

[Date]

[Recipient Name]

[Title, e.g., Chairperson of the Compensation Committee]

[Company Name]

[Address]

RE: Fiduciary Duty Advisory - Executive Compensation Clawback Provisions

Dear [Recipient Name],

The purpose of this advisory letter is to outline the fiduciary obligations of the Board of Directors regarding the implementation and enforcement of executive compensation clawback provisions. As part of your duty of care and loyalty, it is essential to ensure that the corporation's compensation recovery policies align with both regulatory requirements and the long-term interests of shareholders.

1. Regulatory Compliance

Under recent SEC mandates and exchange listing standards (e.g., NYSE/Nasdaq), the Company is required to maintain a written policy for the recovery of incentive-based compensation from current and former executive officers in the event of an accounting restatement due to material noncompliance with financial reporting requirements.

2. Fiduciary Oversight

Beyond mere regulatory compliance, fiduciary duties require the Board to:

- Exercise informed business judgment in triggering clawback mechanisms.
- Prevent unjust enrichment of executives based on erroneous financial data.
- Mitigate reputational and financial risks associated with executive misconduct or oversight failures.

3. Expanding Scope for Risk Management

While mandatory rules focus on financial restatements, the Board should consider "discretionary" clawback triggers to further protect corporate assets. These may include:

- Material breaches of ethical codes or restrictive covenants.
- Conduct resulting in significant reputational harm.
- Failures in risk management oversight.

4. Recommended Actions

We recommend that the Compensation Committee conduct an annual audit of all executive employment agreements to ensure they incorporate by reference the Company's latest Clawback Policy. Furthermore, the Board should document the deliberation process regarding any decision to enforce or waive a recovery claim to satisfy the requirements of the Business Judgment Rule.

This advisory serves as a baseline for your strategic review. We remain available to discuss the specific language of your recovery policies or the implications of any pending financial adjustments.

Sincerely,

[Your Name/Signature]

[Your Title/Company Name]