



Interfaith Center on  
Corporate Responsibility

*Inspired by faith, committed to action*

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March 28, 2007

Congressman Barney Frank  
2252 Rayburn House Office Building  
Washington, DC 20515-2104

Dear Congressman Frank:

I am Veteran and I work as Director of Corporate Governance issues with the Interfaith Center on Corporate Responsibility. I live in New Jersey not far from a National Guard unit that was deployed to Iraq. This National Guard Unit has had to set up a food pantry for military family members because of the difficulty to put food on the table. Our local groceries stores are handing out leaflets for collecting food for military families. Now I also live not far from some of the biggest DOD contractors like Honeywell, whose CEO got \$20.3 million in compensation last year. Why am I collecting donations for food to give to military families while DOD Contractors are collecting millions in bonuses? Why am I subsidizing corporate pay while some military families are being given peanuts?

I am writing about your HR 1257, in particular the section of the bill proposing an annual shareholder advisory vote on executive compensation report. I believe it is absolutely necessary to look at the environmental, social and governance issues that have a distinct impact on long term shareowner value. It is part of our social and fiduciary duty to engage companies on these issues.

Strong corporate governance is increasingly understood as essential in protecting shareholder interests. Certainly the executive compensation philosophy and package is a central part of good governance. We are pleased that the new SEC compensation disclosure requirements are in place, this will help investors enormously.

However, as SEC Chairman Cox clearly declared, the SEC's role is to insure that investors have clear and accurate information on compensation. The SEC is not planning to intervene further on executive pay but expects the markets to play that role.

At present investors have few real tools to address concerns related to packages that are inadequately aligned with shareowner value that includes perks that are questionable or that provide excessive compensation.

Investors can write a letter of opinion to the Compensation Committee of the Board, or if sufficiently opposed, can withhold votes for Directors who serve on the Compensation Committee, a blunt instrument.

We believe additional checks and balances are desperately needed if shareowners wish to register our concerns with, opposition to, or positive approval of a specific compensation package. The investor community is already actively encouraging companies to adopt an Advisory Vote practice. As you may know, this year over 40 institutional and individual investors

filed shareholder resolutions with approximately 60 companies requesting that they set up an Advisory Vote process. The sponsors included pension funds like CALPERS, NYCERS and the State of Connecticut, 6 trade union pension funds including AFSCME, SEIU, AFL-CIO, along with 25 religious investors and a number of investment firms and mutual funds concerned about good governance.

AFLAC was the first company to respond positively committing to adopt this practice. Approximately a dozen other companies have also responded constructively stating that the concept of an Advisory Vote has merit and that they would work with investors to study how such a practice could be put into effect in the U.S. markets. Companies involved in this study process include Pfizer, Schering Plough, Prudential, EMC and Intel among others.

While some companies have indicated an interest in working constructively with investors on this issue, we have not seen a widespread embrace of this important shareholder rights initiative by corporate America. The current trend will likely result in a few leaders adopting this emerging governance best practice, with many other companies failing to do so. As investors who have exposure in a variety of companies across a range of sectors it is our view that it is better to have a common practice to be followed by all companies so there is a level playing field.

The proposal to have an Advisory Vote provides an important vehicle for investors to be annually polled on their position of the Board's Compensation Package. We support HR 1257.

Sincerely,



Gary Brouse  
Program Director, Corporate Governance  
ICCR

cc: Congressman Rothman