



The Office Of State Treasurer  
Denise L. Nappier

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## News

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### **CRPTF AND OTHER INSTITUTIONAL INVESTORS CALL ON SECURITIES AND EXCHANGE COMMISSION TO STRENGTHEN CORPORATE BOARD DIVERSITY DISCLOSURE**

HARTFORD, CT -- Nine large public pension funds, including the Connecticut Retirement Plans and Trust Funds ("CRPTF"), have called on the Securities and Exchange Commission ("SEC") to strengthen the disclosure of corporate board diversity.

In a joint letter, the funds urged the SEC to adopt a rule requiring corporate disclosure of board nominees' gender, race, and ethnic diversity, as well as their mix of skills, experiences and attributes. The nine funds collectively represent assets in excess of \$1.12 trillion in assets.

"Board diversity is not merely a numbers game," said Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$30-billion CRPTF. "The crux of a company's philosophy should indicate that it values diversity -- at the board level and throughout the workplace -- as a net plus financially for its sustainable health."

The proposal to the SEC emphasizes the missed opportunities when corporate governing boards lack diversity, which could lead to "groupthink" or lack of differing views resulting from a homogenous group. The letter cites a 2011 International Monetary Fund report stating a "high degree of groupthink" contributed to the IMF's failure to correctly identify the risks leading up to the worldwide financial crisis. A 2012 Credit Suisse study that focused on women on corporate boards found that companies with at least some female board representation did better in terms of share price performance than those with no women on the board.

"Institutional investors like Connecticut have long insisted -- and there are studies to back us up -- that board diversity is positively correlated with long-term shareholder value. The disclosure we call upon the SEC to require not only acknowledges the link between diversity and performance, but also is an explicit recognition of investors' right to information about the composition of the governance structure that influences so powerfully a company's long-term outlook," Treasurer Nappier said.

“Throughout my 16-year administration, and since the SEC adopted its 2009 diversity disclosure ruling, it has become abundantly clear that weak disclosure on board diversity engenders weak or insincere support of diversity policies and practices, and inhibits shareholders’ ability to make informed voting and investment decisions. This request of the SEC to require specific board demographic information is both reasonable and the right thing to do,” Treasurer Nappier said.

The letter to the SEC discusses the limitations of the current disclosure requirements and points out the more meaningful disclosure standards in other countries.

“As large institutional investors, we have a real interest in electing a slate of board nominees who are well-positioned to help carry out a company’s business strategy and meet our long-term investment needs,” the investors wrote in the SEC letter. “We believe better disclosure about the board’s skills, experiences, gender, race, and ethnic diversity can help us as investors determine whether the board has the appropriate mix to manage risk and avoid groupthink. For these reasons, we urge the Commission to initiate a rulemaking process to require better disclosure.”

On behalf of the CRPTF, Treasurer Nappier has spearheaded Connecticut’s ongoing initiative to increase the participation of women and minorities as members of Boards of Directors of corporations in which the pension fund invests. Since she took office in 1999, the CRPTF has engaged in a wide array of activities; among them, it has initiated dialogue with portfolio companies, worked with broad coalitions to recommend best practices, led letter-writing campaigns that reached more than 100 companies, submitted proposals for improved disclosure to the Securities and Exchange Commission, and filed more than 20 shareholder resolutions regarding diversity.

Although there remains a persistent underrepresentation of women and minorities on company boards today, one at a time and systematically, progress is being made in corporate culture. Earlier this week, the CRPTF withdrew a shareholder resolution it had filed at Urban Outfitters asking the company to consider women and minority candidates for the Board after the company finally appointed an independent female director to its Board.

Besides Treasurer Nappier, signing the letter were: William Atwood, Executive Director of the Illinois State Board of Investment; Karen Carraher, Executive Director of the Ohio Public Employees’ Retirement System; Janet Cowell, Treasurer of North Carolina; Thomas DiNapoli, Comptroller of New York State; Scott Stringer, Comptroller of New York City; Anne Sheehan, Director of Corporate Governance for the California State Teachers’ Retirement System; Anne Simpson, Director of Global Governance for the California Public Employees’ Retirement System; and Theresa Whitmarsh, Executive Director of the Washington State Investment Board.

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