

Joint Statement on Corporate Board Diversity

As fiduciaries to pension funds responsible for the retirement security of millions of Americans, it is our job to ensure that the companies in which our funds invest are governed with a steadfast focus on creating sustainable, long-term value.

In this role, we want the boards of directors at our funds' portfolio companies to be comprised of the best and brightest individuals who collectively possess the skills and perspectives necessary to oversee the companies on their shareholders' behalf. Boards comprised of individuals with diverse backgrounds and experience better serve all investors. Not only does ensuring that boards are open to the best talent make intuitive sense, but research demonstrates that board diversity improves financial performance, leverages talent, enhances firm reputation, and increases innovation and group performance.ⁱ

Accordingly, boards should cast wide nets in their search for the best talent and include nominees who are diverse in terms of race, gender, and LGBT status.

Yet despite the evidence that diversity in the boardroom matters, statistics and trend lines indicate that progress remains unacceptably slow:

- **White directors hold 85% of the board seats at the largest 200 S&P 500 companies**, a number that has gone unchanged in recent years. In fact, the percentage of those boards with exclusively white directors increased from 10% to 14% in the last decade.ⁱⁱ
- **Men occupy 80% of all S&P 500 board seats.**ⁱⁱⁱ Even if women joined corporate boards at more than double the current rate, it would still take 40 years for women to have an equal presence on S&P 1500 boards.^{iv}
- **Straight directors predominate in corporate boardrooms**, with one organization estimating that there are fewer than 10 openly lesbian, gay, bisexual, or transgender directors on Fortune 500 boards – or less than 0.3% of directors.^v

The responsibility for diversifying boards ultimately falls on existing board members, who determine which candidates are put up for election on the corporate ballot. Unfortunately, many existing directors appear content with the status quo: Only 32% of male directors consider gender diversity to be very important and an even smaller number of male directors -- 24% -- believe racial diversity to be very important, according to PwC's annual director survey.^{vi}

As Isaac Newton famously concluded, objects at rest will tend to stay at rest unless acted upon by an outside force.

Institutional investors must therefore act. With empirical support that board diversity enhances value and evidence that valuable perspectives may not be receiving due consideration from boards, investors can and should promote better board composition and hold existing directors accountable in situations where boards remain homogenous and insular.

Many of the pension funds where we serve as fiduciaries have assumed significant leadership on this topic for years; others are giving it new consideration. But as fiduciaries, we are unified in the belief that the lack of diversity on corporate boards is a significant risk factor for investors and that a broader group of investors must act to match the scale of the problem.

We also believe that fiduciaries can provide important leadership in the adoption of corporate governance policies that guide how investors communicate, engage, and vote at portfolio companies. Specific approaches to board diversity will vary, but best practices include:

- Consideration of multiple forms of diversity, including racial, gender, and LGBT diversity.
- Engagement regarding board search processes, assessments, and nominations.
- Inclusion of board diversity as a factor when evaluating votes on proposed board nominees.
- Disclosure by portfolio companies, in a simple chart or matrix, of the gender, race, and ethnicity of board nominees.
- Support for proxy access provisions that enable long-term shareholders to nominate directors for consideration on the corporate ballot.

We recognize that meaningful board diversity won't be achieved overnight. That is why, as fiduciaries who oversee the retirement savings of millions of hard working Americans, we must act today to make this issue a priority. Because one thing is clear: existing corporate boards must do better. And all investors have an important role to play in holding directors accountable to increase the pace of change.

Signed,



John Chiang
California State Treasurer



Deborah Goldberg
Massachusetts State Treasurer



Betty T. Yee
California State Controller



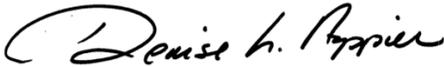
Scott Stringer
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Kurt Summers
Chicago City Treasurer



Thomas DiNapoli
New York State Comptroller



Denise Nappier
Connecticut State Treasurer



Ted Wheeler
Oregon State Treasurer



Michael Frerichs
Illinois State Treasurer



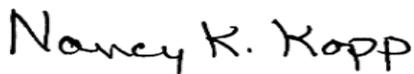
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Peter Franchot
Maryland State Comptroller



Seth Magaziner
Rhode Island General Treasurer



Nancy Kopp
Maryland State Treasurer



Dan McAllister
San Diego County Treasurer-Tax Collector

ⁱ http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf

ⁱⁱ P. 17, https://www.spencerstuart.com/~media/pdf%20files/research%20and%20insight%20pdfs/ssbi-2015_110215-web.pdf?la=en

ⁱⁱⁱ P. 16, https://www.spencerstuart.com/~media/pdf%20files/research%20and%20insight%20pdfs/ssbi-2015_110215-web.pdf?la=en

^{iv} P. 9, <http://www.gao.gov/assets/680/674008.pdf>

^v <http://outleadership.com/quorum/>

^{vi} <http://www.bloomberg.com/bw/articles/2014-09-12/why-corporate-boards-are-so-white-and-male-in-one-chart>