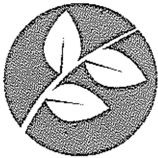

Walden Asset Management

Advancing sustainable business practices since 1975

November 15, 2013

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

Re: Pay Ratio Disclosure, File No. S7-07-13

Dear Ms. Murphy,

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, invests approximately $2.5 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 strong support for the U.S. Securities and Exchange Commission's proposal requiring disclosure of the CEO-to-median employee pay ratio (pay ratio) as mandated by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. 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 likely assess board members and executive compensation practices more 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/file/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 provided 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.

As required by Dodd-Frank Section 953(b), the proposed rule appropriately requires companies to disclose the median pay of *all* of their employees. Given recent labor market trends, many publicly traded companies employ a majority of international employees or part-time employees. Investors will receive an incomplete picture of company pay practices if these employees are excluded from the disclosure.

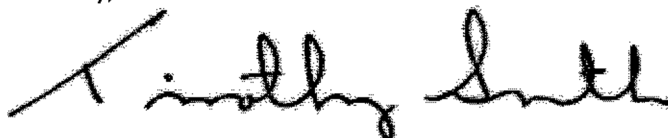
We commend the Commission for proposing to reduce compliance costs and implementation challenges as much as possible without reducing the benefits to investors. The proposed rule gives companies considerable flexibility through sampling or using payroll data to calculate the median. We also support the Commission's proposal to permit companies to provide supplemental disclosure on their overall workforce compensation practices to further inform investors.

A September 30, 2013 statement by SEC Commissioner Luis Aguilar in support of the proposed rule pointed to a recent 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 goes 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 interests of corporations and their shareholders. As owners of public companies, shareholders have the right to know whether CEO pay multiples reflect CEO performance." Walden couldn't agree more.

Walden encourages the Commission to adopt the final rule implementing Section 953(b) of the Dodd Frank Act. 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.

Thank you for the opportunity to provide comment on this important new rule.

Sincerely,



Mr. Timothy Smith
Senior Vice President
Director of ESG Shareowner Engagement