Walden Asset Management
Investing for social change since 1975

September 14, 2009

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

Re: Proxy Disclosure and Solicitation Enhancements (File No. S7-13-09)

Dear Ms. Murphy:

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, integrates environmental, social and governance analysis (ESG) into investment decision-making on behalf of our clients who represent approximately $1.4 billion in assets. We write to submit comments on the Securities and Exchange Commission's (SEC) proposed rule under File No. S7-13-09, *Proxy Disclosure and Solicitation Enhancements.*

Of the seven elements in the SEC proposed rule, there are several key items of particular interest to Walden. We reproduce the SEC questions below along with our comments.

Board diversity: *Should we amend Item 407(c)(2)(v) to require disclosure of any additional factors that a nominating committee considers when selecting someone for a position on the board, such as diversity? Should we amend our rules to require additional or different disclosure related to board diversity?*

Walden believes diversity in boardrooms is important for several reasons. A diverse board provides important oversight of management and human resource policies, helping to promote a more inclusive work environment and prevent discrimination. In doing so, diverse boards help companies recruit the best talent, retain staff and boost productivity – an important competitive advantage. They also help mitigate the potential for costly discrimination lawsuits that have created a significant financial burden for shareholders at some companies and damaged corporate reputations.

Moreover, U.S. customers and stakeholders are becoming increasingly diverse. Similarly diverse boards are more likely to anticipate and respond effectively to evolving consumer demand, community concerns and emerging public policy issues and related risks. In sum, diverse boards strengthen corporate financial performance and help reduce risk.

Given our position on the importance of board diversity, Walden's proxy voting policy stipulates a "withhold" vote for directors serving on board nominating committees when there are no women or people of color represented. Additionally, we have filed stockholder resolutions seeking explicit

inclusion of gender and racial diversity among the criteria considered in the director selection process.

Increasingly, a broad and growing group of investors support boardroom diversity. For example, the Council of Institutional Investors amended its corporate governance policies earlier this year to support diversity among board members in experience, age, race, gender, ethnicity and culture.

Many leading corporations are also making the case, speaking publicly and proudly about how board diversity adds to shareowner value and provides important business insights. Former PepsiCo Chairman and CEO, Steve Reinemund, exemplifies this perspective in his statements in the 2006 special supplement of Corporate Board Member entitled *Embracing Corporate and Boardroom Diversity* (in association with Heidrick & Struggles):

> "Before [a company] even begins this journey it must ask, 'Why are we looking at diversity in the first place?,' and that starts with an understanding that doing so is absolutely critical to a business's success,"…"Having a diverse board is critical to fostering a diverse and inclusive culture for many reasons. One, because the board must be fully engaged in this strategic priority that is important to the company. Also, it's important for both external and internal audiences to know that company leadership is passionately committed to a diverse agenda so that it can attract the kind of people who want to be part of such an organization, not one that recognizes it's just a nice thing to do, but one for which diversity is an absolute strategic imperative."

However, while many affirm that diverse boards are a component of good corporate governance, progress toward achieving this goal in the U.S. has been slow. Catalyst, a leading human resources consulting and research firm, reported in its *2008 Census of Women Board Directors* that women represented only 15.2 percent of Fortune 500 directors in 2008, up only slightly from 13.6 percent in 2003. Similarly, a study released in July 2009 on African-American representation on boards of directors of Fortune 500 companies, commissioned by The Executive Leadership Council, found that the number of board seats held by African-Americans has declined by 0.7% in the four years since the group's inaugural board report in 2004, from 8.1% to 7.4% in 2008 (representing a loss of 36 board seats. Disappointingly, corporate boardrooms are far from reflecting the diversity of the U.S. workforce for women (roughly half of employees) or African-Americans (approximately 11%), with other minority groups experiencing similar under-representation.

Therefore, we believe the SEC should amend Item 407(c)(2)(v) and its proxy disclosure rules to mandate the following company disclosure:

- Whether racial and gender diversity is among the criteria considered in the director nomination process; and

- The gender and racial breakdown of directors and director nominees.

We believe companies exemplifying “best practice” corporate governance policies explicitly incorporate racial and gender diversity among the factors considered in selecting new directors. We also believe that companies should demonstrate steps taken to ensure that new board candidates are selected from a pool of qualified candidates that include women and people of color. Numerous companies have agreed with shareowners requesting this policy reform, amending the “job description” or bylaws of board nominating committees to describe their commitment to board diversity.

Hence, we encourage the SEC to require companies to disclose whether they consider diversity in the nomination of directors. Such disclosure would give investors confidence that nominating committees are searching beyond traditional circles to consider fresh and independent perspectives.

Furthermore, we believe companies should disclose data on the gender and racial composition of directors and nominees. An accurate assessment regarding gender and minority representation utilizing current company disclosure documents is often not possible. This information is important to investors to inform proxy voting decisions and evaluate company progress on board composition over time and relative to industry peers. We believe this higher level of accountability, in turn, will help spur increased board diversity, responsiveness and competitiveness.

Voting results: *To what extent would requiring the reporting of voting results on Form 8-K provide more timely information to investors and the markets? Are there any possible adverse consequences to requiring the disclosure of preliminary voting results in a contested election when the outcome is not final? For example, could the preliminary disclosure affect the final outcome? Should the filing period under Form 8-K for the reporting of voting results be longer than four business days? Should we require the reporting of preliminary voting results? Are there unique difficulties or significant costs in finalizing voting results at smaller reporting companies that would warrant a longer filing period for those companies? What factors should we consider in deciding whether to make the filing period longer? Are there situations other than contested elections that might warrant a longer filing period?*

Walden supports the requirement to disclose vote results within four days of an annual or special meeting. This would be a very welcome and necessary change to the *status quo* which has shareholders waiting, at times, months after a meeting to find out the results of key proxy items. Companies often report these results the same day of the meeting, even if there are voting complications. We have not witnessed big differences between initial and final vote results. Yet in a small but significant number of cases where issues of importance to shareholders have been voted, such as “Say on Pay” resolutions, companies have refused to provide the initial vote tally, stating that investors must wait several months for disclosure in the next 10 Q report.

Expediting the turnaround time for disclosing vote results will increase corporate transparency and accountability, while eliminating unnecessary speculation on voting outcomes.

Pay disclosures and parity: *Would expanding the scope of the CD&A to require disclosure concerning a company’s overall compensation program as it relates to risk management and or*

risk-taking incentives provide meaningful disclosures to investors? Should the scope of the amendments be limited in application to specific groups of employees, such as executive officers? Should it be limited to companies of a particular size, like large accelerated filers? Should it be limited to particular industries like financial services, including companies that have segments in such industries? Are
investors interested in disclosure of whether the amounts of executive compensation reflect any considerations of internal pay equity? For example, would investors find such disclosure relevant in considering the motivation and effectiveness of broad based compensation plans? Should we consider proposing additional requirements to address this? For instance, should we consider proposing required disclosure regarding internal pay ratios of a company, such as disclosure of the ratio of the total compensation of the named executive officers, or total compensation of each individual named executive officer, to the total compensation of the average non-executive employee of the company?

Compensation policies and practices from the executive offices to the shop floor are an important component of how a company recruits and motivates employees. Therefore, as the SEC's proposal outlines, we believe that companies should disclose to shareholders the general design and philosophy of the company's compensation policies for employees, as well as the risk assessment or incentive considerations in structuring compensation policies or awarding compensation.

Matters of internal pay equity are also important. Walden would welcome improved disclosure about the structure of financial compensation across occupational categories and geographic locations as a means to assess the effectiveness and fairness of broad based compensation plans.

Fees paid to compensation consultants: *Will this disclosure help investors better assess the role of compensation consultants and potential conflicts of interest, and thereby better assess the compensation decisions made by the board? Would the disclosure of additional consulting services and any related fees adversely affect the ability of a company to receive executive compensation consulting or non-executive compensation related services? If so, how might we achieve our goal while minimizing*
that impact? Are there competitive or proprietary concerns that the proposed disclosure requirements should account for? If so, how should the amendments account for them if the compensation consultant provides additional services?

Walden supports the SEC's proposed amendments to Item 407 of Regulation S-K to require disclosure about the fees paid to compensation consultants and their affiliates when they play any role in determining or recommending the amount or form of executive and director compensation. As the SEC outlines, we also would like to see companies describe any additional services compensation consultants and their affiliates provide the company and disclose any associated fees paid by the company for these services. Eliminating possible conflicts of interest in these areas will significantly increase transparency on executive and director pay practices and help assure shareholders of the integrity of the executive compensation process.

Board oversight of compensation: *Should we consider requiring disclosure regarding whether a member of the compensation committee has expertise in compensation matters and whether the committee has the resources to hire its own independent legal counsel?*

Shareholders have long viewed that having a certified financial expert sit on a company's audit committee is a necessity. Similar board oversight is critical in other areas of corporate conduct, including compensation practices. Therefore, we would like to see the SEC require companies to disclose if its compensation committee has such expertise, the board member's credentials, as well as whether the compensation committee has access to resources to hire independent legal counsel. Such disclosure would signal to shareholders the need for more scrutiny of companies lacking adequate oversight of pay practices, and conversely, would provide assurance when such expertise is utilized.

Thank you for the opportunity to comment on these important reforms to corporate disclosure practices.

Sincerely,

Timothy Smith
Senior Vice President

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