AAFA american apparel & footwear association

we wear[SM] jobs

December 23, 2013

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

RE: Supplemental Note - Solicitation for Comments on Pay Ratio Disclosure Proposed Rule, File Number S7-07-13

To Whom It May Concern:

Please let this document serve as a **supplemental note** for the American Apparel & Footwear Association's (AAFA) comments submitted December 2, 2013, regarding the Pay Ratio Disclosure proposed rule. Our original comments are included below this supplemental note.

In addition to our concerns with the proposed rule outlined in our original set of comments, we would like to comment on the following points:

Regarding the scope of employees for inclusion in the employee compensation structure: As stated, we believe that non-U.S. employees and non-full-time employees should be excluded from this calculation, in part due to the immense administrative burden caused. This burden is in no small part increased by the logistical challenges inherent in compliance with foreign data privacy laws, which must be strictly followed (if even possible) in obtaining consent from non-U.S. employees in order to utilize their information for the disclosure. Additionally, these exclusions should be made for the simple fact that Chief Executive Officers (CEO) of issuers obliged to the rule are by and large full-time U.S. employees, and to include dissimilar employees would lessen what minimal value (if any) a pay ratio disclosure provides investors. However, if these categories of employees are ultimately included within the scope of the rule, we urge the SEC to lessen this burden by allowing the annualization of compensation for non-full-time employees.

Regarding the status of pay ratio information as "filed" instead of "furnished": We urge the SEC to instead deem the disclosure as "furnished", especially if the overly burdensome disclosure parameters as proposed in the rule are maintained. The potential for very large, very diverse companies to make innocuous mistakes in gathering and verifying this information is substantial, and subjecting issuers to liabilities for these mistakes as is done for "filed" disclosures is neither sensible nor reasonable.

Regarding the proposed transition period: We believe appropriate timing for the rule's effective date must be established in order to provide registrants sufficient time to prepare to comply with the final rule. To illustrate, instead of mandating compliance with the rule in the first fiscal year commencing on or after the effective date of the final rule, we ask that issuers be allowed at least one more year to comply than proposed by the SEC. This is especially important considering that issuers cannot begin the compliance process until a final rule has been issued.

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Thank you, again, for this opportunity to submit supplemental comments. Please feel free to contact me or David Lapidus of my staff at 703-797-9049 or by e-mail at dlapidus@wewear.org if you have any questions or would like additional information.

Sincerely,

Kevin M. Burke
President and CEO
American Apparel & Footwear Association (AAFA)

Original AAFA Comments, Submitted December 2, 2013:

December 2, 2013

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

RE: Solicitation for Comments on Pay Ratio Disclosure Proposed Rule, File Number S7-07-13

To Whom It May Concern:

On behalf of the American Apparel & Footwear Association (AAFA), I am writing to express our industry's concerns with the Securities and Exchange Commission's (SEC) implementation of Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as expressed in proposed amendments to Item 402 of Regulation S-K. As you know, Section 953(b) requires disclosure of the median of the annual total compensation of all employees of an issuer (excluding the Chief Executive Officer (CEO)), the annual total compensation of that issuer's CEO, and the ratio between the two. Of great concern to AAFA and our members is the interpretation of Section 953(b) taken by the SEC in the proposed rule, which will result in extreme burdens, and distortions of data, if it is applied in a blanket-fashion across very different industries, comprised of very different companies with very different business models.

AAFA is the national trade association representing apparel, footwear, and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, our membership includes more than 530 companies, drawn from throughout the supply chain. AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its four million U.S. workers, and its contribution of $350 billion in annual U.S. retail sales.

Thank you for this opportunity to submit comments. We believe that the SEC's Section 953(b) interpretation provides little benefit to investors of public companies in the apparel and footwear business, while creating huge compliance costs and administrative burdens, as well as ensuring the formation of uneven comparisons between companies with vastly different business structures.

As noted above, AAFA represents a multitude of companies placed within all levels of the supply chain. These include retailers, manufacturers, private brands, wholesalers, distributors, suppliers, and many more, with many companies branching out to roles within multiple supply chain components. At a basic level, comparisons between ratios of these extremely diverse companies will be entirely useless, and nothing but misleading to the viewing parties. As an example, some companies contract out certain operations while others prefer to perform them in-house. The company that contracts out operations will have a much lower total of official employees to count within a pay ratio disclosure than a company that performs the same operations on their own, leading to a very different pay ratio disclosure for two companies of similar size and purpose. This applies doubly so to companies in entirely different sectors of the industry. It is easy to envision the "median employee" at a retail company, for example, being a part-time, hourly worker, while the median employee at a manufacturer may be a full-time, salaried worker. This will, again, lead to the reporting of very different and misleading pay ratios.

Similarly, of particular concern to AAFA is the excessively broad approach the proposed rule takes in its designation of employees to be included in the determination of median compensation. Requiring companies to include in the median compensation calculation all full-time, part-time, seasonal, or temporary workers employed by the registrant and any of its subsidiaries, including employees outside of the United States, ensures its comparison to CEO compensation is effectively meaningless. As a truly global industry, many of AAFA's members maintain a large international footprint. Varying international standards in compensation structures and cost-of-living, for example, will result in distortions of the pay ratios disclosed. While we do believe that disclosure of compensation ratios as outlined in the rule are not of great value to investors, in the case this rule is finalized we urge the SEC to limit burdens involved by revising this designation of covered employees to include only full-time, U.S.-based workers.

Additionally, determining the median compensation of international employees and employees of all subsidiaries would be an extremely expensive, time-consuming, and pitfall-strewn process for many apparel and footwear companies. As our industry has grown, companies have consolidated into one another, and as mentioned, our global footprint has only extended. Differing payroll systems run by a multitude of third parties, and variances in affiliated business entities and other joint ventures, could easily lead to employees of a partially-owned subsidiary being inappropriately included in a company's median compensation calculation when they should not have been. We urge the SEC to further limit the inherent inaccuracy of the required compensation ratio by limiting covered employees to only those of a company's wholly-owned business entities.

Thank you, again, for this opportunity to submit comments, and for your time and consideration in this important matter. Please feel free to contact me or David Lapidus of my staff at [redacted] or by e-mail at [redacted] if you have any questions or would like additional information.

Sincerely,

Kevin M. Burke
President and CEO
American Apparel & Footwear Association (AAFA)