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July 2, 2015

Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Submitted via email: rule-comments@sec.gov

RE: Pay Versus Performance; Proposed Rule; Release No. 34-74835; File No. S7-07-15

Dear Mr. Fields,

BlackRock, Inc. (together with its affiliates, "we" or "BlackRock") [1] appreciates the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC") proposed rule "Pay Versus Performance" (the "Proposal"). The views expressed herein are from the perspective of a user of proxy statements in making decisions related to investment management activities, including engagement with portfolio companies and proxy voting.

BlackRock takes its role as a fiduciary seriously and we are committed to engaging with companies and voting proxies in the best long-term economic interests of our clients, based on published policy guidelines for evaluating corporate governance issues, including executive pay. Our Corporate Governance and Responsible Investment ("CGRI") team comprises more than 20 professionals dedicated to proxy voting and company engagement in six offices around the globe. Additionally, approximately 40 senior investment professionals across our global offices guide the work of the CGRI team via our regional corporate governance committees. BlackRock votes at approximately 15,000 shareholder meetings annually, across 90 countries, in accordance with our internally-developed proxy voting guidelines, which are publicly available on our website[2].

In the U.S., we note that even prior to the SEC's adoption of a rule providing an advisory vote on executive compensation ("Say on Pay"), we have incorporated analysis of executive compensation practices at portfolio companies as part of our overall assessment of the efficacy and quality of corporate governance and with a focus on protecting and enhancing the long-term value of our clients' assets. We believe issuers' disclosures on executive compensation have generally improved over the past decade, and investors typically have the information and tools necessary to make an informed decision on pay versus performance. We include herein as an appendix an excerpt from our published guidelines[3] explaining our beliefs and expectations

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[1] BlackRock is one of the world's leading asset management firms, managing approximately $4.77 trillion (as of March 31, 2015) on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

[2] www.blackrock.com/corporate/en-us/about-us/responsible-investment

[3] *Proxy voting guidelines for U.S. securities*, February 2015, pp.16-18; http://www.blackrock.com/corporate/en-us/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf

related to executive compensation practices and disclosures, our Say on Pay analysis framework, and our typical approach to engagement and voting on Say on Pay.

To summarize our views related to the Proposal, we believe company-specific data is most meaningful to help shareholders understand incentive structures and related compensation committee decisions. In our experience, the appropriate metrics and timeframes by which to measure performance vary across companies and industries. We therefore favor a principles-based disclosure regime that sets forth a consistent framework for issuers to communicate the link between pay and performance. A principles-based framework should provide flexibility for issuers to report how incentive plans reflect company strategy and incorporate long-term shareholder value drivers, including through disclosure of the commensurate metrics and timeframes by which shareholders should assess performance. We observe that the Proposal is not principles-based, and we are concerned that the prescriptive nature of the Proposal may lead to unintended and negative consequences.

We respectfully submit that any new required disclosure of pay versus performance should support and be consistent with long-term planning and execution by boards and management teams. We highlight that requiring the disclosure of total shareholder return ("TSR")[4] in the context of executive compensation may encourage companies and users of proxy statements to seek favorable outcomes pursuant to this regulatory reporting requirement, potentially at the expense of long-term, sustainable financial returns. For example, a focus on short-term TSR could create incentives for management to prioritize return of capital to shareholders, via either dividends or buybacks. While capital return to shareholders can be an important component of a prudent capital allocation strategy, a near-term increase in capital return might be expected to increase TSR more quickly than investment in projects that may be expected to pay even greater time-adjusted dividends to shareholders but with a longer payback period.

Nonetheless, we observe that TSR is frequently one of the relevant performance measures that investors and compensation committees consider in their respective assessments of the effectiveness of incentive plan design, and hence we support the inclusion of TSR as part of a principles-based disclosure regime. In our experience, TSR is most meaningful to an investor's understanding of relative performance not only over longer time horizons, but also over various and rolling time periods that reflect company-specific considerations, including but not limited to, changes in strategy and/or management.

We further believe that the prescribed parameters for pay versus performance disclosure may not always be relevant to a company's particular circumstances. Actual pay is likely to reflect the results of some combination of near-term and long-term incentive plans that consider performance over various time horizons. We are supportive of companies' flexibility pursuant to the Proposal to provide accompanying narrative explaining the required disclosure, and we observe many companies have already adapted their proxy disclosures to provide shareholders with better insight into executive compensation.

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[4] As defined in Item 201(e) of Regulation S-K.

We are concerned that a prescriptive reporting requirement (as in the Proposal) could result in disclosures that are not relevant to particular issuers. This could result in issuers expending additional resources to explain the information, and investors also expending additional resources to understand the disclosures. We believe this additional engagement activity may draw attention away from other high priority engagement topics on corporate governance issues linked to long-term performance, including but not limited to board composition and effectiveness, executive succession planning and risk management.

We thank the SEC for providing BlackRock the opportunity to express its views on the Proposal. We are prepared to assist the SEC in any way we can, and we welcome a continued dialogue on these important issues. Please contact the undersigned if you have any questions or comments regarding BlackRock's views.

Sincerely,

Zachary M. Oleksiuk
Director
Head of Corporate Governance and Responsible Investment, Americas

Appendix: Our Approach to Say on Pay

We describe herein our beliefs and expectations related to executive compensation practices, our Say on Pay analysis framework, and our typical approach to engagement and voting on Say on Pay. We provide our views on this issue in somewhat more detail than other issues covered in these Guidelines because of the particular focus on executive compensation matters in the U.S. Although we expect proxy disclosures to be the primary mechanism for companies to explain their executive compensation practices, we may engage with members of management and/or the compensation committee of the board, where concerns are identified or where we seek to better understand a company's approach to executive compensation. We may also decline opportunities to engage with companies where we do not have any questions or concerns or believe that these Guidelines already cover the issues at hand.

Beliefs and Expectations Related to Executive Compensation Practices

- We believe that compensation committees are in the best position to make compensation decisions and should maintain significant flexibility in administering compensation programs, given their knowledge of the strategic plans for the company, the industry in which the company operates, the appropriate performance measures for the company, and other issues internal and/or unique to the company.
- Companies should explicitly disclose how incentive plans reflect strategy and incorporate long-term shareholder value drivers; this discussion should include the commensurate metrics and timeframes by which shareholders should assess performance.
- We support incentive plans that foster the sustainable achievement of results. Although we believe that companies should identify those performance measures most directly tied to shareholder value creation, we also believe that emphasis should be on those factors within management's control to create economic value over the long-term, which should ultimately lead to sustained shareholder returns over the long-term. Similarly, the vesting timeframes associated with incentive plans should facilitate a focus on long-term value creation, as appropriate to that particular company.
- While we do support the concept of compensation formulas that allow shareholders to clearly understand the rationale for compensation decisions, we do not believe that a solely formulaic approach to executive compensation necessarily drives shareholder value. BlackRock believes that compensation committees should use their discretion in designing incentive plans, establishing pay quanta, and finalizing compensation decisions, and should demonstrate how decisions are aligned with shareholder interests.

- BlackRock does not discourage compensation structures that differ from market practice. However, where compensation practices differ substantially from market practice, *e.g.* in the event of unconventional incentive plan design or extraordinary decisions made in the context of transformational corporate events or turnaround situations, we expect clear disclosure explaining how the decisions are in shareholders' best interests.

- We understand that compensation committees are undertaking their analysis in the context of a competitive marketplace for executive talent. We acknowledge that the use of peer group evaluation by compensation committees can help ensure competitive pay; however we are concerned about the potential ratchet effect of explicit benchmarking to peers. We therefore believe that companies should use peer groups to maintain an awareness of peer pay levels and practices so that pay is market competitive, while mitigating potential ratcheting of pay that is disconnected from actual performance.

- We expect companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive compensation; we evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and/or geography.

- We do not believe that arbitrary limits on potential compensation are necessarily in shareholders' best interests if those limits have the potential to cap performance. However, we expect compensation committees to ensure that incentive plans do not incentivize excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of returns to shareholders.

- We do not set forth a preference between cash, restricted stock, performance based equity awards, and stock options, amongst other compensation vehicles. We acknowledge that each may have an appropriate role in recruiting and retaining executives, in incentivizing behavior and performance, and in aligning shareholders' and executives' interests. Compensation committees should clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives. We also observe that different types of awards exhibit varying risk profiles, and the risks associated with pay plan design should be in line with the company's stated strategy and risk appetite.

- We expect compensation committees to consider and respond to the shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders, as they evaluate compensation plans. At the same time, compensation committees should ultimately be focused on incentivizing long-term shareholder value creation and not necessarily on achieving a certain level of support on Say on Pay at any particular shareholder meeting.

Say on Pay Analysis Framework

- We analyze the compensation practices in the context of the company's stated strategy and identified value drivers and seek to understand the link between strategy, value drivers and incentive plan design.
- We examine both target and realizable compensation in order to understand the compensation committee's intended outcomes, to judge the appropriateness and rigor of performance measures and hurdles, and to assess the pay plan's sensitivity to the performance of the company.
- We review the pay and performance profiles of the company's disclosed peer companies, as applicable, to identify relative outliers for potential further analysis. We supplement our analysis of the company's stated peers with an independent review of peer companies as identified by third party vendors and our own analysis; part of this analysis includes an assessment of the relevance of the company's stated peers and the potential impact the company's peer selection may have on pay decisions.
- We conduct our analysis over various time horizons, with an emphasis on a sustained period, generally 3-5 years; however we consider company-specific factors, including the timeframe the company uses for performance evaluation, the nature of the industry, and the typical business cycle, in order to identify an appropriate timeframe for evaluation.
- We review key changes to pay components from previous years and consider the compensation committee's rationale for those changes.
- We examine extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards) to understand the compensation committee's rationale and alignment with shareholder interests.
- We may engage with members of management and/or the compensation committee of the board, where concerns are identified or where we seek to better understand a company's approach to executive compensation.
- We consider BlackRock's historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings with the

expectation of future change), engagement activity, other corporate governance concerns at the company, and the views of our portfolio managers.

- We assess the board's responsiveness to shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders.

Engagement and Voting on Say on Pay

- In many instances, we believe that direct discussion with issuers, in particular with the members of the compensation committee, can be an effective mechanism for building mutual understanding on executive compensation issues and for communicating any concerns we may have on executive compensation.

- In the event that we determine engagement is not expected to lead to resolution of our concerns about executive compensation, we may consider voting against members of the compensation committee, consistent with our preferred approach to hold members of the relevant key committee of the board accountable for governance concerns. As a result, our Say on Pay vote is likely to correspond with our vote on the directors who are compensation committee members responsible for making compensation decisions.

- We may determine to vote against the election of compensation committee members and/or Say on Pay proposals in certain instances, including but not limited to when:

    - We identify a misalignment over time between target pay and/or realizable compensation and company performance as reflected in financial and operational performance and/or shareholder returns;

    - We determine that a company has not persuasively demonstrated the connection between strategy, long-term shareholder value creation and incentive plan design;

    - We determine that compensation is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers;

    - We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests;

    - We determine that company disclosure is insufficient to undertake our pay analysis; and/or

- We observe a lack of board responsiveness to significant investor concern on executive compensation issues.