



BOSTON COMMON
ASSET MANAGEMENT, LLC

November 16, 2010

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

RE: Shareholder Approval of Executive Compensation and Golden Parachute Compensation Release No. 34-63124; File No. S7-31-10

Dear Ms. Murphy:

Boston Common Asset Management specializes in sustainable and responsible equity and balanced strategies and has approximately \$1 billion in assets under management. Through rigorous analysis of financial, environmental, social, and governance (ESG) factors we identify attractively valued companies for investment. As shareholders, we urge portfolio companies to improve transparency, accountability, and attention to ESG issues. Leading corporate governance practices and shareholder rights are of particular interest to Boston Common and its clients. We have filed numerous proposals on governance issues and led dialogue with Aflac on the advisory vote, resulting in it becoming the first U.S. company to adopt an advisory vote on executive compensation.

Boston Common Asset Management acknowledges the Securities and Exchange Commission (SEC) for this opportunity to comment on the draft rule, *Shareholder Approval of Executive Compensation and Golden Parachute Compensation Release*. My organization has been very active in filing shareholder proposals asking issuers for annual "say on pay" votes for many years and, therefore, has a very strong interest in the outcome of this rulemaking process. In particular, we would appreciate the SEC's consideration of the following:

- **Flexibility for issuers and shareholders** to revisit the frequency of "say-on pay" when changing circumstances warrant.
- The exact **phrasing** of "say on pay" and vote frequency proposals.
- Exemptions for **small issuers**.

As always, we're happy to answer follow-up questions from the Commissioners and staff on our comments.

Revisiting the Frequency of Say on Pay Votes



The most recent financial crisis has taught us that circumstances can change quickly in financial markets. We firmly believe that shareholders need the flexibility to respond quickly to these changing conditions and, when necessary, to hold companies accountable. As such, we believe the new rules should not preclude shareholders' right to file proposals asking for a change of vote frequency:

This would disempower investors and makes companies less accountable since investors would only get to vote on frequency every six years. Imagine a scenario with a company whose pay practices are seemingly innocuous which gets a plurality vote for a two or three year Say on Pay vote. But the year after the Say on Pay vote, a new set of information emerges e.g. a new CEO is hired with a questionable set of perks and bonuses, e.g. performance slumps and the CEO is given an outsized bonus for leadership in troubled times e.g. a scandal engulfs the company yet bonuses are paid in a business as usual fashion. Investors would be left with limited options e.g. voting against the Compensation Committee.

Shareholders should instead have the opportunity make the case to fellow shareholders in these cases that circumstances had changed, thereby warranting revisiting the frequency of "say on pay" votes. It is unwise for the SEC to dictate before the process starts that an advisory vote (not binding on the Board), should somehow bind the hands of shareholders and prohibit them from raising the frequency question for six years. This is unreasonably restrictive and unnecessary.

In sum, we believe it is unwise for the SEC to dictate before the process begins that a non-binding advisory vote on frequency should somehow shackle the hands of shareholders and prohibit them from raising the frequency question for six years.

Phrasing for Proposals

We do not believe that all management sponsored resolutions need to follow the same model language, as long as the SEC sets out some strong, minimum guidelines. Companies that have already implemented "say on pay" votes provide good examples of the usefulness of offering some flexibility in this area. For instance, some companies have split votes into several sections to address a broader subset of issues, while others have tested specific executive pay points in different years.

Flexibility will encourage inventiveness in this area, while also giving shareholders a chance to evaluate the thoughtfulness of various issuers' proposals in comparison to their competitors' offerings. SEC Staff should monitor carefully the language used by companies in their SOP proposals to ensure that the scope of the SOP vote is described accurately.

Exemptions for Smaller Issuers

Problems with executive pay, including lack of pay for performance or poorly framed incentives, are not simply issues for large companies. We note that smaller companies tend to lag behind larger ones in adopting corporate governance best practices. Furthermore, we do not believe that an advisory vote on pay is any more burdensome for smaller companies than other routine votes, such as those for director elections or to ratify auditors. Because such companies are already making disclosure regarding executive compensation, the only incremental burden would be the addition of a management proposal in the proxy statement and on the proxy card.

We thank you for the opportunity to express our views on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dawn Wolfe".

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