



October 31, 2016

VIA ELECTRONIC MAIL: rule-comments@sec.gov

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

Re: Request for Comment on Subpart 400 of Regulation S-K Disclosure Requirements Relating to Management, Certain Security Holders and Corporate Governance Matters, File No. S7-18-16

Dear Mr. Fields:

This letter is submitted on behalf of the Universities Superannuation Scheme ("USS") in connection with the Securities and Exchange Commission's ("SEC") Request for Comment on Subpart 400 of Regulation S-K Disclosure Requirements Relating to Management, Certain Security Holders and Corporate Governance Matters.

USS is the main pension plan for academic and senior administrative staff employed by the United Kingdom's university system. USS is the largest pension fund in the UK, and invests a significant portion of its \$65 billion fund in the US market.

We appreciate the opportunity to submit comments regarding the disclosure requirements described in Subpart 400 of Regulation S-K. USS relies on proxy statement disclosures to access important information that informs USS's investment decisions. We understand that the SEC has solicited comments both on the existing rules and on potential disclosure issues that investors believe the rules should address, including information about sustainability and governance matters. We have raised several disclosure issues relating to (1) disclosure of plan and nonplan compensation to directors and officers under Item 402, and (2) disclosure of corporate governance matters under Item 407. Each topic is addressed below in turn.

1. Item 402—Plan and Nonplan Compensation to Directors and Officers.

(a) Compensation Committee Affirmation of the CD&A. USS believes that the board of directors has responsibility for ensuring that executive compensation is structured to incentivize executives to achieve certain performance targets that align with corporate strategy. We would support the compensation committee's affirmation of the CD&A in order to interject board responsibility and accountability for the analysis and disclosures contained in the CD&A.

(b) Disclosure of Sustainability Targets. USS, as a responsible investor, considers all material financial factors when making an investment, including sustainability factors. USS considers sustainability factors to be those traditionally outside the financial statements that impact the long-term success of the company. These factors may include product quality measures, environmental issues including climate change, supply chain management, labor and workplace conditions, and exposure to regulatory changes, including regulations enacted to address climate change. USS would welcome explicit disclosure and discussion of how sustainability considerations are incorporated into compensation policies. USS believes that introducing sustainability targets in a compensation scheme helps make sustainability a priority for the organization and can direct company leadership to consider initiatives with long-term benefits that may otherwise have been ignored.

2. **Item 407—Corporate Governance Disclosures.**

(a) Disclosure of Diversity—Matrix. USS relies on board composition to evaluate the quality of a company's governance. Boards with directors of diverse backgrounds and experiences are better structured to engage in thoughtful, rigorous, productive debate that considers a wide range of perspectives. However, it is difficult for investors to determine the diversity of directors and director nominees. Although some corporations provide aggregate board diversity information, board-level data are not available for all companies, and individual director diversity attributes are not uniformly reported. As a result, investors who are concerned with the issue of diversity at board level must do their own investigation to obtain this information. This work can be time consuming, expensive and fraught with inaccuracies. One proposed revision to Item 407(c)(2)(v) would require companies to indicate each nominee's race, gender, ethnicity, skills, experiences and attributes in a chart or matrix. USS supports these disclosures, which are also being supported by a number of other institutional investors, including the North Carolina State Treasurer and the California State Teachers' Retirement System.

(b) Nominating Directors with Sustainability Expertise. In addition to diversity disclosures, USS would welcome disclosure of (i) whether a director has sustainability expertise and (ii) whether the nominating committee considers sustainability expertise in identifying nominees for director. USS believes that sustainability considerations are increasingly relevant to board discussions about strategy, risk and performance. Boards that are knowledgeable about sustainability issues are more likely to take a longer-term view of risk and can engage in long-term planning to mitigate those risks.

(c) Role of the Lead Director. Under Item 407(h), companies are required to describe the role of the lead independent director. However, disclosures made pursuant to this requirement are often boilerplate and do not communicate whether the lead independent director is able to effectively oversee a combined chair/CEO, which presents significant governance risks. We therefore request that when boards use an independent lead director, the lead director's position charter should be included in the proxy to demonstrate the level of authority accorded that role.

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(d) Auditor Rotation. The audit committee is responsible for ensuring that outside auditors are capable of exercising objective and impartial judgment on all audit issues. According to SEC rules, the audit committee should consider whether an auditor is independent by considering all of the relationships between the auditor and the company. USS believes that excessively long auditor tenures may negatively impact auditor independence, as auditors may come to rely on annual audit fees from companies. Accordingly, USS supports disclosure of the company's policy on auditor rotation. If the company has not adopted a policy on auditor rotation, then we request disclosure of whether, and to what extent, the audit committee considers auditor tenure when evaluating the independence of the auditor. We also note that although auditor rotation is not required in the US, auditor rotation is increasingly commonplace outside the US. In the European Union, companies are required to submit their audit contract to tenure every 10 years and to change their auditor every 20 years.

We appreciate the important work that the SEC is doing to ensure that required proxy statement disclosures continue to provide the information that investors need to make informed voting decisions. If you would like to discuss this letter further, please feel free to contact Dr Daniel Summerfield, Co-Head of Responsible Investment at [REDACTED] or on [REDACTED]

Respectfully submitted,



Dr. Daniel Summerfield
Co-Head of Responsible Investment
USS Investment Management Ltd
[REDACTED]
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