VALUES

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Is Reform a Bonfire of the Loopholes?

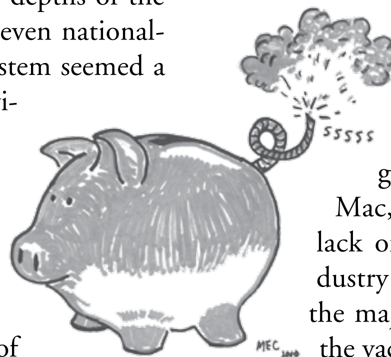
Author's note: By publication, a new financial reform law may have passed.

As winter gave way to spring, health care reform gave way to financial reform. We were all deluged with information regarding the many complex features and the erratic legislative path of the financial reform bill, debuting as the "Restoring American Financial Stability Act of 2010," or RAFSA, on May 20, 2010. During the depths of the financial crisis in 2008, when even nationalization of the U.S. banking system seemed a real possibility, it appeared inevitable that a true overhaul was finally at hand. So is that what we are getting with RAFSA? Or, will the final legislation disappoint as suggested by Michael Hirsh in *Newsweek's* May 21, 2010 article "Bonfire of the Loopholes"?

Origins of the Crisis

There is now a general consensus on the origins of the crisis. Absurdly lax lending standards produced many billions of dollars of mortgage loans that made no economic sense for lenders and stretched the finances of many households beyond reason. Aided and abetted by rating agencies that suffered from a fundamental conflict of interest, investment bankers packaged these loans into purportedly high quality investments, and sold them to all manner of so-called sophisticated investors, including highly leveraged banks, insurers, and hedge funds. Often poorly capitalized buyers and sellers of exotic derivatives then multiplied the risks by betting on the success or failure of the whole sub-prime endeavor.

Astonishingly, the regulators were completely absent at each step in the above-described process. Most fundamentally, the capital requirements for financial institutions proved vastly inadequate. Underlying much of the problem were compensation structures that were blind to conflicts of interest and rewarded irresponsible risk-taking. The grand finale was a taxpayer-funded rescue and the loss of millions of jobs. While this is by no means a comprehensive list of ills—having ignored mortgage giants Fannie Mae and Freddie Mac, for example, or the complete lack of comprehensive insurance industry regulation—it surely describes the majority of the disease. Is RAFSA the vaccine our system needs?



Key Elements of Proposed Legislation

The Senate and the House versions of financial regulatory reform create a Consumer Financial Protection Agency empowered to make rules, examine financial institutions' practices, and take enforcement action to protect consumers from the kinds of business practices that were at the core of the sub-prime lending crisis. It seems obvious that consumer protection should be a key concern of a powerful regulator. In the past, the Federal Reserve had been charged with this duty. Clearly it had not been a priority for the Fed. The House version appears stronger than the Senate proposal, as the Senate would create the agency within the Federal Reserve with some protections for

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About Walden Asset Management

Walden Asset Management is the socially responsive investment division of Boston Trust & Investment Management Company. Walden began offering socially responsive investment services in 1975. We are among the largest and most experienced investment managers specializing in services for individual and institutional investors with social concerns.

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"Say On Pay" To "Listening On Pay"

In 2006, Walden Asset Management filed its first shareholder resolution asking a company to institute an annual advisory vote on executive compensation, soon to be dubbed "Say on Pay." The resolution built on the pioneering work of AFSCME, which filed the first such resolutions in 2005. Initial votes in favor of this governance reform showed very encouraging investor support, often greater than 40 percent. Engagement on Say on Pay was inspired by its practice in the United Kingdom, which had required annual advisory votes since 2002. That process prompted considerable in-depth dialogue between corporate boards and investors on executive compensation, frequently resulting in specific changes in pay philosophy and practice.

In the United States, investors began working together—writing letters, talking to companies, and filing resolutions—ultimately encompassing 75 investors with more than $1 trillion of assets under management. Soon some resolutions began receiving majority votes and, more importantly, companies agreed to implement Say on Pay, led initially by AFLAC.

Stimulated by this new public debate, a group of more than 20 companies and investors formed a working group to dig into the details of providing shareholders the advisory vote. Jointly led by Pfizer, AFSCME, and Walden, the working group also sponsored two roundtables to explore the reform. These sessions were attended by more than 125 companies, investors, and compensation experts. The working group prepared and distributed various background papers on the issue, but did not come to a consensus. Critical differences between investors and companies made that impossible. The very existence of the working group as a cooperative exercise in tackling an important new governance proposal, however, raised the comfort level for many companies. Equally important, the process helped inform members of the U.S. Congress that Say on Pay legislation was a reasonable check and balance on executive compensation that had widespread investor support.

Meanwhile, the public debate on executive compensation reached new levels of focus and controversy, especially during the grinding economic crisis. Hundreds of companies subject to TARP were required by the Treasury to institute Say on Pay votes, giving the financial industry hands-on experience. Executive pay was unlikely to slip off the radar screen.

Fast forward to 2010: Approximately 70 companies have voluntarily agreed to implement Say on Pay. That's a remarkably short period of time for a new corporate governance practice to begin to take hold. Moreover, shareholder resolutions requesting the advisory vote in the last two years have received majority support at over 30 companies, the most recent being a 62 percent vote at the healthcare company WellPoint. This dovetails neatly with the recent U.S. Senate vote on financial reform that includes a requirement for annual Say on Pay votes, making such votes a certain part of financial reform legislation. When President Obama signs this bill, one small but significant part of it will be this long awaited new tool that brings greater accountability on executive compensation.

Now, we move into a new phase. If investors have Say on Pay annually, how do we encourage companies to "listen on pay?" The worst case scenario is that investors receive a ritualized right to vote but companies do not open their ears to shareholder concerns. Of course, when a majority of votes are cast against management-backed compensation proposals, such as with KeyBank, Motorola, and Occidental Petroleum this proxy season, boards are virtually compelled to act. But in the case of State Street, for example, where there is a more modest but still meaningful 15 percent vote against compensation practices and the Chair of the Compensation Committee is not supported by 11 percent of shares voted, what should the company do? To their credit, State Street's Compensation Committee Chair and senior executives met with Walden and thoughtfully discussed its compensation policies and trends.

How will directors and management hone

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Responsible Stewardship of American Indian Assets

partnerships at work

This column highlights selected groups and organizations working to promote social and economic justice, environmental leadership, or corporate accountability. Walden often supports the work of featured groups and partners in research and advocacy initiatives.

Sekoli (SA GO LEE means *greetings*) friends, I am honored to let you know about an important document recently launched, *Creating a Sustainable World: A Guide to Responsible Stewardship of American Indian Assets*. Available on the World Wide Web at www.socialinvest.org/projects/documents/IPWG_Resource_Guide_2010FINAL.pdf, this guidebook was written with the goal of encouraging more tribal participation in socially responsible investing (SRI). The guidebook reflects the collaborative work of numerous individuals, SRI firms and foundations, and the Indigenous Peoples Working Group of the Social Investment Forum. The Oneida Tribe of Indians of Wisconsin contributed to the funding of this project.

Tribal entities may use the tools within the book, with or without their own financial resources. The guide describes how one can become active, even with few financial or technical resources, in the U.S. Securities and Exchange Commission process to affect positive corporate behavior. It is accomplished through collaboration with the valuable network. When we completed work on the guidebook, we saw instantly how it speaks to *all* fiduciaries, not just Native Americans. It has a much greater purpose by speaking to leaders in all capacities.

The guidebook notes the connections between Native and SRI communities; reviews the SRI approaches for American Indian investors; explains integration of environmental, social, and governance (ESG) factors in portfolio screening and benchmarking; and describes community investing, before outlining the roles of investment fiduciaries, with an acknowledgement of the complexity for fiduciaries of the assets of American Indian tribes.

Anecdotally, the guidebook summarizes several shareholder advocacy campaigns, including the successful efforts to encourage ConocoPhillips to adopt a global policy on indigenous peoples' rights and encouraging Liz Claiborne to drop its offensive use of the Crazy Horse name. The section on community investing highlights the 54 Native Community Development Financial Institutions (Native CDFIs) certified by the U.S. Department of Treasury. These credit unions, banks, and loan funds support entrepreneurs, homeowners, and tribal businesses.

Co-authored by Peter DeSimone of the Social Investment Forum and Donald Trone of Strategic Ethos, the Guide is a 2010 publication of the Social Investment Forum Foundation.

As the guidebook's introduction by Sherry Salway Black notes:

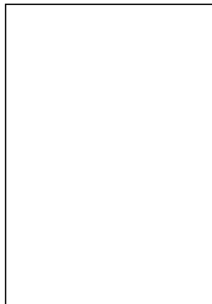
> The Oneida Nation is a proud and progressive nation with a colorful history and rich culture. From their roles and responsibilities as part of the Iroquois Confederacy to the agricultural practices that promoted sustainability and conservation to the investment in their own community, SRI is a common thread weaving through the Oneida culture, history, and community. Today, the Oneida Nation's Trust Committee regularly implements SRI practices through screening, shareholder activism, and community investments… Just as it took more than a decade to build the community development finance field in Native communities, it will take time, education, outreach, and persistence to demonstrate the compatibility between SRI and the goals of tribes and other organizations in Indian Country. It will also take the right strategies and resources to broaden tribes' knowledge and understanding of SRI so that they recognize there are many options available to meet their financial aspirations in ways that address their cultural values.

The SRI work Oneida has done could not have been done without the SRI friends it has made over the years. I see us as a team, helping each other by working for the highest good of all concerned. I ask you to examine this brief guidebook and let us know how the information may help you be the best fiduciary or leader you need to be.

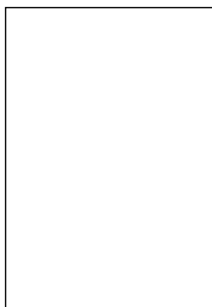
S. White

Susan White is a member of the Steering Committee of the Indigenous Peoples Working Group of the Social Investment Forum, and is director of the Trust of the Oneida Tribe of Indians of Wisconsin. The Oneida have pursued socially responsible practices for centuries.

RESEARCH & ADVOCACY IN ACTION



Heidi Soumerai is Director of ESG Research.



Marcela Pinilla is an ESG Research Analyst.

As summer begins we leave behind the high season of company annual meetings where stockholders introduce and vote on shareholder resolutions on environmental, social, and governance (ESG) topics. (At right, see *Summary of Walden's 2010 Shareholder Resolutions.*) For Walden, this is just one point on the continuum of portfolio company engagement, which often spans many years and employs multiple approaches to encourage more sustainable business practices.

Summary of Resolutions

To date this year, Walden has led or co-led 16 shareholder resolutions addressing corporate ESG performance. Of these, nine were withdrawn after reaching substantial agreements with the companies and seven went to a vote. We also co-filed five resolutions with other investors.

What leads Walden to withdraw a resolution? We look for significant improvement in a company's policies, practices, or transparency related to the ESG topic in question. Such progress is exemplified in our withdrawals this year: **Baldor Electric**, **Credo Petroleum,** and **Time Warner Cable** agreed to initiate or expand ESG disclosure and public reporting. **Team** updated its policy on corporate social responsibility**. Expeditors International** and **Watts Water Technologies** amended their director nomination processes to address explicitly gender and racial/ethnic diversity in the director selection process. **Colgate-Palmolive** and **Procter & Gamble** strengthened accountability on executive compensation by agreeing to provide shareholders an advisory vote, known popularly as "Say on Pay." Finally, **PepsiCo** announced its intention to boost U.S. industry container recycling rates (for PET plastic, glass and aluminum containers) to 50 percent by 2018 (from 32 percent today) through industry partnerships, consumer programs, and other initiatives with U.S. bottlers, suppliers, communities, governmental entities, and nongovernmental organizations.

When votes went to ballot, shareholder support for Walden's resolutions was strong, ranging from 17 percent (requesting **State Street** to separate the positions of board chair and CEO) to majority support of 60 percent (asking **Layne Christensen** to produce a sustainability report)—an unprecedented result for a sustainability (or ESG) reporting resolution. Walden's Say on Pay resolution at **Walt Disney** also won majority support. Certainly, shareholders are sending an unambiguous signal that investors value good ESG performance and better accountability.

Progress through Dialogue

Strong voting support in one year often leads to constructive dialogue and action in the next. Walden did not file repeat shareholder resolutions on Say on Pay at several companies that provided the advisory vote this year including **General Mills**, **Hain Celestial,** and **Microsoft**. Shareholder leverage in company dialogues is amplified when institutional investors work in coalition. In January, over two dozen investors joined Walden—including large pension funds such as TIAA-CREF, public retirement systems of California and Connecticut, and AFSCME; faith-based investors; and mutual fund companies and investment firms—in an open letter to 18 major financial firms asking them to voluntarily provide shareholders with Say on Pay. Nearly all (16 companies) implemented the advisory vote, including some that were not required to do so given that they had paid back Troubled Asset Relief Program (TARP) funds.

Sale of BP

Along with so many others, we are horrified by the human, environmental, and economic devastation being wrought by the blowout of the Deepwater Horizon drilling rig operated by **BP** in the Gulf of Mexico. Previously, in February, we sold the bulk of BP shares in Walden accounts where there were no significant tax consequences because our internal assessment concluded that the company demonstrated a continuing pattern of safety violations. The decision was informed by the Occupational Safety and Health Administration's strong rebuke of BP in the fall of 2009, resulting in a record $87.4 million fine, for failing to address adequately the hazardous work environment that led to the fatal explosion at its Texas refinery in 2005.

–M. Pinilla and H. Soumerai

SUMMARY OF WALDEN'S 2010 SHAREHOLDER RESOLUTIONS

Much of Walden's success in advocating for greater transparency and corporate social responsibility comes from constructive dialogues with companies over many years, entirely outside of the resolution process. Yet sponsoring shareholder resolutions remains an important avenue for investors to influence company practices. These resolutions can be an important tool for change, as illustrated in this summary of 2010's shareholder resolutions.

CORPORATE GOVERNANCE

Board Diversity

Corporate governance research increasingly documents the added value that comes with gender and racial/ethnic diversity on corporate boards. Resolutions requesting **Expeditors International*** and **Watts Water Technologies** to take steps to diversify their boards were withdrawn after both companies added language explicitly addressing gender and racial/ethnic diversity in the director nomination processes.

Executive Compensation

A shareholder advisory vote on executive compensation, also known as "Say on Pay," is expected to be included in pending U.S. financial reform legislation. Until such a mandate exists, Walden continues to advocate for this reform. Walden withdrew resolutions at **Colgate-Palmolive*** and **Procter & Gamble** after they agreed to provide the advisory vote. Those that went to ballot received a high level of shareholder support: **Johnson & Johnson** (48 percent), **Walt Disney** (51 percent), and **IBM**** (45 percent).

Political Contributions

In the aftermath of the January 2010 U.S. Supreme Court decision in Citizens United vs. Federal Election Commission, transparency on corporate political spending is even more important. Yet the SEC permitted the resolution asking **AT&T**** to expand such disclosure to be omitted from the company proxy.

Separation of Chair and CEO

Separating the positions of chair and CEO strengthens board independence and management oversight and is considered "best practice" corporate governance. A resolution requesting this board structure at **State Street** received support of 17 percent of votes cast.

Sustainability/ESG Reporting

Encouraging greater disclosure of ESG progress, challenges, and results through ESG or "sustainability" reporting remains a central focus of Walden's engagement, particularly at small cap companies where such reporting is much less common. Sustainability reporting resolutions were withdrawn at **Baldor Electric**, **Credo Petroleum,** and **Time Warner Cable** after they agreed to develop or expand public reporting. **Team** improved its corporate social responsibility policies as a foundation for future reporting. Resolutions that went to a vote garnered significant shareholder backing: **C.R. Bard** (32 percent); **Gentex** (33 percent), **Layne Christensen** (60 percent) and **St. Jude Medical** (43 percent). The latter resolution was re-submitted for 2010, after being withdrawn in 2009, because St. Jude Medical failed to act on its commitment to develop a report. These high vote totals signify that investor desire for greater transparency on ESG performance is becoming mainstream.

ENVIRONMENTAL IMPACT

Climate Risk

Walden re-filed a resolution asking industry giant **ExxonMobil**** to adopt quantitative goals on reducing greenhouse gas emissions from its products and operations. The resolution received voting support of 27 percent.

Oil Sands

A repeat resolution requesting **ConocoPhillips**** to prepare a report on the environmental damage that would result from the company's expanding oil sands operations in the Canadian boreal forest received 27 percent support.

Recycling

Building on years of engagement as co-leader, Walden's resolution asking **PepsiCo*** to adopt publicly stated, quantitative goals for U.S. beverage container recovery and recycling was successfully withdrawn. PepsiCo announced publicly its goal to increase industry-wide U.S. beverage container recycling rates to 50 percent by 2018, from 32 percent today.

COMMUNITY IMPACT

Human Rights

For the second year, Walden filed a resolution addressing freedom of association and privacy concerns associated with **Cisco Systems**** operations in countries with poor human rights records. Pending a fall annual meeting, the proposal asks for an assessment of steps the company could reasonably take to mitigate the likelihood of complicity in violations of human rights.

To strengthen our influence, Walden often collaborates with other concerned investors.
**In order, Walden co-led with clients or other investors these resolutions: United Methodist Church, Needmor Fund, As You Sow*
***In order, these shareholder resolutions co-filed by Walden were led by: Boston Common Asset Management, Domini Social Investment, Sisters of Saint Dominic of Caldwell, NJ, CalSTRS, Boston Common Asset Management*

the agency's independence, while the House would establish a fully independent agency. Due to the critically important nature of the task, we favor a strong, independent agency.

For decades the fiduciary standards applicable to investment advisers and broker-dealers have been quite different from each other. Both the Senate and the House versions direct the SEC to improve the standards of fiduciary duty owed to customers of broker-dealers, albeit in different ways. Perhaps Goldman Sachs could have avoided its current battle with the SEC over allegedly failing to disclose critical information to investors had such standards been in effect. Here again, the House version appears superior, as the SEC study and rule-making mandated by RAFSA could easily be hijacked by industry and lobbyists over time. Also noteworthy, both houses of Congress would require the registration and regulation of hedge funds and other private equity funds in order to prevent many of the abusive practices that are widely believed to have exacerbated the crisis.

Lucia Santini is a Senior Portfolio Manager.

Both versions of the proposed legislation require much of the business of trading derivatives to move onto an exchange with regulatory oversight. This would subject market participants to capital, margin, and collateral requirements as well as provide greater visibility for investors and regulators to assess risk. The Senate version is considerably stronger on this point due to its prohibition of Fed or FDIC backing for derivative dealers. Most analysts believe this provision would drive financial conglomerates to divest such businesses. Rest assured that the legion of lobbyists camped in the Capitol are focused on limiting proposals to regulate derivatives. At this writing, there is a move afoot in Washington to enact stronger derivatives reform than currently appears in either bill. We at Walden are enthusiastic proponents of the strongest possible regulation of the derivatives business.

Both versions of proposed reform also establish a council of regulators empowered to closely monitor and, as appropriate, enhance regulation of any financial company determined to be systemically significant. This provision, among others, is designed to address the "too big to fail" conundrum. We wonder if breaking up the mega-banks would have proven more successful in the long term, despite its greater near term complexity.

Neither the House nor Senate proposes comprehensive changes to bank capital requirements. Insufficient capital, in the form of equity available to absorb losses and prevent financial institution failure, was a key issue in both the highly regulated and less well regulated areas of the financial system It is important to note that key changes in permissible leverage and other capital enhancements have not yet been fully established. Treasury Secretary Timothy Geithner has been traveling extensively to press for a coordinated, comprehensive set of standards that would lessen the probability of a future global financial crisis. There is hope that Basel III, a global set of financial institution capital standards, will establish such a regime in the coming months.

These are, at best, a bird's eye view of a few key areas and shortcomings of the proposed legislation—those that appear directly responsive to the pain of recent experience. Walden had been active in public policy advocacy in other important areas addressed by the financial reform legislation prior to the crisis. Key among these are areas of good corporate governance such as "Say on Pay," proxy access, and majority voting.

Walden Advocacy

Walden's advocacy work in "Say on Pay" began in 2006 with questions raised concerning the escalation of compensation packages and the frequent lack of relationship between executive compensation and shareholder value. Walden wished to create the opportunity for shareholders to weigh in on compensation structures. The near collapse of the financial system and the widespread realization that many now-disgraced financial executives received hugely inflated compensation packages based upon profit that has proven phantom changed the intensity of public and investor scrutiny of pay. Walden worked to focus both House and Senate attention on this important issue that is now part of RAFSA.

In addition, Walden wrote to Senators Christopher Dodd and Scott Brown and offered our comments. We focused on our support for greater industry oversight and stronger regulation, the establishment of a systemic risk regulator, reform of credit rating agencies, an independent and stronger consumer protection agency, regulation of hedge funds and derivatives, majority voting for directors, and compensation "clawback" provisions.

As the wheels in Washington grind forward to the final legislation powered by lobbyists, election year politicians, and bitter partisans, we hope that the strongest provisions will survive. We risk, however, having missed a once-in-a-lifetime opportunity to really streamline and strengthen our regulatory infrastructure. We believe that the final legislation will trigger many changes for the better in financial business practices. Some will surely reduce the profitability of financial companies, a fair price to pay for greater financial stability. Will they prevent the next bubble or the need for future bailouts? Not likely. History suggests that human nature will, over time, discover and exploit each and every loophole in the system.

–L. Santini

"LISTENING ON PAY" FROM PAGE 2

their listening skills and communicate effectively with investors? What do they do if a compensation package is voted down or receives a large Against vote? What impact will this all have on evolving compensation philosophy and practices in the United States? This is the next chapter of Say on Pay.

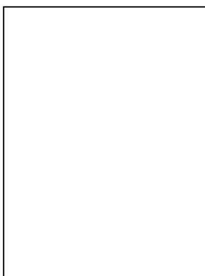
–T. Smith

cutting edge companies

Wright Medical Technology

"My knees bother me when I run."
"My hips hurt when I bike."
"My wrist aches after I play tennis."

Are any of these complaints familiar to you? If so, you're in good company. Every day, more than 20 million Americans feel some form of osteoarthritic pain. Osteoarthritis, also called degenerative joint disease, is a condition that results from the breakdown of cartilage in joints, limiting its shock absorption properties and causing joint aching and soreness, especially with movement. Osteoarthritis affects people of all ages but is most common among people over the age of 60. Heredity, injury, joint overuse, and obesity may contribute to the condition. Does this mean those severely afflicted are doomed to a life without physical activity? No! Joint function can be improved through orthopedic medical devices.



Heidi Vanni is a Portfolio Manager and Securities Analyst.

Founded more than 50 years ago, **Wright Medical Technology, Inc.** is one of the world's premier orthopedic device companies. Wright specializes in the design, production, and marketing of reconstructive joint devices. The company seeks to restore active lifestyles through orthopedic innovation with products such as large joint implants for the hip and knee and smaller extremity implants for the hand, elbow, shoulder, foot, and ankle.

The last decade has witnessed rapid technological innovation in the orthopedic device market and patients have been the beneficiaries. Joint reconstructive surgical procedures used to be for people 65 years and older and who lived a sedentary lifestyle. Recipients of hip and knee implants are now generally 45 years of age and older. Recent product improvements such as more durable surfaces extend the expected life of joint replacements, allowing surgeons to feel more comfortable treating patients at a younger age. Furthermore, advances in minimally invasive surgical techniques have helped reduce postoperative recovery times, making joint replacement a more attractive treatment option for younger patients.

Hips and knees are the most common joints for reconstruction and approximately half of Wright's business is geared towards these two joints. But Wright has differentiated itself in the extremity repair market by cultivating an expertise in foot and ankle repair. Historically, foot and ankle surgeons were forced to modify plate and screw systems originally intended for larger joints. Wright has developed a broad set of tools specifically for the foot and ankle surgeon including metal plates and fixation devices, which enable better outcomes.

Thanks to advances in reconstructive joint devices, your days of pain-free running, biking, and tennis are just a procedure away. So go ahead and lace up those sneakers—Wright Medical will help you go the distance.

–H. Vanni

Estate Tax Limbo Should Prompt Action

We are halfway through the year and still no action by Washington regarding the estate tax. The Congress has been too busy dealing with economic crises, health care, and the like to put the much needed focus on the estate tax. Under current law the estate tax has been repealed for 2010 and then returns to 2001 levels ($1 million exclusion) in 2011. Many experts believe that the estate tax exemption will be retroactively reinstated to the 2009 level of $3.5 million for 2010 but the fact remains that no one knows the outcome for sure.

Stephen Benevento is an Administrative Officer.

But Congress's inability to get its act together should be no excuse for any of us to avoid reviewing our estate plans. In fact, just the opposite is true. With all the uncertainty surrounding this issue it is more important than ever to review your current plan and documents. For example, the drafting of your trust may not have considered any of the changes now being debated. This could result in a distribution of your wealth that is inconsistent with your intentions. It also increases the risk of unnecessarily paying higher taxes.

When reviewing your trust documents, take the time to give your entire estate plan a check-up. Start by making sure your basic documents are up to date: durable power of attorney, beneficiary designation forms (for both IRAs and other retirement plans), health care proxy, and your will. This is also a good time to review your charitable intentions to ensure they will be part of the legacy that your estate plan helps provide.

–S. Benevento, CFP ™, CTFA

As always, we strongly recommend consulting with your tax advisor prior to making any decisions related to your tax or estate plans.

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Values

Congratulations!

It gives us great pleasure to report that our own Tim Smith was recently the recipient of two awards paying tribute to his decades-long contribution to greater corporate social responsibility through shareholder engagement. In March Tim received an Award for Building Partnership's for South Africa's Equitable Development from Shared Interest, a non-governmental organization that guarantees bank loans to mobilize resources for economic development in low-income communities in South Africa. In May Tim was the recipient of the third annual *Joan Bavaria Awards for Building Sustainability in the Capital Markets*, awarded by Ceres and Trillium Asset Management to honor the memory of their founder, Joan Bavaria, who was a pioneer of social investing.

For over forty years Tim has promoted increased corporate social responsibility, beginning with the South Africa anti-apartheid campaign. This campaign, which culminated in successfully persuading banks worldwide to deny capital to South Africa, helped persuade the South African Nationalist Party and President F. W. De Klerk to change political course, release Nelson Mandela, and begin to dismantle apartheid. A turning point in that effort was the successful persuasion of Chase Manhattan Bank to be the first bank to cease lending to the apartheid regime.

In the 1970s, Tim was unique among advocates at that time because of his direct shareholder engagement with corporate management. In his role as executive director of the Interfaith Center of Corporate Responsibility (ICCR), which became the de facto clearinghouse for shareholder activism of all kinds, Tim engaged with corporate management on a broad spectrum of issues. Along with religious investors, Tim never gave up on the possibility that corporate management could be persuaded to do the right thing. To that end, among his greatest accomplishments has been building collaboration for constructive corporate social change among a broad network of socially concerned shareholders: states, municipalities and their pension funds; investment management firms; labor unions; foundations and other endowments; other non-governmental organizations; and, of course, the many religious organizations with which he originally worked.

Tim Smith is Director of ESG Investing.

In the past decade we have been extremely fortunate that Tim has made Walden Asset Management his home away from home. He has continued to work selflessly on the issues of our time, including executive compensation, corporate lobbying, greater corporate accountability and transparency, environmental protection, and workplace conditions. In particular, Tim has co-led a coalition of investors, corporate governance experts and companies supporting "Say on Pay" urging the adoption of the reform as "best practice" corporate governance.

We extend our heartfelt congratulations to Tim.

–S. Moody