



**Walden Asset Management**<sup>®</sup>

*Advancing sustainable business practices since 1975*

March 6, 2017

Michael S. Piwowar  
Acting Chairman  
U.S. Securities and Exchange Commission (SEC)  
100 F St. NE  
Washington, DC 20549-1090

RE: COMMENTS ON RECONSIDERATION OF PAY RATIO RULE IMPLEMENTATION

Dear Chairman Piwowar:

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, invests approximately \$3 billion on behalf of clients who seek to integrate environmental, social, and governance (ESG) analysis into investment decision-making and corporate engagement. We write to express continuing support for Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act mandating disclosure of CEO-to-median employee pay ratio (pay ratio). We believe pay ratio disclosure complements the advisory vote on executive compensation (Say-on-Pay) for which Walden was a leading investor proponent, thus enabling better informed investment and proxy voting decisions.

Specifically, the pay ratio provides a valuable additional metric for evaluating and voting on executive compensation practices and Say-on-Pay proxy proposals. Furthermore, the additional accountability may help stem excessive executive pay. Just as many investors assess CEO pay relative to trends in the compensation of other named executive officers, disclosure of the CEO-to-median employee pay ratio helps investors evaluate CEO pay levels in the context of companies' broader compensation structures. Investors will be able to see how the ratio evolves over time at individual companies as well as how companies compare with industry peers that have similar business models. Such public accountability should also encourage consideration of the pay ratio by board compensation committees as they determine executive pay packages.

For example, evidence of a 3-to-5 year period of stagnant returns to shareholders and median employee wages in conjunction with significantly increasing CEO pay would be relevant to investors as they evaluate the performance of members of the Board Compensation Committee. Conversely, investors would assess board members and executive compensation practices favorably if operating results, median employee wages, shareholder returns, and CEO compensation were all determined to be in alignment long-term.

The pay ratio also provides material information to help investment analysts better understand companies' overall compensation approach to developing their human capital. Ample research demonstrates that high pay disparities within a company can hurt employee morale and productivity, and have a negative impact on a company's overall long term performance

(<http://www.aflcio.org/content/download/1090/9807/version/1/Why-CEO-to-Worker-Pay-Ratios-Matter-For-Investors.pdf>). Hence, the wage ratio provides important insights for investors who seek companies with sustainable business models.

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Moreover, we agree with the September 24, 2013 New York Times editorial “Exposing the Pay Gap,” excerpted below, which provide a broader rationale for this Dodd-Frank provision.

“The information is vital. It would allow investors to more accurately judge the effect of pay structures on company performance. It would inform investors’ votes on executive pay, because it would be a benchmark for determining whether executive pay is excessive. It would help regulators and policy makers detect bubbles and impending crashes, because those often correlate to widening pay gaps. It would help alert consumers and taxpayers to companies where work forces are underpaid, even as executive pay soars, a circumstance that often requires taxpayer dollars be spent on assistance to low-wage workers... Company-specific data on pay gaps will force chief executives and their boards to justify just how out of kilter pay scales have become.”

We commend the Commission for creating a pay ratio rule that strikes an appropriate balance between providing useful information to investors and providing issuers with flexibility in its implementation. In a global economy with increased outsourcing, comprehensive information about a company’s pay and employment practices is material to investors.

A September 30, 2013 statement by former SEC Commissioner Luis Aguilar in support of this rule pointed to a study by Bloomberg documenting the dramatic rise in the multiple of CEO compensation relative to rank-and-file workers over time—from 20 times average worker pay in the 1950s to a multiple of over 200 today. Commissioner Aguilar went on to say that: “Given this backdrop, it is not surprising that investors are asking if such a high level of CEO-Pay multiples is in the interest of corporations and their shareholders. As owners of public companies, shareholders have the right to know whether CEO pay multiples reflect CEO performance.” Walden agreed with this then and we could not agree more today.

Walden does not believe that the pay ratio rule requires additional guidance or relief at this time and encourages the Commission to proceed with implementing the rule. Investors and other stakeholders will benefit from this disclosure in investment decision-making as well as proxy voting on executive compensation practices and Say-on-Pay.

Sincerely,

A handwritten signature in black ink that reads "Timothy Smith". The signature is written in a cursive style with a prominent upward stroke at the beginning.

Mr. Timothy Smith  
Director of ESG Shareowner Engagement