February 28, 2014

The Secretary
U.S. Securities and Exchange Commission
100 F St. NE
Washington, DC 20549-1090

Uploaded to: http://www.sec.gov/rules/proposed.shtml

Dear Secretary:

Re: File No. S7-07-13 Release No. 33-9452 Pay Ratio Disclosure – Additional Information

We are writing to follow up on our letter of December 2, 2013,[1] in response to the Securities and Exchange Commission (SEC) request for comments on its proposed rule for pay ratio disclosure (File No. S7-07-13 Release No.33-9452).[2] In that letter, we mentioned our corporate engagement activity with Canadian banks relating to equitable compensation, suggesting that this might be relevant to the SEC's deliberations on the proposed rule. We would like to provide an update on this activity.

As a Canadian investment management company with approximately C$6 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies integrating best environmental, social and governance (ESG) practices into their strategy and operations will build long-term sustainable value for all stakeholders, and provide higher risk-adjusted returns to shareholders. We explained in our earlier letter that we participate in this consultation as a Canadian investor with holdings in U.S. listed companies. As part of our program of corporate engagement, we provide feedback and undertake dialogue on compensation disclosure and practice at both Canadian and U.S. issuers in our holdings, including on the issues of excessive compensation quantum and compensation inequity within companies and in the economy as a whole.

Engaging on equitable compensation at Canada's banks

We mentioned in earlier correspondence that we have been leading an engagement on equitable compensation issues with a number of Canadian banks: specifically, Royal Bank of Canada (RBC), Toronto-Dominion Bank (TD Bank), Bank of Nova Scotia, Band of Montreal (BMO) and Canadian Imperial Bank of Commerce (CIBC). In 2012, we filed a series of shareholder

[1] http://www.sec.gov/comments/s7-07-13/s70713-576.pdf
[2] Securities and Exchange Commission (2013). *Pay Ratio Disclosure – Proposed Rule.* http://www.sec.gov/rules/proposed/2013/33-9452.pdf

NEI INVESTMENTS

T: 604.633.0615 F: 604.633.0619
NEIinvestments.com Toll Free: 1.888.809.3333
505 - 1111 West Georgia Street Vancouver, British Columbia V6E 4M3

proposals[3] asking the banks to explore the risks of setting quantum based on horizontal comparison with executive compensation at peer companies, and the potential benefits of "vertical comparisons": comparing the compensation of top executives to pay levels of other employees in the company or society as a whole. We did not ask the banks to implement a specific vertical metric or introduce a specific cap on compensation at this time, but rather to explore possible options. We engaged these banks because they are among Canada's largest companies; the Canadian banking sector has a history of leadership in corporate governance issues, including on compensation practice and disclosure; and the largest Canadian banks form a well-defined group of peer companies. We were able to withdraw the proposals in early 2013 when each bank agreed to explore the issues we had raised.[4] At the time of writing, each bank had committed to disclose to shareholders in 2014 on its response to the request in the original shareholder proposal.

During 2013 the banks (joined by National Bank of Canada) worked together to commission research into some of the issues raised in the proposals, which was published in December 2013. The report's recommendations[5] (p27-30) include safeguards for appropriate horizontal benchmarking, an acknowledgment of the potential for integrating CEO-to-employee compensation comparisons in pay decision-making, and a suggested approach. This may be of interest in the context of the SEC's deliberations on implementation of the pay ratio provision.

In its recently-released 2014 circular (p27), RBC indicated that it is adopting the use of select vertical pay ratios for additional context in setting compensation, alongside horizontal benchmarking.[6]

Contact

If you would like to discuss the issues raised in this letter further, or any other matters relating to compensation disclosure, please do not hesitate to contact **Michelle de Cordova, Director, Corporate Engagement & Public Policy (mdecordova@NEIinvestments.com 604-742-8319).**

Sincerely,

NEI Investments

Robert Walker
Vice President, ESG Services & NEI Ethical Funds

CC:
Ms. Michelle de Cordova, Director, Corporate Engagement & Public Policy, NEI Investments
Mr. Randy Evans, Senior ESG Analyst, NEI Investments

[3] These proposals were co-filed variously by Mr. William Davis and The United Church of Canada.
[4] Further background on this engagement can be found here: NEI Investments/Ethical Funds (2013). *Executive Compensation Update – Quantum Shift.* https://www.neiinvestments.com/Documents/Research/ExecutiveCompUpdate_revisedMay15.pdf
[5] Meridian Compensation Partners (2013) *Review of Horizontal Benchmarking and its Impact on CEO Compensation and Pay Disparity* http://meridiancp.com/pdf/Horizontal_Benchmarking_Report_FINAL.PDF
[6] RBC proxy circular 2014 http://www.rbc.com/investorrelations/pdf/2014englishproxy.pdf