



Walden Asset Management

Advancing sustainable business practices since 1975

July 21, 2016

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

Via email to: rule-comments@sec.gov

Re: File No. S7-06-16 – Regulation S-K Comment Release

Dear Mr. Fields:

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, is an investment manager with approximately \$2.8 billion in assets under management. Walden manages portfolios for clients who seek to integrate environmental, social and governance (ESG) analysis into investment decision-making. On behalf of our clients, we also strive to strengthen corporate ESG policies, performance, transparency, and accountability through shareholder engagement.

We appreciate this opportunity to provide our perspective and comments on the business and financial disclosure required by Regulation S-K.

Over the years, Walden has worked in numerous ways to increase the disclosure of ESG information. We are active supporters of CDP (formally the Carbon Disclosure Project), Ceres and the Global Reporting Initiative (GRI). We are members of UN PRI, and have recently we endorsed the UN Guiding Principles Reporting Framework, a disclosure guide related to business and human rights. We have also directly engaged scores of companies over our four-decade history. Many of these dialogues have been constructive and led to meaningful disclosure on ESG issues.

As others have noted, the rise (both in number and vote percent in support) of sustainability disclosure-related shareholder resolutions has been precipitous. Over 100 proposals on environmental issues alone have been filed by investors every year since 2010, with more than 140 filed in each of the last three proxy seasons. In general, these resolutions ask for increased transparency on the risks and opportunities related to ESG factors, as well as the steps companies are taking to mitigate these risks. Similarly, political spending disclosure resolutions have become one of the more frequently filed resolutions, with nearly 100 filed this proxy season.

Walden works with numerous investor coalitions, many of which have submitted comments directly to the SEC as part of the review process. Among others, this includes letters submitted by US SIF (The Forum for Sustainable and Responsible Investment); the Investor Network on Climate Risk, a project of Ceres; the Interfaith Center on Corporate Responsibility (ICCR); the

Corporate Reform Coalition; and the UN PRI. We are pleased to support comments by these broader organizations, but also wanted to take the opportunity to state for the record our perspective on several issues raised in the comment release.

Walden supports a principles-based disclosure regime. A framework to guide ESG disclosure is sorely needed. We agree with comments made by other investors that sustainability information as disclosed to date generally has not been “investment-grade”, nor has it been material (as defined under U.S. securities laws). What is necessary is industry-specific, comparable, complete, auditable, and reliable disclosure. Walden believes that materiality is an appropriate concept to guide such disclosure. We believe that the recently developed framework by the Sustainable Accounting Standards Board (SASB) is a helpful framework for identifying material issues. We also note that reasonable investors disagree on the materiality of specific types of information and not all issues considered material by some investors are captured in the SASB framework.

Principles-based disclosure should be augmented with mandated line-item disclosure requirements. Information on policies, practices and performance with respect to some ESG issues should be disclosed by all reporting entities, regardless of whether or not they are identified by SASB or a similar framework as material to the specific reporting entity, or companies in its industry. We believe such disclosure enables investors to better understand the marketplace as a whole, in which a specific reporting entity is but one participant. Stated another way, line-item disclosure is critically important to enable investors and regulators to better understand potential systemic risks. While arguably each issue may not be clearly “material” for a given reporting entity, disclosure of this information should be seen as essential for participation in the market as a whole. Moreover, we note it is well within the authority of the SEC to mandate disclosure of issues whether or not these are material, as it has the mandate to prescribe rules that are “necessary or appropriate in the public interest or for the protection of investors.”¹

Below we discuss four issues that specifically warrant line-item disclosure requirements for all registrants, regardless of sector or industry. In the case of the first three issues, significant investor support already exists for across-the-board disclosure of these issues:

- **Corporate political spending and lobbying disclosure:** While laws require full disclosure of PAC contributions gathered by companies from employees, there is no requirement to make parallel disclosure of expenditures using company funds. Disclosure related to political spending should include: policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds; monetary and non-monetary contributions and expenditures (direct and indirect) used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections or referenda; an accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the company’s funds that are used for political contributions or expenditures as described above; and the title(s) of the person(s) in the company responsible for the decision(s) to make the political contributions or expenditures.

¹ <https://www.sec.gov/News/Speech/Detail/Speech/1370543104412>

In addition we request the SEC establish clear guidelines for disclosure of information on corporate lobbying directly and through third parties. The specific questions that a company should address include: a summary of primary lobbying priorities, identification of expenditures federally and in states where the companies lobby, whether the company engages in grassroots lobbying, trade association memberships, payments made to any such associations and the percent of that payment allocated to lobbying, and whether the company is a member of any organization which compiles model legislation for lobbying.

- Pay equity: We applaud and support the work of the SEC in developing the pay ratio disclosure requirements. While currently identified as optional, we recommend the SEC make mandatory disclosure of a narrative discussion that helps investors better understand the implications of the ratio and how the disclosing entity views this ratio relative to its business strategy and long-term sustainability as an enterprise. We also encourage the SEC to mandate disclosure related to gender pay equity. We request the SEC consult with stakeholders and develop such a requirement.
- Diversity statistics: We propose that the SEC mandate reporting on workforce and board diversity including disclosure of The Employer Information Report EEO-1, which provides a comprehensive breakdown of a company's workforce by race and gender. This data, which is already collected and reported to the Equal Employment opportunity Commission (EEOC), can be helpful for investors to measure a company's progress on diversity and to compare companies across industries and sectors. In addition, we propose that companies be asked to disclose their diversity policies, steps they take to expand diversity in the workforce and executive ranks, successes they have achieved as well as a description of challenges faced.

We are also supportive of additional disclosure on board diversity. As Chair White stated clearly in an address at the International Corporate Governance Network (ICGN) conference in June, broadening diversity on company boards is an important priority. Recognizing that many companies have ignored SEC disclosure guidance on the subject, simply stating that they do not have a policy on diversity, we request that the SEC mandate disclosure in this area. We suggest all companies should have a formal diversity policy, either standalone or as a component of other governance documents. In addition, companies should disclose steps taken to achieve greater board diversity, for instance a requirement to include women and minority candidates in every director nominee pool, as well as success or challenges the company has faced in meeting its goals.

- Climate change: Walden supports improved climate change-related disclosure by all companies. While the requested line-item disclosures related to the first three issue areas are applicable to all industries, we recommend that disclosure requirements related to climate change be tailored by industry. We believe this is necessary because the nature of the risks climate change poses to specific companies varies significantly and meaningfully industry by industry. We believe all companies should have some minimum disclosure responsibilities, but rather than make specific suggestions here,

we ask the SEC to review the work of the Financial Stability Board's Taskforce on Climate-related Financial Disclosure (TCFD), which is in the process of developing recommendations for disclosure related to climate risks.

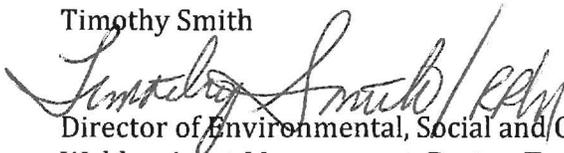
The SEC should take care not to create a structure that creates barriers to disclosure that exceeds minimum requirements. Better yet, Walden encourages the SEC to consider ways in which it could facilitate such disclosure, for example, through the use of hyperlinks to additional information provided by the company in more comprehensive documents. Many companies already disclose meaningful information that goes above and beyond the issues defined as material by SASB.

ESG disclosure is appropriate for all companies. Walden has a long and successful history of encouraging portfolio companies of all sizes, including those in our small cap strategy, to initiate and expand ESG reporting. Over the years we have observed growing investor support for such reporting, regardless of company size. This year, for example, our resolution asking for ESG disclosure at one smaller company, CLARCOR Inc., received majority support from shareholders (61% of shares voted for or against), prompting the company to begin to take action.

Walden applauds the efforts of the SEC in undertaking this comprehensive review of disclosure requirements. We specifically appreciate the opportunity to provide feedback on ESG-related disclosure, which is critical to our ability to make informed investment and proxy voting decisions.

Sincerely,

Timothy Smith



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