



March 22, 2017

Re: File No. S7-07-13—Pay Ratio Disclosure

The Honorable Michael S. Piwowar
Acting Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Kara M. Stein
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Acting Chairman Piwowar and Commissioner Stein:

The National Association of Corporate Directors (NACD) is the nation's oldest and largest organization for directors and boards, with 17,000 members. We convene, educate, and inform directors on a wide range of governance issues, including compensation and leadership. Indeed, the board's role in hiring, overseeing, and compensating corporate leaders has been central to our mission since NACD's founding four decades ago. Over the years, NACD has issued many points of guidance for compensation committees, including Blue Ribbon Commission reports focused on executive compensation. Executive compensation is also a core component of NACD's two flagship director-education programs for new and experienced directors, as well as a standing feature of our webinar programming.

We are grateful to the U.S. Securities and Exchange Commission (SEC) for this new opportunity to comment on the issue of mandated pay ratio disclosure, following our earlier letter from December 1, 2103, available [here](#). Once again, in this current letter, our views reflect the concerns of our members. These concerns are known to us through surveys, thought-leadership exchanges, roundtables with NACD chapter leaders, director forums, director-education programs, and other events focused on promoting effective governance practices.

We continue to believe that the data generated by the rule would fail to provide material information to investors, and could have unintended negative consequences for investment choices and otherwise. As Commissioner Piwowar stated before being outvoted September 18, 2013, when the Commission approved the proposed rule, the pay ratio disclosure rule will "harm investors" by distracting them from material information and providing information that may be misleading. Such a result is of concern to us at NACD, because we represent directors, who as a group have affirmative duties to act in the interest of all their shareholders as well as other stakeholders.

In our 2013 letter, we stated our belief that despite concerns about the pay-ratio provision of Dodd-Frank, the SEC was required to pass a rule implementing it. Therefore, our comment letter focused on details of implementation. Namely, we asked that the SEC increase the flexibility of this rule by permitting the use of industry averages in lieu of calculations; by limiting the type of employees used in comparisons to full-time, domestic employees; and by permitting supplemental notes to correct any distortions caused by use of "total pay" figures. The final rule does not explicitly endorse any of these options and therefore we repeat them here.

Moreover, we would add a more important suggestion today in light of the new deregulatory climate. In this new environment, we are aware that this rule might be set aside through Congressional repeal, regulatory review, and/or court challenge. Arguments and evidence supporting such a treatment appear in Commissioner Piwowar's "[Additional Dissenting Comments on Pay Ratio Disclosure](#)" of August 7, 2015, and these are sure to be raised again as the rule is challenged in 2017 and beyond.

Given these newer developments, we would respectfully request that the SEC not only consider improving the standards for disclosure as discussed above, but also make the disclosure *voluntary rather than mandatory*, or at the very least consider establishing a "comply or explain" standard. This said, given the current efforts in Congress to possibly amend—or even rescind—Dodd-Frank, we urge the Commission to at least consider delaying the effectiveness of any pay ratio rules until the outcome of Congressional efforts are determined.

We hope that these comments are helpful to you as you continue your efforts to serve the interests of all capital market participants.

Sincerely,

A handwritten signature in black ink, appearing to read "P.R. Gleason". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter R. Gleason, President and CEO, NACD

A handwritten signature in black ink, appearing to read "Karen Horn". The signature is cursive and elegant, with a prominent initial "K".

Karen Horn, Chair, NACD