

Via Email

September 15, 2009

Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F St., NE
Washington, DC 20549-1090

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

On behalf of Trillium Asset Management Corporation (Trillium), an investment management company that incorporates environmental, social and governance considerations into investment and management decisions with approximately \$800 million of assets under management, I am writing to express our support for the Securities and Exchange Commission's (SEC) proposed rule, *Proxy Disclosure and Solicitation Enhancements*. We applaud the SEC for continuing to work toward making financial markets more transparent and accountable.

For decades, Trillium has worked hard to hold corporations accountable to its shareholders and its stakeholders, the environment and people that are affected by corporate behavior. We also believe that advocating for meaningful corporate accountability is an effective method to increase shareholder value and promote the development of a sustainable economy. Along with our fellow members of the UN Principles for Responsible Investments, which represent \$18 trillion of assets under management, we believe that it is sound fiduciary practice to engage companies on issues of corporate sustainability. In order to protect and enhance our ability to make well informed voting and investment decisions that meet our fiduciary obligations we strongly support the disclosure of useful and material information as contemplated in this proposed rule.

Of the seven major elements in the SEC proposed rule, we are particularly interested in providing comments on Board Diversity, Voting Results, Pay Disclosure and Parity, Compensation Committee Consultant Fees, and Board Oversight of Compensation.

Board diversity

Trillium believes diversity in boardrooms is important for several reasons. A diverse board provides important oversight of management and human resource policies and can help companies more effectively prevent discrimination and promote inclusiveness. In doing so, diverse boards help companies recruit talent, retain staff and boost productivity. Moreover, diverse boards enhance a company's responsiveness to an increasingly diverse world of customers and stakeholders, thereby helping corporations improve community relations, address emerging public policy issues and

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related risks, and respond to changes in the marketplace for goods and services. In sum, diverse boards improve corporate financial performance.

In fact, dozens of companies speak publicly and proudly about how diversity on their boards adds to shareowner value and provides vitally important business insights. Avon, Colgate-Palmolive, General Mills, and PepsiCo are but a few of the many companies that testify to the value a diverse board adds. In addition, a broad and growing group of investors supports 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. In short, it is evident that business leaders and investors find board diversity an important to the wellbeing of the company.

However, while many have confirmed board diversity as a good business practice, progress in gaining diversity on U.S. companies' boards 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 Americans 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 since the group's inaugural board report in 2004. The percentage of African Americans on corporate boards decreased from 8.1 in 2004 to 7.4 percent in 2008, a 0.7 percent decline. Four years ago, African Americans held 449 corporate board seats, and today they hold 413 or 36 fewer. Disappointingly, corporate boardrooms are far from reflecting the diversity of the global marketplace.

Therefore, we believe the SEC should amend Item 407(c)(2)(v) and its proxy disclosure rules to make it mandatory for companies to disclose:

- Whether diversity is considered in the director nomination process, and
- The gender and racial breakdown of directors and director nominees.

We believe leading companies with good governance practices are those that specifically mention diversity in race and gender in their director selection criteria and consider candidates from non-traditional areas. In addition, companies should ensure that every time a slate of directors is provided, qualified women and minority candidates are included as part of the pool from which they are chosen. In fact, numerous companies have agreed with shareowners and added to the "job description" or bylaws describing the role of the nominating committee a section outlining their commitment to board diversity. 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 viewpoints.

Furthermore, we believe companies should disclose director and nominee race, ethnicity and gender representation data. Gender representation can often, but not always, be determined by analyzing the proxy statement. However, investors are many times unable to determine accurately the level of

minority representation on corporate boards. Representation data has been long sought by investors to make more knowledgeable voting decisions and to evaluate board composition. Investors need this additional disclosure to properly assess the makeup of boards and formulate comparisons across companies. And, we believe, institutional investor fiduciaries require this information to meet their fiduciary obligations. These reforms, in turn, likely will increase board diversity, accountability and competitiveness.

Voting Results

Trillium believes amending the current rule to require companies to report voting results on Form 8-K within four days of an annual or special meeting is a welcome and necessary change to the status quo of having shareholders wait for companies to issue a Form 10-Q, sometimes months after a meeting, to find out the results of key votes. We believe the value of vote totals is greatest immediately after an issuer's meeting. In fact we have witnessed occasions when it appears that issuers are delaying the release of vote totals in an effort to minimize or marginalize strong expressions of support for shareholder proposals on environmental and social issues.

We completely agree with the conclusion that, as the text of the proposed rule states, "If a matter is important enough to submit to a vote at a meeting of shareholders, it likely is important enough to warrant current reporting of the results on Form 8-K." This is true of corporate governance questions, as well as significant environmental and social policy issues. Given that widely used technologies enable companies to report voting results in a matter of days, if not hours, and the well recognized importance of transparency and accountability, we strongly believe that the proposed change is more than adequately justified. In fact, we believe it is incumbent on issuers to provide a highly compelling reason for a reporting deadline greater than four business days – an argument we are confident they are unable to make.

Pay Disclosures and Parity

Compensation policies from the executive offices to the shop floor are important components of how companies recruit and motivate employees. Therefore, we believe, as the SEC's proposal outlines, that companies should disclose to shareholders the general design philosophy of the company's compensation policies for employees, as well as the risk assessment or incentive considerations, if any, in structuring compensation policies or in awarding and paying compensation. Keeping shareholders abreast of changes and potential risks as posed by developments in these areas also is paramount to good disclosure on pay practices.

Equally important to shareholders, we believe, is having the ability to analyze how pay practices across a company compare between top executives and line employees. Runaway executive pay has concerned shareholders for many years, and the current financial crisis has heightened scrutiny of executive pay practices. Sectors under distress during the crisis, including financial services, automotive manufacturing and airlines, have illustrated how stakeholders beyond shareholders, including customers and employees, seek to hold executives accountable and to ensure they are



sharing the burden of reining in costs and restructuring. Boards and company executives not paying close attention to pay practices can quickly experience a backlash from these important groups and run the risk of damaging a company's image, brand and share price.

However, assessing these matters should not be an exercise born out of turmoil, but routine. Good shareholder and labor relations are key ingredients to a winning business plan and should be a matter of regular disclosure. Therefore, we believe companies should discuss how the spread between pay across major classifications of employees could pose risks, including employee, customer and shareholder discontent, by disclosing peer data and policies in these areas and offering comparisons and analysis.

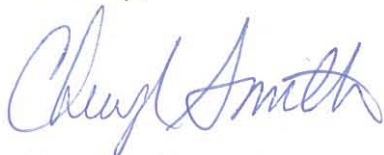
Fees paid to compensation consultants

SIF 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 any affiliates of the consultants provide the company and disclose any associated fees paid by the company for these services. Eliminating conflicts of interest in these areas will go a long way to increasing transparency of companies' executive and director pay practices and help assure shareholders that the information they are receiving through proxy materials in these areas is trustworthy.

Board oversight of compensation

We believe it is necessary for a certified financial expert to sit on a company's audit committee. However, board oversight is critical in many other areas of corporate conduct, especially compensation practices. Therefore, Trillium 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. These types of disclosures would give shareholders the ability to scrutinize companies lacking adequate oversight of pay practices and to assess these risks, along with others, in making investment and voting decisions.

Sincerely,



Cheryl Smith, CFA
President
Trillium Asset Management Corporation