**Statement of Richard D. Parsons**

Committee on Oversight and Government Reform
U.S. House of Representatives
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Mr. Chairman and Members of the Committee: I am Richard Parsons and I am Chairman of Time Warner. I appear before you today in my capacity as a member of the Citigroup board of directors and Chairman of the board's Personnel and Compensation Committee, to address your questions about executive compensation.

Executive compensation levels, particularly in the financial services industry, are driven by a highly competitive market to attract and retain talent. The competition for talent is especially important for a company with the scale and scope of Citi -- the leading global financial services company competing, serving customers, and conducting business in more than 100 countries. A compensation approach that allows Citi to attract and retain the top financial services industry talent around the world is a core responsibility of the Compensation Committee.

I believe good corporate governance requires that public companies be as transparent as we can about the processes we use to determine executive compensation. We strive to make the descriptions of our compensation philosophy and process contained in our public filings clear, detailed, and thorough. Let me highlight briefly a few important aspects here.

**Objectives of Citi's Executive Compensation Programs**

The starting point for compensation decisions regarding Citi executives is an objective assessment of both the competitive landscape and the individual's performance and achievement in enhancing the Company's ability to grow, compete in the global financial marketplace, serve its customers and generate shareholder value. By tying compensation to performance, Citi aims to attract and retain the best talent and to align the interests of senior executives with the interests of stockholders.

Performance has several important aspects, quantitative as well as qualitative. Individual awards reflect the overall performance of the company, as well as the performance of an executive's particular business. Further, we are concerned with more than just Citi's short term financial results. A large portion of executive compensation is tied directly to the creation of long term shareholder value. We consider non-financial measures as well, including the ability to execute strategic initiatives, to position the Company for future growth, to build and maintain regulatory relationships, to invest in and deliver first-rate customer service, to navigate complex legal issues, and to develop talent. While these kinds of measures may not produce immediate financial results, they are all very important factors that help drive Citi's long-term success and build long-term stockholder value.

Moreover, Citi focuses not just on the business results achieved by its senior executives, but on *how* they do business. As part of its business culture, Citi believes each employee has certain responsibilities to customers, to one another and to the enterprise itself, and it evaluates its senior executives and other employees on how well they meet those responsibilities.

**Executive Compensation Process at Citi**

Compensation decisions for senior executives at Citi are the result of independent review and analysis undertaken by the Personnel and Compensation Committee, which consists solely of independent directors. The Committee regularly reviews the company's compensation programs, evaluates performance and determines compensation of the CEO and the Operating Committee, and approves the compensation structure for other senior executives in the Company.

In carrying out these responsibilities, the Committee relies on a variety of benchmarking and performance data provided by the company and compensation consultants. In addition, the Compensation Committee uses an independent outside consultant, who does no other work for Citi and reports directly to the Committee, to review, analyze and advise the Committee about its compensation decisions, including whether those decisions are reasonable.

The Committee is well aware that executive compensation must be competitive with pay at peer companies if Citi is going to attract and retain the kind of talent needed to successfully manage and grow the Company. Benchmarking for Citi is difficult because the combination of lines of business at Citi is not precisely replicated at any other company. For compensation benchmarking purposes, we look at a group of leading companies with significant financial services operations, including many with a global presence: companies such as Bank of America, Deutsche Bank, General Electric, Goldman Sachs, JP Morgan Chase, and Merrill Lynch. The complete list can be found in Citi's publicly-filed proxy.

The Committee uses its business judgment and discretion to assess the performance measures, the input from the independent consultant and the benchmarking data that collectively help determine compensation. The Committee does not use a formulaic approach to weight performance criteria because the Committee and the Company believe that the adoption of any given formula could inadvertently encourage undesirable behavior, for example, favoring one financial measure to the exclusion of other important values. Rather, we use a balanced approach that considers, in the context of a competitive marketplace, factors contributing to the financial performance of Citigroup over time and the individual leadership of senior executives.

**Elements of Compensation**

Executive compensation at Citi generally consists of two components: base pay and discretionary incentive awards. Base pay, which the company caps at $1 million, is paid out over the course of a year. In order to motivate performance and align the interests of senior executives and stockholders, however, most executive compensation is in the form of discretionary incentive awards. In addition, although there are circumstances when they are warranted, Citi disfavors employment agreements that include some form of guaranteed compensation.

With respect to the discretionary incentive awards, in past years these typically have included an award for senior executives that is 40% equity and the remainder cash. This mix is designed to recognize short term performance over the preceding year, which is the fundamental consideration for determining the size of the cash component, and recognizing contributions to the Company's long term growth and value through equity awards.

As a further incentive for Citi senior executives to achieve strong shareholder returns over time, all senior executives are subject to a Stock Ownership Commitment – that is, they are required to retain at least 75 percent of their Citigroup stock as long as they are members of senior management.

Although Citigroup's Stock Ownership Commitment has been in place for over a decade, more recently such programs have come to be recognized as a best practice in good corporate governance because they ensure that senior executives, as significant stockholders, will experience events such as a decline is share price or changes in dividend policy right along with other stockholders.

I appreciate the opportunity to address this Committee, and I am happy to take any questions you may have.