



August 20, 2015

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

Re: Pay vs. Performance Disclosure-Comments on Proposed Regulations (File Number S7-07-15)

Thank you for the opportunity for BorgWarner Inc. ("BorgWarner") to comment in response to the Security and Exchange Commission's ("SEC's") notice of proposed rulemaking under Item 402 of Regulation S-K implementing Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which requires the disclosure of the relationship between executive compensation "actually paid" by a company and the company's "financial performance ...taking into account any change in the value of the shares of stock and dividends of the issuer" (the "Pay vs. Performance Regulations" or "Proposed Regulations"). BorgWarner is a leading global supplier of highly engineered automotive systems and components primarily for powertrain applications. We operate 57 manufacturing and technical facilities in 18 countries and employ 22,000 people around the world, and are an original equipment supplier to every major automotive original equipment maker in the world.

Summary

The proposed "Pay vs. Performance" Regulations add yet another layer of disclosure to an already excessively long and complex proxy statement without providing any significant benefit to investors. We strongly prefer a principles-based rule including a more logical definition of compensation actually paid, to implement Section 953(a) of the Dodd-Frank Act. While a prescriptive supplemental proxy table display such as the SEC has proposed may create the appearance of uniformity and facially "enhance comparability among registrants", we think this approach will actually confuse the pay for performance picture for investors by requiring them to wade through additional disclosures focused more on explaining and reconciling the table and less on how the company approaches pay for performance. Because each registrant has a unique business profile and compensation programs vary widely, we believe there is no single way to uniformly measure performance or match the timing of compensation "earned". The

sophistication of today's large institutional shareholders, the scrutiny of compensation disclosures by proxy advisory firms and the importance that registrants place on successful "say on pay" voting outcomes, assure that registrants will provide effective disclosures describing the relationship of pay to performance under a principles-based rule.

The SEC should promulgate a principles based rule that abandons the prescriptive table format and allow registrants to use the existing proxy disclosure framework in a way that is meaningful and tailored to each registrant's specific circumstances.

If the SEC forgoes a principles-based rules approach, and elects instead to promulgate a rule based on the prescriptive proposal published on April 29, 2015, then we ask that you consider the specific changes described below that will reduce the expense of compliance, enhance the quality of information provided, and help investors better assess the adequacy of executive compensation when they are exercising their rights to cast advisory votes on executive compensation under Exchange Act Section 14A.

Inclusion of Five Years of Data

The requirement under the proposed rules to ultimately include five years of compensation data will lead to confusion on the part of the reader. The proxy's Summary Compensation Table includes only three years' data. The Proposed Regulations' table should cover the same number of years. The inclusion of two added years of data will increase the likelihood that the data will reflect information on more than one PEO and almost certainly not reflect a consistent group of Non-PEO NEOs. This inconsistency in the data will likely not allow for year to year comparability by readers and fail to add meaningful information upon which investors can judge the appropriateness of compensation.

Situations with More Than One PEO

BorgWarner does not agree with the Proposed Regulations requiring registrants to aggregate the compensation of multiple PEOs in the same measurement period. Aggregation of two or more PEO's pay will result in anomalous results where, for example, a new CEO receives a one-time signing bonus or when a departing CEO's awards vest upon retirement. A better approach would be to disclose each PEO as a separate line item, which would also be consistent with the Summary Compensation Table and allow for more relevant supplemental discussion.

Disclosure of Average Adjusted Compensation for Non-PEO NEOs

The Exchange Act Section 14(i) does not specify which executives must be included in the disclosure. BorgWarner believes the disclosure should be limited to the PEO only. The proposed method of averaging the compensation values of other named executive officers, the composition and number of which may change

significantly from year to year, provides little investor insight into the pay for performance relationship and adds to the registrant's burden in terms of cost and disclosure.

TSR Performance Periods & Use of Indexed Values

BorgWarner believes that the aspect of the proposed rule mandating disclosure of cascading periods of cumulative TSR (i.e. each row showing TSR of a different duration), displayed as indexed values, is confusing and does not explain, inform or align the amount of adjusted annual compensation reflected on the table. We believe it would be more meaningful if each row of restated annual compensation were displayed with a *consistent multi-year TSR value*, stated as a cumulative percentage, rather than indexed value. Further, if the registrant uses TSR in determining the payout under one or more of its incentive plans, we suggest that the regulations allow the TSR for the time period corresponding to the incentive payout be included in the table for that year. Such information would allow the reader to better correlate TSR performance to actual pay. Absent such alignment with specific compensation plan metrics, using rolling 5-year TSR would aid in year-to-year table construction (information could be taken directly from stock performance graph required by Item 201(e) of Regulation S-K for the current and past 4 reporting periods) and provide a more meaningful display of consistent long-term TSR performance for each year of compensation being reported. In addition, annual table updates would be simplified whereas each registrant would only be required to add another row of the most recent year adjusted compensation and 5-year cumulative TSR and drop off the oldest row. The other rows would not need to be restated each year. A 5-year period is also consistent with a timeframe commonly used by institutional investors to assess long-term performance.

Use of TSR as the Single Measure of Performance


The Proposed Regulations use TSR as the only measure of performance. This "one size fits all" approach may lead to the unintended consequence of many registrants changing their compensation programs to enhance or support the required disclosure. We do not believe that companies should be beholden to one particular measure of performance to determine compensation. Rather they should design programs that are most appropriate to their business strategy and goals which will in turn drive long-term stockholder value. Registrants have used the proxy statement to effectively describe the alignment of their company's executive compensation program measures with their stockholders' interests. A requirement that this table disclose a different measure of performance does not enhance the understanding of a company's compensation practices and may lead to incorrect conclusions regarding the company's approach.

Closing

In closing, we agree with the observation of the National Association of Corporate Directors in their comments that a better name for the Proposed Regulation might be "Pay in Relation to Performance".

We appreciate the opportunity to submit comments regarding the Proposed Regulations. Please contact me if you have questions about our comments.

Very truly yours,



Kim Jenett
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KJ/drh