Further Action Required	Effective Date
Comp Committee and Comp Committee Consultant/Adviser Independence	National securities exchanges and associations to issue listing requirements.	Listing requirements to be in place by July 16, 2011.
Disclosure re Compensation Consultant Conflicts of Interest	SEC required to issue rules implementing disclosure requirements.	Proxy statements for shareholder meetings occurring on or after July 21, 2011.
Disclosure re Pay Versus Performance	SEC required to issue rules implementing each of these requirements.	Presumably, the SEC's rules will address the effective date of these provisions.

Further Action and Effective Dates

Provision	Further Action Required	Effective Date
Disclosure re Pay Disparity Ratio	SEC required to issue rules implementing disclosure requirements.	Presumably, the SEC's rules will address the effective date.
Disclosure re Hedging	SEC required to issue rules implementing disclosure requirements.	Presumably, the SEC's rules will address the effective date.
Clawback Policy	National securities exchanges and associations to issue listing requirements.	Presumably, listing requirements will address the effective date.
Proxy Access	SEC permitted to issue proxy access rules.	Presumably to be addressed in the SEC's final rules (likely 2011 proxy season).

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