Walden Asset Management
Investing for social change since 1975

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

April 29, 2011

RE: Comments on Pay Disparity Disclosure Requirement in Section 953(b) of the Dodd-Frank Act

Dear Ms. Murphy:

I am writing to you on behalf of Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company with approximately $2 billion in assets under management. Walden clients seek the integration of environmental, social and corporate governance (ESG) analysis into the investment decision-making and company engagement process.

We write to support Section 953(b) of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*, which tasks the Securities and Exchange Commission (SEC) with developing a new rule to require corporate issuers to disclose the following information in their proxy statements as part of their executive compensation disclosure:

- "Median of the annual total compensation of all employees, except the CEO (or any equivalent position);"
- CEO's total annual compensation; and the
- Ratio of these two figures.

A number of investors have submitted shareholder resolutions in recent years supporting corporate disclosure of similar pay data. In fact, shareholder concern about the chief executive-worker income gap spans over two decades.

Recent CEO and worker pay trends: As the economy recovers slowly from the financial crisis, CEO pay is on the rebound in a big way. GovernanceMetrics International, a leading independent corporate governance research provider, studied compensation practices of 158 Standard & Poor's 500 index companies that had the same CEO throughout 2009 and 2010. Including salary and cash bonuses, as well as stock and options awarded in previous years that vested or were exercised, median CEO compensation increased 27 percent in 2010, from $7.1 million to $8.6 million, to the highest level since 2007. Meanwhile, average compensation for workers in private industry grew just 2.1 percent in 2010, according to the Bureau of Labor Statistics.

Escalating growth in pay disparity is well documented. For example, according to Institute for Policy Studies research published in September 2010, Executive Excess 2010: CEO Pay and the Great Recession, CEOs of the 50 largest companies were compensated at a multiple of 263

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times the average American worker in 2009. In the 1970s, the multiple was just 30. Furthermore, U.S. pay disparity metrics are relatively large in a global context. A study by Towers Watson found that a typical CEO of a U.S. company with approximately $500 million in revenue received 39 times the total compensation of manufacturing employees, versus 32 times in the United Kingdom, 20 times in Germany, 16 times in Australia, and 11 times in Japan.[1]

Some companies have been responsive to concerns about this pay gap. For example, Whole Foods Market has a "shared fate" compensation cap policy "that limits the compensation (wages plus profit incentive bonuses) of any Team Member to nineteen times the average total compensation of all full-time Team Members in the company."

Clear risks: While justification for generous CEO compensation increases may be explained by profitability metrics and stock market performance, soaring pay disparity raises other questions. For example, were gains in profits related to cost-cutting and layoffs as opposed to new business creation?

We believe growing levels of pay disparity can create long-term risks for companies and the overall economy. High levels of disparity may breed mistrust in the workplace that dampens productivity and leads to higher levels of voluntary employee attrition. Also, given critical public sentiment and scrutiny of CEO pay, excessive executive compensation and disparity may erode reputation and brand value.

Economists have long warned about the risks of growing income inequality generally. For example, in a speech at a Treasury Department conference in Washington, DC, on March 13, 2007, former Federal Reserve Chairman Alan Greenspan said income inequality "is where the capitalist system is most vulnerable. You can't have the capitalist system if an increasing number of people think it is unjust."

Feasibility: We understand corporations and several business associations have voiced concerns about the feasibility of implementing pay disparity disclosure as mandated by Dodd-Frank, and consequently, are calling for a delay or repeal of Secton 953(b). However, we remain convinced that, with minor clarifications, Section 953(b) of the Dodd-Frank Act can be implemented and will yield useful information.

- <u>Calculating CEO pay:</u> The law refers to <u>Section 229.402(c)(2)(x) of Title 17, Code of Federal Regulations</u> to define total compensation. Title 17 defines total compensation as "all plan and non-plan compensation awarded to or earned by" an executive. We encourage the SEC to adhere to this definition.

  <u>Workers outside the United States:</u> The amendment's chief architect, Senator Robert Menendez (D-NJ), indicated in his comment letter to the SEC that the disparity statistic should include all of a company's workers, including those outside the United States. However, we are aware that for the purposes of analyzing trends in executive pay for U.S. based executives, statistics comparing compensation of NEOs relative to the median U.S. employee is most useful. Thus we encourage the SEC to ensure that the domestic median wage gap is disclosed separately.

[1] Towers Watson (then Towers Perrin) "Managing Global Pay and Benefits," 2005-2006.

- <u>Part-time workers:</u> In industries such as the retail sector, part-time workers represent a significant and sometimes majority share of a company's workforce. Therefore, part-time worker pay should be included in the pay disparity calculation, normalized to reflect full-time equivalency.

We thank the staff for its time and attention to this important issue.

Sincerely,

Timothy Smith

Timothy Smith
Senior Vice President
Director of ESG Shareowner Engagement