Center On Executive Compensation

Press Release

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FOR IMMEDIATE RELEASE
February 7, 2017

Center On Executive Compensation Applauds SEC's Decision to Seek Public Input on Pay Ratio Disclosure Provision

Large Employers Support Decision to Review Implementation Difficulties

Washington, D.C. — The Center On Executive Compensation, representing a cross-section of America's large employers, applauds the decision by Acting Chairman Michael S. Piwowar of the U.S. Securities and Exchange Commission (SEC) yesterday that calls for additional public comment on the pay ratio disclosure rule, Section 953(b) of the Dodd-Frank Act.

The Center is a research and advocacy organization that seeks to provide a principles-based approach to executive compensation policy from the perspective of the senior human resource officers of leading companies. The Center is a division of HR Policy Association, which represents the chief human resource officers of over 360 large companies, and the Center's more than 120 subscribing companies are HR Policy members that represent a broad cross-section of industries.

The SEC's published its pay ratio rule, a requirement that calls on boards and companies to identify the ratio of CEO pay compared to median employee compensation, on August 5, 2015. The Commission delayed compliance with the rule previously until fiscal years beginning on or after January 1, 2017. Yesterday Mr. Piwowar released a statement seeking submission of comments over the next 45 days, citing "unanticipated compliance difficulties" by some issuers.

Timothy J. Bartl, President & CEO of the Center On Executive Compensation said, "As a firm opponent of the pay ratio rule, the Center strongly supports the SEC's decision to seek further comments about the implementation challenges issuers are facing. The Center has always believed that this disclosure is useless and potentially harmful because it purports to communicate information about a company's CEO compensation and human resources strategy when in reality it cannot. It is no secret that CEOs are paid significantly more than the average worker - those ratios have been estimated and have been addressed in the media and elsewhere. The pay ratio rule requires companies to engage in a new, costly, and otherwise wholly unnecessary data collection exercise, only to provide immaterial and potentially misleading information."

On average, 93% of investors opposed shareholder proposals seeking to require pay ratio disclosures, confirming that shareholders do not believe this disclosure is material. Considering the costs and challenges of developing the information, and the fact that the information is not useful to investors, the Center strongly supports any further regulatory relief the SEC could provide and also strongly supports efforts in Congress to repeal the provision altogether and thus allow companies to put those resources to better, more productive uses.

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The **Center On Executive Compensation** is dedicated to developing and promoting principled pay and governance practices and advocating compensation policies that serve the best interests of shareholders and other corporate stakeholders. Headquartered in Washington, DC, the Center was created at the direction of the Board of Directors of HR Policy Association, which represents the senior human resource officers of more than 360 of the largest corporations in the United States. For further information on the Center On Executive Compensation, please visit www.execcomp.org.