



Walden Asset Management  
*Investing for social change since 1975*

November 9, 2010

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission (SEC)  
100 F Street, NE  
Washington, DC 20549-1090

**RE: Shareholder Approval of Executive Compensation and  
Golden Parachute Compensation  
Release No. 34-63124; File No. S7-31-10**

Dear Ms. Murphy:

We wish to thank the Securities and Exchange Commission (SEC) for this opportunity to comment on the draft rule, *Shareholder Approval of Executive Compensation and Golden Parachute Compensation Release*.

Walden Asset Management (Walden), a division of Boston Trust and Investment Management Company, has approximately \$2 billion in assets under management. We manage investments for clients who seek to integrate environmental, social and corporate governance (ESG) analysis into the investment and company engagement process. Walden has been an active leader encouraging companies to adopt "Say on Pay" policies, having held discussions with over 100 companies and filing scores of shareholder resolutions requesting the advisory vote executive compensation. Therefore, we have a very strong interest in the outcome of this rulemaking process.

In particular, we wish to comment on the following:

- **Ability of issuers and shareholders to revisit the frequency** of Say on Pay when warranted due to changing circumstances;
- The **ballot options** for shareholders on votes regarding the frequency of future Say on Pay votes;
- The exact **phrasing** of Say on Pay and vote frequency proposals;

- The **voting standards** applied for each of the votes;
- Exemptions for **small issuers**; and
- Bans on **broker discretionary voting**.

***The frequency of the Say on Pay vote should be able to be questioned by investors through the shareholder resolution process.***

The most recent financial crisis has taught us that company circumstances can change quickly and dramatically. We believe firmly that shareholders need the flexibility to respond promptly, as necessary, to hold companies accountable. For example, we can envision cases whereby an issuer:

- Hires a new CEO with a questionable compensation package that is radically different from the predecessor's, thus raising a whole new set of questions for investors.
- Decides to award a CEO an outsized bonus or performance perquisites that are either not tied to financial performance or given despite underperformance.
- Does not tie executive compensation adequately to performance, raising the possibility of outsized pay in the future, even if it is not disproportionately large at the moment.

In all of these hypothetical circumstances, investors should be able to file a resolution proposing a change in the frequency of Say on Pay votes. Otherwise, shareholders would be left with limited options (e.g. voting against members of the issuer's compensation committee). Moreover, we believe investors should have the opportunity to make the case to fellow stockholders that circumstances had changed sufficiently to warrant revisiting the frequency of Say on Pay votes.

In sum, Walden believes it is unwise for the SEC to decide before the process begins that a **non-binding** advisory vote on frequency should prohibit investors from raising the frequency question again for six years.

### ***Ballot choices for frequency votes***

We endorse the voting options offered by the commission—every **one, two or three** years, or to **abstain**—with the understanding that pluralities would often be the result and that they need to be considered the stockholders' advice to the board. Specifically, the highest vote, whether a majority or a plurality, should be considered the investor's advice to the board, which should take this input seriously even while it is not binding.

Clearly there is an unequivocal message if one option receives a 50% vote, but since this is multiple choices, the highest vote among the four options should be considered the official advice given.

### ***Phrasing for proposals and voting standards***

Social Investment Forum (SIF) members do not believe that all management sponsored resolutions need to follow the same model language as long as the SEC sets out clear, minimum guidelines. Companies that have already implemented Say on Pay votes under pressure from shareholders provide good examples of the need for flexibility. For instance, some companies have split votes into several sections to address a broader subset of pay issues, while others have tested specific executive pay points in different years. Flexibility, in lieu of a one-size-fits-all approach, gives shareholders the chance to evaluate various issuers' proposals relative to their peer group.

At the same time, we know many companies would find guidance helpful as they craft language for their Say on Pay votes. Hence, Walden believes that providing examples of model language for companies to consider would be beneficial. Additionally, we believe the SEC needs to set some basic, minimum boundaries for issuers. The language the SEC required for Troubled Asset Relief Program (TARP) recipients is a good foundation. (This approach would require issuers, at a minimum, to offer for an advisory vote to shareholders approval of the compensation of executive officers as described in the Compensation Discussion & Analysis or "CD&A" and tabular disclosure regarding Named Executive Officer compensation.)

### ***Exemptions for smaller Issuers***

Problems with executive pay, including inadequate alignment of compensation with performance or poorly framed incentives, are not simply issues for large companies. Furthermore, we do not believe that an advisory vote on pay is any more burdensome for smaller companies than other routine votes, such as those for director elections or to ratify auditors. Hence, Walden supports smaller companies being held to the same standard as larger companies on Say on Pay.

### ***Broker discretionary voting***

Walden also backs the notion that Say on Pay votes themselves, as well as the votes on their frequency, are critical decisions that brokers should not be able to vote on without an explicit mandate from the beneficial owner of the security. Therefore, we back the provision outlined in Section 957 of the Dodd-Frank Act that directs national securities exchanges to change their rules to prohibit broker discretionary voting of uninstructed shares in certain matters, including shareholder votes on executive

compensation, and we support the SEC's decision to apply it to the shareholder advisory vote on executive compensation, as well as to the votes on their frequency.

Sincerely,

A handwritten signature in cursive script that reads "Timothy Smith". The signature is written in black ink and is positioned above the printed name and title.

Timothy Smith  
Senior Vice President  
Director of ESG Shareholder Engagement