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Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: Proposed Rule on Interactive Data to Improve Financial Reporting
File No. S7-11-08**

Johnson & Johnson is generally supportive of the Commission's efforts to provide the investment community with access to interactive financial data filed by issuers. However, we have concerns with the suggestion that requirements for filing interactive data should be expanded to include executive compensation data.

In Release No. 33-8924 (*Interactive Data to Improve Financial Reporting*, File No. S7-11-08), the staff has asked for comments on the usefulness to investors of interactive data of executive compensation and the burden such reporting would have on companies. While it must be acknowledged that there is substantial interest in interactive disclosure of executive compensation data, we caution against requiring interactive data submissions for executive compensation for the following reasons.

While interactive data of executive compensation may be useful to certain investors and newsworthy to many journalists, our primary concern around requiring interactive data submissions stems from the fact that currently executive compensation data lack the type of comparability that financial data have. Unlike with financial data, there are no "generally accepted accounting principles" or similar principles, rules or standards for executive compensation data. Granted, certain items of executive compensation data do have common meanings throughout the corporate world. These would include "salary," "stock awards," and "option awards." However, other items, such as "bonus," "non-equity incentive plan compensation," "non-qualified deferred compensation earnings," and "all other compensation" have different meanings and are comprised of different elements at different companies. At many companies, the compensation awards that are commonly known to employees at those companies as "bonuses" end up being included in the "non-equity incentive plan compensation" column in the Summary Compensation Table of the company's proxy statement, while at other companies they end up reported in the "bonus" column. Even with items that have common meanings, how a stock or option award is calculated for purposes of disclosure in the Summary Compensation Table can vary from company to company and person to person, based on factors such as whether someone is retirement-eligible at his or her company. Thus, under the Commission's current method of calculating the value of options for purposes of disclosure in the Summary Compensation Table, two executives at different companies (or even at the same company) who were granted options equal in worth based on total fair value at grant could have drastically different numerical values under the "options" column (and thus also under the "total" column) in the Summary Compensation Table (and in an interactive data comparison table) because of the mere fact that one executive was age 54 and the other was age 55, or that one executive had been with his or her company for 9 years and the other for 10 years. In order for an investor to have an understanding and appreciation of why those numbers are so drastically different, they would have to read the accompanying footnotes and narrative to the Summary Compensation Table, which would likely not be included in a comparison table created using interactive data. This problem is discussed further below.

As mentioned in the previous paragraph, a big part of the danger of requiring interactive disclosure of executive compensation data would be the ability of investors and journalists to decouple the numerical (*i.e.*, quantitative) data from the narrative (*i.e.*, qualitative) explanations of that data. In the Adopting Release on executive compensation and related person disclosure,[1] the staff stated that the approach of the new rules was to:

> *combin[e] a broader-based tabular presentation with improved narrative disclosure supplementing the tables. This approach will promote clarity and completeness of numerical information through an improved tabular presentation, continue to provide the ability to make comparisons using tables, and call for material qualitative information regarding the manner and context in which compensation is rewarded and earned.*[2]

The Adopting Release went on to say that the "narrative disclosure…provides material information necessary to an understanding of the information presented in the individual tables,"[3] and that "[r]equiring [the narrative] disclosure in proximity to the Summary Compensation Table is intended to make the tabular disclosure more meaningful."[4] We believe this was done to promote the idea of placing executive compensation data in context and emphasizing that the numerical data and accompanying narrative explanation of that data are inextricably linked in order for an investor to have an understanding of executive compensation at a company. To allow the investor to easily compare companies' numerical data while omitting a similar comparison of the narrative heightens the possibilities for materially misleading comparisons. Obviously, the temptation to do so already exists and, while it can be discouraged, it cannot be prevented. However, a

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[1] Release Nos. 33-8732; 34-54302, IC-27444; File No. S7-03-06 (the "Adopting Release").
[2] Adopting Release at p. 11.
[3] Adopting Release at p. 13.
[4] Adopting Release at p. 88.

requirement from the Commission that makes it easy and convenient to do so may in effect legitimize the practice.[5]

The problem of comparability has been playing out in proxy disclosures, media reports and even the actions of the Commission. As the staff saw in its review of proxy statements from the past two years, many companies have voluntarily included various alternate compensation tables in their executive compensation disclosures that show total compensation figures that differ from what appear in their Summary Compensation Tables. Media outlets have also developed their own methods of calculating and reporting total compensation. Thus, it has not been uncommon to see four different media outlets headlining four very different numerical values for the same company's Chief Executive Officer within the span of a few days.[6] Even the Commission's Executive Compensation Reader allows users to calculate a numerical value for option awards using either the total fair value at grant or the amount expensed by the company. Requiring interactive compensation data submissions would only add to this problem, especially in the absence of comparative footnote and narrative disclosures.

Part of what the staff has asked is whether all narrative and numerical disclosure required in the traditional electronic filing should be required in interactive data format. In order to preserve the concept that the narrative and numerical disclosures are inextricably linked—that reading them together is necessary for an understanding of compensation—if tagging were to be required, the requirement should be such that any comparison of numerical data must require the accompanying narrative disclosure to travel with the numbers and appear at least in close proximity in the resulting comparison. The investor can then decide how carefully to read the narrative, but at least it would all be there to consider and not easily omitted or overlooked. Whether this is technologically possible is left up to the staff to determine. Doing this may also take away from the attractiveness of interactive executive compensation disclosures. However, while it may create dense comparison tables, the importance of the narrative disclosures should not be sacrificed for the sake of aesthetics.

Given the already tight timetable for filing proxy materials (and even tighter timetable for companies making use of the notice and access model of electronic delivery of proxy materials), any requirement for interactive executive compensation data would have to allow companies to furnish that data after they are required to file the proxy statement in the traditional format. While this may take away from the ability to compare data until closer to a company's annual meeting, too many additional disclosure burdens

[5] Indeed, we point out that the existence of the Commission-created "Executive Compensation Reader" may already be having this effect and thus should be reconsidered.
[6] *See, e.g.*, "Coke CEO received $20.9M in compensation," *Associated Press*, March 8, 2007; "Coca-Cola CEO got $7 mln in salary, performance pay," *Reuters*, March 9, 2007; "Coca-Cola CEO Gets $7.5 Million In Salary, Pay," *The Wall Street Journal*, March 10, 2007, p. A7; "Coke chief's compensation $32.3 million in '06; Isdell's pay, as calculated under revised SEC rules, would have been reported as $26 million in 2005," *The Atlanta Journal-Constitution*, March 10, 2007, p. C1.

have already been placed on companies during proxy season in recent years,[7] such that that adding yet another requirement would distract from the more essential task of producing accurate and meaningful disclosures in proxy statements. Thus, if a requirement were imposed, companies should have an additional 30 or 45 days to furnish the interactive data as an exhibit to a Form 8-K filing. Requiring the interactive data as part of an amended Form 10-K filing would create complications regarding CEO and CFO certifications, auditor consent letters, etc.

We appreciate this opportunity to share our views with you, and would be happy to provide you with further information or feedback to the extent you would find it useful. If you have any questions, please contact me by phone at (732) 524-3292 or e-mail at dchia@corus.jnj.com.

Respectfully submitted,

Douglas K. Chia

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[7] Examples would include the accelerated filing deadlines, the expanded requirements for executive and director compensation tables, the addition of the "Compensation Discussion and Analysis" section, the expansion of the related persons and corporate governance disclosures, and universal eProxy.