HYSTER-YALE
MATERIALS HANDLING

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and Assistant Secretary

December 2, 2013

VIA Electronic Submission (*rule-comments@sec.gov*)
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **Pay Ratio Disclosure – Comments on Proposed Regulations**

Enclosed please find our comments on the notice of proposed rulemaking issued by the SEC under Item 402 of Regulation S-K to implement Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act with respect to the disclosure of the ratio of the compensation of all employees of an issuer other than the Principle Executive Officer (PEO) to the total compensation of the PEO (the "Pay Ratio Disclosure Regulations" or "Proposed Regulations"). We appreciate the opportunity to comment on this complex and controversial topic.

While we appreciate the SEC's attempt to provide flexibility and simplify the pay ratio disclosure requirements, we strongly urge the SEC to reconsider the usefulness of the pay ratio disclosure rules, especially taking into consideration the time and cost involved in calculating the CEO pay ratio. In the event that the SEC is unwilling to rescind the Pay Ratio Disclosure Regulations in their entirety, we respectfully request that the SEC take into consideration the additional clarifications and/or changes described below.

Company Summary

Hyster-Yale Materials Handling, Inc. (HY) is a publicly-traded holding company (NYSE symbol: HY) with 4 domestic subsidiaries and 38 international subsidiaries/registered offices. On September 28, 2012, HY was spun-off from its former parent company, NACCO Industries, Inc. (NACCO).[1] Hyster-Yale is headquartered in Cleveland, Ohio and through its wholly-owned operating subsidiary, NACCO Materials Handling Group, Inc. (NMHG), designs, engineers, manufacture, sells and services a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster ® and Yale ® brand names. It is the fourth largest manufactures of forklifts in the world. In 2012, HY had total consolidated revenues of $2,649 million, plus revenues from unconsolidated JV's. For purposes of this letter, the defined terms HY and NMHG shall be used interchangeably unless the context indicates otherwise.

The following chart summarizes certain employee and geographical information for HY and its subsidiaries for 2012 that is relevant to my comments on the Pay Ratio Disclosure Regulations:

[1] See letter dated December 2, 2013 from Mary D. Maloney, Associate General Counsel of NACCO, also commenting on the Pay Ratio Disclosure Regulations.

	NMHG U.S.	NMHG Non-U.S.
Number of Employees who were issued 2012 Tax Forms	2,592	2,375
Geographic Locations	U.S.	U.K., France, Italy, Netherlands, Germany, Brazil, China, Mexico, Australia, Singapore, Malaysia, Taiwan, India
Number of Monthly Payrolls	4 weekly; 2 semi-monthly; 7 monthly (all on one system)	20 (none of the systems are integrated)
Major Corporate Events in 2012	Spin-off from NACCO	N/A
Use temporary employees (on company payroll)?	Yes	No
Use "leased employees" (from temporary agency)	Yes	No
Use part-time employees	Yes	Yes
Non-consolidated entities	Yes	Yes

The Pay Ratio Disclosure Requirement Provides No Benefits to Investors, Is Burdensome and Costly and Should be Repealed in Its Entirety

HY does not believe that the Pay Ratio disclosure will provide any additional meaningful information to investors beyond that currently required by the current proxy disclosure rules. Investors already receive a significant amount of information on our executive compensation practices through our proxy materials. We have never received a request from an investor asking for information on the pay received by our rank-and-file employees. In fact, several investors have complained to us that the current proxy disclosure rules are too complicated and provide "too much information" that is difficult to compare on an apples to apples basis. In addition, general wage information (by industry) is already available from multiple sources, including the DOL's Bureau of Labor Statistics (BLS). If an individual employee wishes to know this ratio, he or she can simply calculate their own pay-ratio by dividing their W-2 income by the PEO's total compensation shown in our annual proxy statement.

In the Preamble to the Proposed Regulations, the SEC estimates that approximately 3,830 registrants will be subject to the Pay Ratio disclosure rules. Once issued, investors and the public will naturally compare the disclosures provided by different companies, without taking into account the different industries, geographic locations, staffing decisions or business models. We believe that the disclosure is likely to lead to misleading conclusions and have many unintended consequences, given that the rules will not require the calculation to be made uniformly across companies.

For example, the Pay Ratio Disclosure does not take into account the fact that, in most cases, 100% of the "median employee's" compensation is "guaranteed," whereas the vast majority of most PEO's compensation is performance based. The 2012 total compensation shown in the summary compensation table of the 2013 Hyster-Yale Proxy Statement for Alfred M. Rankin, Jr. (HY's PEO) was $7,474,789.[2] Of that amount, $5,730,967 (76%) was pure performance-based incentive compensation. Thus, less than 25% of Mr. Rankin's 2012 total compensation was payable regardless of how the company performed.

The intent of the Pay Ratio Disclosure legislation appears to be to embarrass companies and CEOs, rather than to provide useful information to investors. *See* Footnote 198 to the Preamble to the Proposed Regulations which quote a letter from the AFL/CIO: "Company CEOs ..may be potentially embarrassed by their companies' Section 953(b) disclosures." The SEC disclosure requirements should not be used as a tool to further a political or social agenda. Rather, the SEC's disclosure requirements should be used to protect and inform investors and maintain and promote efficient and fair capital markets. The Proposed Regulations do neither.

We are also *very* concerned about the cost of complying with the Proposed Regulations. I very much appreciate the SEC's proposal to allow companies to identify the "median" employee using statistical sampling and by applying a consistent compensation measure (such as W-2 wages). However, even with those concessions, HY will still be forced to hire an outside consulting firm to assist with this process and we expect it will take several months and possibly hundreds of thousands of dollars to complete. While our U.S. payroll system will be manageable, it took several months to gather the simple summary information shown on the above table for our non-U.S. locations. Of the 4,967 people who received Form W-2s (or similar documents) for 2012, 2,375 (48%) resided outside the U.S. and were paid on twenty different payroll systems (none of which are integrated with our U.S. system or any other system). We have not been able to obtain a reliable quote from a consultant regarding the cost to assist us with the "statistical sampling" method of identifying the "median employee" contained in the Proposed Regulations. The actual cost is indeterminable and we believe it could exceed $500,000 due to our substantial non-U.S. employee base. Due to the minimal (if any) benefits that are provided by the PEO Pay Ratio Disclosure, this added expense will be a waste of corporate assets that could be much better spent elsewhere.

For these reasons, we ask that the Proposed Regulations be repealed in their entirety.

If Not Repealed, the Proposed Pay Ratio Disclosure Regulations Must be Substantially Altered Prior to Implementation

In the event that the Proposed Regulations are not revoked in their entirety, there are many changes that may be made that will simplify the data gathering process, reduce costs and still comply with the intent of the pay disclosure statute. We recommend that the SEC seriously consider the following proposed changes to the Regulations. If implemented, the revised disclosure rules will comply with the spirit of the statutory disclosure requirement but the changes will significantly reduce the burden on reporting companies.

[2] The total compensation listed in Hyster-Yale's 2013 Proxy Statement for Mr. Rankin included the sum of (i) compensation he earned in the first nine months of 2012 prior to the spin-off date while he was employed by NMHG and while NMHG was a subsidiary of NACCO plus (ii) compensation he earned from HY and NMHG following the spin-off date. The SEC disclosure rules required that the compensation that earned by Mr. Rankin in 2012 prior to the spin-off be included in both NACCO's and HY's Proxy Statements. The disclosure is duplicative and he was not compensated twice for the same duties. His actual total compensation was $10,388,186 ($7,202,540 paid by NACCO and $3,185,646 paid by HY) See Footnote 1 to HY's 2012 Summary Compensation Table in the 2013 Proxy Statement.

Allow the use of "Average" Employee Compensation instead of "Median"

We acknowledge that the statutory language of Section 953(b) uses the word "median" rather than the word "average." However, Section 953(b) does not expressly set forth a methodology that must be used to identify the median. We believe that investors, as well as the general public, are not concerned with the "median" employee. Allowing companies to calculate and disclose the "average" total annual compensation of the "average" employee has the following advantages:

- It will substantially reduce compliance costs. Average compensation may be calculated internally, without the use of an outside advisor.

- The average compensation/employee concept is more readily understood by the general public than the compensation of a "median" employee.

- Average compensation may be calculated using readily available payroll records. It reduces the number of hours required to comply with the disclosure requirements and allows internal employees to focus on other activities that increase shareholder value and employee satisfaction.

Therefore, we propose that companies be allowed to determine the average compensation of the average employee by using W-2 (or similar non-U.S. wages). This simple calculation would merely take the total "Box 1" (or similar wages) for all employees and then divide it by the number of employees who received the Form W-2 during the year. (Non-U.S. dollar amounts would be converted using any reasonable method.)

For example, assume that the average employee compensation for 2012 for HY employees was $60,000. Mr. Rankin's total compensation as disclosed on the Summary Compensation Statement in the 2013 Proxy Statement was $7,474,789. $7,474,789 divided by $60,000 is 124.5. Our disclosure would read "Mr. Rankin's annual total compensation as shown on the Summary Compensation Table is 125 times that of the average annual compensation of all applicable employees of the Company."

This disclosure method is easy to calculate, explain and understand. The "median" method currently contained in the Proposed Regulations does not provide any additional meaningful information.

Whether the final Regulations require the use of "average" or "median" compensation, there are many other issues that need to be resolved. The following issues are listed in the order that they appear in the Preamble to the Proposed Regulations:

<u>Included/"Applicable" Employees Should be Limited to Full-Time U.S. Employees</u>

The Proposed Regulations take the position that PEO pay must be compared to the pay of "all employees." However, the SEC clearly has the authority to interpret this phrase in the Regulations and should consider the following modifications to this rule:

1. The final Regulations should continue to provide that "leased employees" (i.e., those employed by a temporary staffing agency who perform services for the registrant) should not be taken into account for this purpose.

2. The final Regulations should *allow* registrants to exclude employees who are not employed on December 31st but should not *require* that they be excluded. Some of our foreign payroll systems would require manual review to make this determination. To reduce costs, we should be able to include all employees if it is easier to administer.

3. The final Regulations should exclude all non-U.S. employees. Almost 50% of our employees reside outside the U.S. Due to international variations in pay standards and benefits, disclosing the pay ratio of our U.S. PEO compared to the average compensation of workers outside the U.S. is meaningless. A quick analysis of 2012 taxable compensation shows that, on average, our U.S. employees received almost $15,000 more in annual compensation than our non-U.S. employees. In addition, allowances have to be made for privacy law requirements in non-U.S. jurisdictions. HY has not engaged legal counsel in the 10 foreign jurisdictions in which we operate to determine all applicable privacy laws (which would be outrageously expensive). However, based on discussions with internal local human resource managers, each of these countries has different privacy statutes that need to be reviewed before any personal compensation data is submitted back to the U.S. With respect to one of our NEOs employed by our U.K. subsidiary, we have been advised by outside legal counsel that a written waiver was required from that NEO each year before the local H.R. office can provide our U.S. headquarters with his compensation information for our annual proxy statement. As a large, multi-national company, we should not be forced to obtain legal advice in every jurisdiction regarding local privacy laws in order to comply with the pay ratio disclosure rules (and certainly not within the time frames currently contemplated by the Proposed Regulations). Therefore, at the very least, non-U.S. employees should be excluded from the calculations for a period of at least three years after the initial effective date.

4. The final Regulations should exclude all part-time and seasonal and temporary employees from the calculations. By their very nature, these employees will decrease the median/average compensation level.

5. An additional rule should be added to the final Regulations that allow employers to exclude any person who was not employed for at least four months during the calendar year. This additional rule could contain a consistency requirement to prevent companies from selectively choosing which employees to include or exclude.

6. While registrants should be *permitted* to disclose two or more separate pay ratios, they should *not* be *required* to provide anything other than one pay ratio as required by the statute. HY does not believe that the pay ratio disclosure will provide any useful information to investors or the general public. It will merely confirm that the PEO is paid considerably more than the average rank-and-file employee, which information is already available from various public entities (e.g., U.S. Bureau of Labor Statistics). Therefore, some companies will simply want to disclose the information at the lowest cost possible and let the public decide for itself whether the PEO is overpaid. Shareholders

already have this opportunity, with much more detailed and relevant information that is required under current compensation disclosure requirements and the "Say on Pay" votes. Other companies may decide to spend additional funds and provide additional information. Each company should be able to make that decision based on their own particular circumstances.

Calculation of "Average Compensation"

We recommend that the "average compensation" of "all applicable employees" be determined using a "consistently applied compensation measure" as specified in the Proposed Regulations. This eliminates the two step process currently contained in the Proposed Regulations (i.e., first identifying the "median" employee by estimating W-2 compensation and then by calculating the "total annual compensation" for that employee using the Summary Compensation Table rules in Item 402).

Reporting companies should also be permitted to provide a range of average annual compensation numbers and pay ratios in a table, such as the following:

Average 2012 Annual Compensation	PEO 2012 Total Annual Compensation (as disclosed in the Summary Compensation Table)	Pay Ratio – PEO Total Annual Compensation disclosed in the Summary Compensation Table is how many times greater than the average 2012 annual compensation of other employees?
$42,000	$7,474,789	178 times greater
$50,000	$7,474,789	150 times greater
$60,000	$7,474,789	125 times greater

If this model is adopted, the registrant would be required to specify (1) the employees who are included/excluded from the "applicable" employee group; (2) the methodology used to calculate the average annual compensation and (3) the estimated amount of actual average annual compensation (using reasonable estimates). For example, a sentence would be included under the table that would read: "We calculated the average annual compensation by aggregating the amounts disclosed in Box 1 of the Form W-2 (generally, wages, salaries and tips) as reported to the Internal Revenue Service for U.S. employees (or the equivalent amounts for non-U.S. employees) and divided it by the total number of applicable employees, excluding Mr. Rankin. Using this methodology, we believe that the average annual 2012 compensation for all applicable employees is between $42,000 and $60,000." This simplified method will enhance, rather than distort, the disclosure.

Identifying the Median/Timing of the Disclosure

With respect to the specific questions raised by the SEC in the Preamble under "Identifying the Median" and "Timing of Disclosure" please note:

1. The use of "reasonable estimates" to identify the median/determine average annual compensation should be permitted, but no further guidance or safe harbors are needed or requested. The Final Regulations should not require that the results meet specified confidence levels, as this will definitely require all registrants to hire outside consultants. Simplifying the disclosure (as shown above) eliminates most of these issues.

2. There is no good reason to calculate the "compensation of all employees other than the PEO" using the Summary Compensation Table rules of Item 402. Using average compensation obtained from Form W-2 (or comparable non-U.S. forms) simplifies the calculation and, if anything, will understate the average compensation of the non-PEO employees and thus overstate the pay ratio disparity. This is because certain information (e.g., employer contributions to defined contribution plans; change in actuarial value of pension benefits and certain elements of "other compensation") that are included in the PEO Summary Compensation Table compensation amount will not be included in the average compensation number. If a particular registrant is not concerned about the pay ratio number (or, more likely, does not believe that it provides any useful information), then it should be permitted to save the expense of making detailed calculations that, in the end, will not have a material impact on the potential usefulness of the final pay ratio. In the example shown on the above-table, we do not believe it would be worth an additional $100,000 in consultant costs (and countless hours of employees' time) to determine that the median employee's "total compensation" was actually $46,350 (instead of between $42,000 and $60,000) and that the CEO's pay was actually 162 times that employee's total compensation. The estimates shown on the above table provide investors with the information required to be disclosed in the statute. Whether the actual pay ratio is 125, 150, 162 or 178 times greater does not provide enough additional useful information to justify the costs of providing that level of detailed disclosure.

3. Registrants should be permitted to use the time period that is used for payroll or tax recordkeeping when calculating average compensation. For example, for the 2012 reporting period, we should be permitted to use (1) W-2 box 1 compensation as reported on the 2012 Form W-2 for our U.S. employees plus (2) the compensation reported for our U.K. employees as of April 6, 2012 (the tax period ending with or within the registrant's fiscal year) and (3) the compensation reported for our Australia employees as of June 30, 2012 and (4) the compensation for our India employees as of March 31, 2012. We should not be forced to recalculate all non-U.S. employees' income for the 2012 calendar year, since such amounts are not readily available in the payroll system. Although this differs from the Proposed Regulations, which would require the use of fiscal year compensation in the final calculation of the pay ratio for the selected "median employee," this is not statutorily required. It is very unlikely that there will be a big swing in non-U.S. compensation from year-to-year and, if there is, it will be captured in the next reporting period. Using compensation data that is readily available (even if not on a fiscal year basis) will not negatively impact the usefulness of the pay ratio disclosure.

4. Registrants should not be *required* to disclose additional narrative information such as employment policies, use of seasonal workers, outsourcing, etc. In addition to providing confidential data to our competitors, it is very unlikely that this information would assist investors in understanding the pay ratio. However, a particular registrant should have the ability to provide supplemental information, at its discretion.

5. In the event that the SEC does not eliminate non-U.S. employees entirely from the calculations and continues to require the identification of a median employee and the use of actual fiscal year compensation calculated in accordance with the rules in Item 402, then the timing of the disclosure in the Proposed Regulations is insufficient after the end of our fiscal year for us to comply with the disclosure requirements. Our payroll departments are extremely busy the first quarter of the year, finalizing and distributing Form W-2s, calculating incentive compensation payments and running special incentive compensation payrolls. In addition, our legal, payroll and HR departments are extremely busy gathering the information needed for our Annual Report and Proxy Statement. The statutory reporting deadlines for our international operations that report employee information on a calendar year basis vary from the following February (Brazil); March/April (China) to July (Italy). If we have to provide information for our non-U.S. employees, it will be impossible to finalize the

additional pay ratio disclosure by the Proxy filing deadline. Using reasonable estimates is not a workable solution, since the same amount of work will be required. Our recommendation is that if such disclosure is required it should be filed separately on a Form 8-K after the Proxy is filed and at least 14 days before the annual shareholders meeting. This will give us the opportunity to focus on the pay ratio disclosure (and rank-and-file employee information) separately from the information required for the Proxy filing. Such a delay will not impact the usefulness to investors of the disclosure, since it will be provided before any "say on pay" vote is required.

Additional Comments

1. At the very earliest, the pay ratio rules should not be effective until the 2017 Proxy season (using 2016 compensation data). With health care reform compliance scheduled to be effective on January 1, 2015, and detailed reporting requirements required in early 2016, our computer systems, payroll, IT and human resources employees will already be stretched to the limit. We also need time to interview consultants and test computer systems.

2. The Final Regulations must include transition periods for significant corporate events. HY did not become a public company until the 4th quarter of 2012. Any PEO pay ratio disclosure for 2012 would have been fiction and misleading. A new public company should not have to provide any PEO pay ratio disclosure until it completed its first full fiscal year as a public company. Transitional rules should be flexible to encompass a multitude of corporate events.

3. The final Regulations should contain a safe-harbor or simplified reporting method. It is no surprise to anyone that the average CEO is paid much more than the average rank-and-file employee. At some point, the ratio becomes meaningless. For example, if a registrant is willing to state that they believe that the total compensation of its PEO exceeds 300 times that of the average worker, then no additional disclosure should be needed.

4. Regardless of the method for choosing the median/average employee in the final Regulations, a registrant should be able to determine the average compensation by taking into account only taxable compensation (for the applicable period) that is reported to taxing authorities and is readily available in payroll systems. For example, the registrant should be able to ignore pension benefits, above-market interest and "other compensation" since if this additional compensation is not taken into account, it will reduce the compensation of the median/average employee and therefore, increase the pay disparity. If a registrant does not believe that the additional time and cost involved in calculating and verifying the actual "to the penny" "total compensation" for the median/average employee using the 402 rules is worth it, they should have that option. (The total pay of the PEO would continue to be calculated under the 402 rules.)

I appreciate the opportunity to comment on the Reportable Event Regulations. Please feel free to contact me at 440/449-9662 if you have any questions about my comments.

Very truly yours,

Suzanne S. Taylor

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