First Affirmative Financial Network, LLC

Investing for a Sustainable Future

March 13, 2017

Michael Piwowar
Chairman, Securities and Exchange Commission

Via email: ***rule-comments@sec.gov***

Dear Chairman Piwowar:

First Affirmative is a United States based investment management firm with approximately $1 billion in assets under management and administration. Environmental, social and governance considerations are deeply integrated into our investment decision-making process. We therefore wanted to take this opportunity to reiterate our support as expressed in a letter to the SEC dated November 12, 2013 of the CEO to worker pay ratio disclosure as mandated by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act; we requested that the SEC act swiftly to adopt the final rule for the mandated pay ratio disclosures. Today, we submit this comment letter in response to the February 6, **2017** ***Statement on the Commission's Pay Ratio Rule Implementation*** and associated request for comment.

The pay ratio rule only became effective after an extensive rulemaking process and comment period. It seems short sighted to revisit this rule before it has provided any of the data expected by investors and after companies have likely already made the investment to facilitate the data collection necessary to provide the mandated disclosure.

Companies are not currently required to disclose full data on employee compensation, thus leaving investors with limited insight into the impact of internal pay disparities on the performance of their portfolio companies. We believe that this rule facilitates the collection of material information that allows us to better assess investment risks. The mandated information will help investors understand companies' overall compensation approach and allow for peer to peer comparisons of compensation disparity.

This data also provides a valuable additional metric for evaluating and voting on executive compensation practices and Say-on-Pay proxy proposals. Research indicates that heavy reliance on peer benchmarking to set executive compensation creates an upward bias in compensation amounts that is inappropriately "untethered" from the actual wage structures of the rest of the organization.[1] Pay ratio disclosure will allow investors to determine if CEO pay is consistent with the internal corporate wage structures and to determine a company's approach to balancing internal equity and external competitiveness.

[1] Elson, Charles M. and Ferrere, Craig K., Executive Superstars, Peer Groups and Overcompensation: Cause, Effect and Solution (August 7, 2012). Available at SSRN: https://ssrn.com/abstract=2125979 or http://dx.doi.org/10.2139/ssrn.2125979

Responsible investors and many members of the general public have expressed deep concern over escalating executive pay, increasing overall far faster than market returns during the last several years, even as ordinary employees' incomes have stagnated. From 1978 to 2014, inflation-adjusted CEO compensation increased 997 percent, a rise almost double stock market growth and substantially greater than the painfully slow 10.9 percent growth in a typical worker's annual compensation over the same period.[2] We believe that this unprecedented increase in CEO pay when compared to both wage growth and investor return merits further disclosure allowing investors to evaluate the impacts of this disproportionate compensation increase at a company by company level.

There are also increasing indications pay disparities have a negative impact on a company's overall performance, thus threatening long term shareowner value. According to a 2016 MSCI study, companies with higher CEO to employee pay gaps experienced lower profitability compared with peers with smaller pay gaps over a 5-year period from 2009 to 2014[3].

In summary, we strongly support the implementation of this rule because the information disclosed clearly meets the "reasonable investor" litmus test.

Sincerely,

Holly A Testa

Holly A. Testa
Director, Shareowner Engagement
First Affirmative Financial Network
[redacted]

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2 http://www.epi.org/publication/top-ceos-make-300-times-more-than-workers-pay-growth-surpasses-market-gains-and-the-rest-of-the-0-1-percent/
3 https://www.msci.com/www/research-paper/income-inequality-and-the/0337258305