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for women and business

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September 15, 2009

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Request for Comment – File No. S7-13-09  
Proxy Disclosure and Solicitation Enhancements

Dear Ms. Murphy:

Catalyst appreciates the opportunity to comment on the Securities and Exchange Commission's proposed rule, Proxy Disclosure and Solicitation Enhancements, particularly as it relates to the value of board diversity, to the business case which supports it and to our recommendations re disclosure and women's representation on corporate boards.

#### About Catalyst:

Founded in 1962, Catalyst is the preeminent non-profit research organization working globally to build inclusive workplaces that advance women and business. With over 400 leading corporations and professional firms as members, we are recognized by industry leaders, policy decision-makers and media alike for the rigor and integrity of our research, as well as for the strategic advisory services which turn our research into actionable strategies for our members. Headquartered in New York City, with offices in California, Canada and Europe, Catalyst is quoted regularly in U.S. and international media. Our members tell us that we are their trusted advisor and their first-line go-to on issues relating to women in the workplace and their advancement into business leadership.

In this comment letter, we address several issues:

- The value of a diverse corporate board
- The business case for gender diversity
- Recommendations for disclosure and transparency around board diversity
- Recommendations for gender diversity on corporate boards

#### The value of a diverse corporate board:

It is universally recognized that diverse teams, well managed, yield better results. Diverse backgrounds bring different and fresh perspectives and creative thinking, ensuring independence, an essential characteristic of good governance.

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Texas Instruments Incorporated

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General Motors Corporation

Richard E. Waugh  
President & CEO, Scotiabank

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Chairman & CEO, Frontier  
Communications Company

Thomas Wilson  
President & CEO, Allstate  
Corporation

In an era where business must compete in a global economy, gender diversity and stakeholder representation in the boardroom are seen as a company's recognition of the complexity of world markets and signals its preparedness to compete effectively.

**The business case for gender diversity:**

Catalyst has studied the relationship between the number of women on corporate boards and corporate financial performance. Our research finds that women board directors make a significant difference in corporate financial performance.

- In Catalyst's [\*The Bottom Line: Corporate Performance and Women's Representation on Boards\*](#)<sup>1</sup> we found that, across all industries, companies with more women board directors, on average, had significantly higher measures of financial performance than those with fewer: 53% higher return on equity (ROE), 42% higher return on sales (ROS) and 66% higher return on invested capital (ROIC).
- Moreover, we found that companies with three or more women directors performed even better, with 83% higher ROE, 73% higher ROS and 112% ROIC.
- In addition to Catalyst research, studies conducted by McKinsey & Company<sup>2</sup> support firm value creation where there are more women corporate directors. Similarly, the University of Oklahoma<sup>3</sup> concluded that there were significant positive relationships between the presence of women and minorities on corporate boards and firm value. The research also showed that firms that make a commitment to more women board directors also have more minorities on their boards.

Moreover, gender diversity in the boardroom indicates an openness to more perspectives and signals that the "tone at the top" is inclusive and respectful of differences among stakeholders—shareholders, investors, employees and customers.

In the United States, women control or influence close to 75 percent of total household consumption.<sup>4</sup> Reflecting that critical constituency on corporate boards shows an understanding that decision-makers *inside* a company reflect decision-makers *outside* in the marketplace.

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<sup>1</sup> Catalyst, [\*The Bottomline: Corporate Performance and Women's Representation on Boards\*](#) (2007).

<sup>2</sup> McKinsey & Company, "Women Matter: Gender Diversity a Corporate Performance Driver" (2007).

<sup>3</sup> David A. Carter, Betty J. Simkins, and W. Gary Simpson, "Corporate Governance, Board Diversity, and Firm Value," *Financial Review*, vol. 38, no. 1 (February 2003): p. 33-53.

<sup>4</sup> Michael J. Silverstein, Kate Sayre, and John Butman, *Women Want More: How to Capture Your Share of the World's Largest, Fastest-Growing Market* (New York: HarperCollins, 2009).

**Recommendations for transparency and disclosure around board diversity:**

Transparency and disclosure can enable investors to make more informed decisions. Investors and shareholders look to the SEC to safeguard the integrity of companies in which they invest and, to the degree possible, protect their investments. This becomes even more critical as investors recognize the compelling business case for increased representation of women on corporate boards and board diversity in general. As they better appreciate the benefits that gender diversity brings to corporate governance and financial performance, they will demand disclosure. Catalyst recommends that the SEC require transparency and full disclosure on board diversity and the business case that supports it. Such disclosure should include disclosure of the board's diversity policy and, if it has none, indicate why it does not.

**Recommendations for gender diversity :**

Based on the business case cited above, one would assume that corporations would be increasing the number of women board directors. Yet the [2008 Catalyst Census of Women Board Directors in the Fortune 500](#)<sup>5</sup> reports an ongoing stagnation in women's representation, hovering for the past few years at 15 percent. That said, here are recommendations which the SEC might consider: A) that the SEC require transparency and full disclosure on board diversity and the business case that supports it; B) that companies disclose their diversity policy and, if they have none, indicate why they do not; and C) based on findings from Catalyst research, that the SEC strongly recommend that companies appoint three or more women to their boards or otherwise disclose why this was not in the interest of their shareholders.

We appreciate the opportunity to comment and for your leadership on this issue.

Sincerely,



Ilene H. Lang  
President & CEO, Catalyst

**Attachments**

Cc: Hon. Mary L. Schapiro, Chairman  
Hon. Louis A. Aguilar, Commissioner  
Hon. Kathleen Casey, Commissioner  
Hon. Tory A. Paredes, Commissioner  
Hon. Elisse Walter, Commissioner

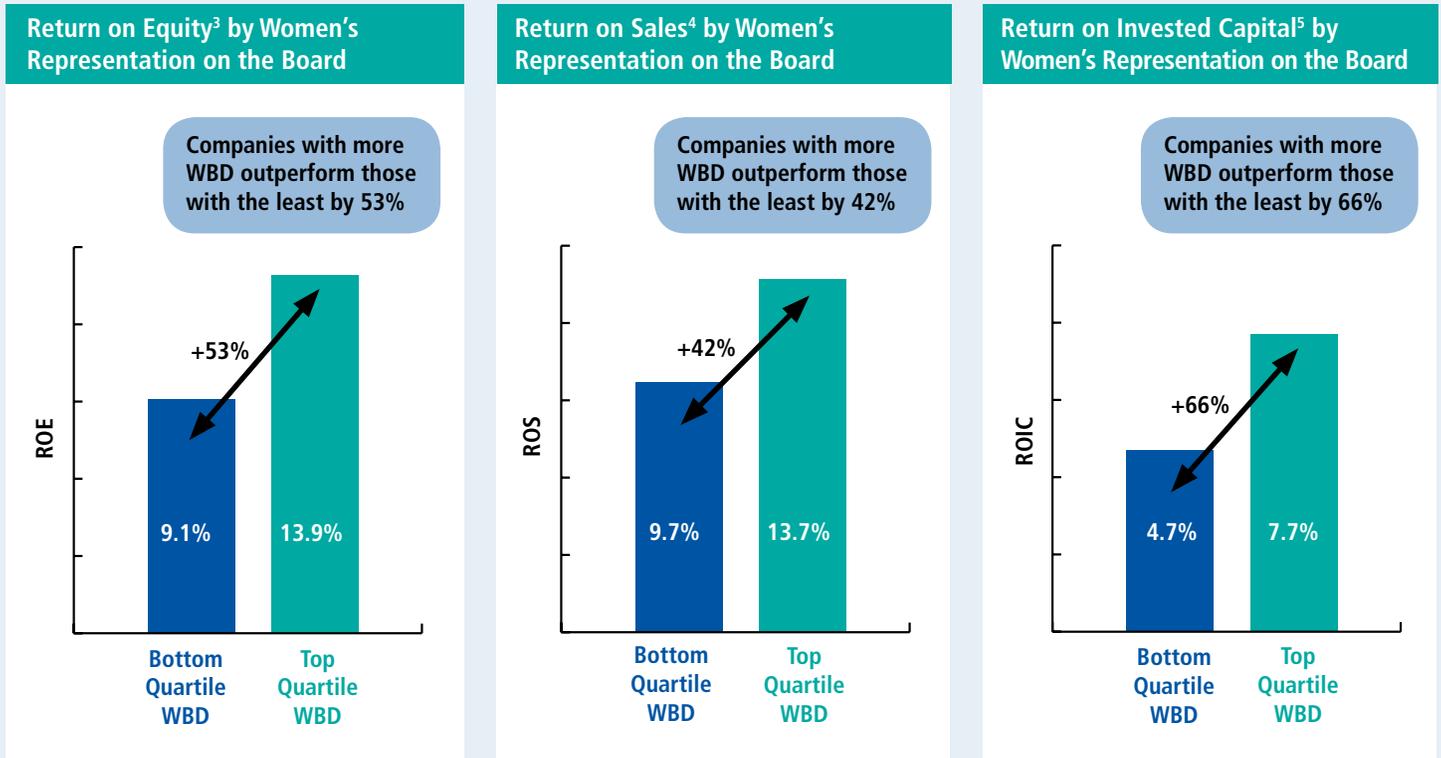
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<sup>5</sup> [Catalyst Census of Women Board Directors in the Fortune 500 \(2008\)](#).



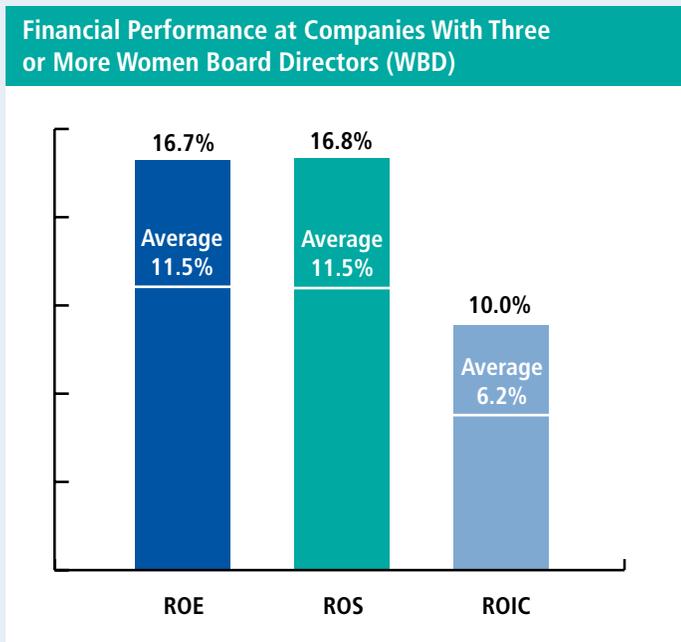
# THE BOTTOM LINE: CORPORATE PERFORMANCE AND WOMEN'S REPRESENTATION ON BOARDS

## Women Board Directors (WBD) Align With Strong Performance at Fortune 500 Companies<sup>1</sup> Financial measures excel where women serve<sup>2</sup>



### Is Three a Charm?

Stronger-than-average results prevail at companies where at least three women serve



### Link Between Women Board Directors (WBD) and Corporate Performance Holds Across Industries<sup>6</sup>

	ROE	ROS	ROIC
Consumer Discretionary	•	•	•
Consumer Staples	•	•	•
Financial	—	•	—
Healthcare	•	•	•
Industrials	•	•	•
Information Technology	•	•	•
Materials	•	—	•

- Top quartile outperforms bottom quartile
- Top quartile does not outperform bottom quartile

#### NOTES:

<sup>1</sup> Based upon the four-year average for ROE, ROS, and ROIC for 2001, 2002, 2003, and 2004, and women board director (WBD) data for 2001 and 2003. Financial data for the companies examined were obtained from the Standard & Poor's Compustat database. Because of movement into and out of the Fortune 500 each year, there are 520 companies in this analysis; the top quartile comprises the 132 companies with the highest average percentage of women board directors while the bottom quartile comprises the 129 companies with the lowest average percentage of women board directors. WBD data was obtained from the 2003 Catalyst Census of Women Board Directors and the 2001 Catalyst Census of Women Board Directors. Financial performance measures vary by industry. To account for this variability, standardized financial performance measures were used to make comparisons within the overall sample.

<sup>2</sup> Correlation does not prove or imply causation.

<sup>3</sup> Return on equity (ROE): ratio of after-tax net profit to stockholders' equity.

<sup>4</sup> Return on sales (ROS): pre-tax net profit divided by revenue.

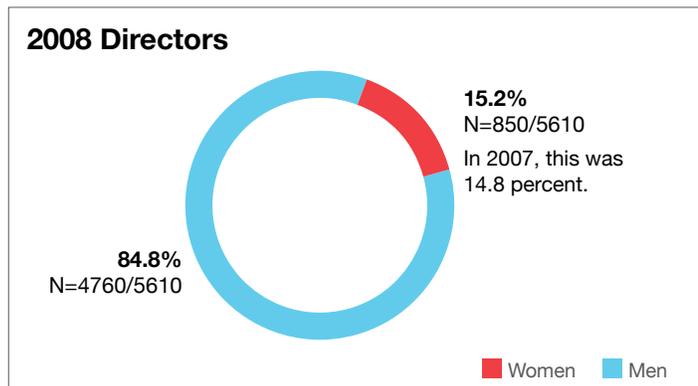
<sup>5</sup> Return on invested capital (ROIC): ratio of after-tax net operating profit to invested capital.

<sup>6</sup> Standard & Poor's industry sectors were used. To increase the sample size, we combined the following industry sectors as follows: Consumer Discretionary (Goods, Services); Consumer Staples (Goods, Services); Healthcare (Others, Pharmaceuticals); Industrials (Goods, Services); and Information Technology (Hardware, Software). Three industry sectors (Utilities, Energy, and Telecommunications) were excluded because each has fewer than six companies in the top and/or bottom quartiles, precluding meaningful analysis.

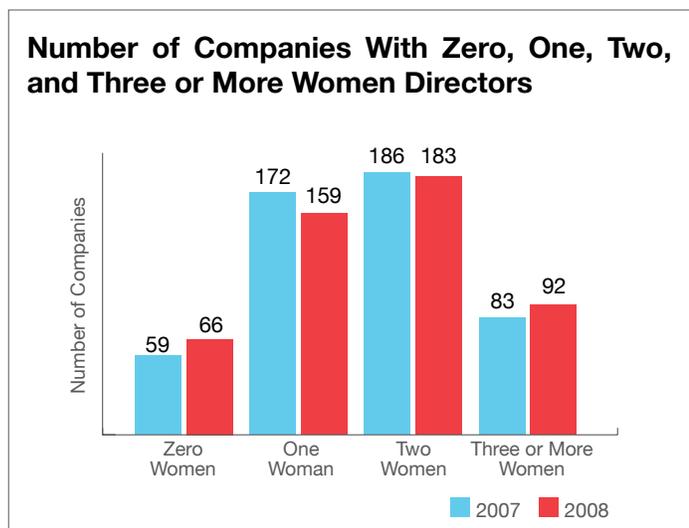
This study was authored by Lois Joy, Ph.D., Director, Research, and Nancy M. Carter, Ph.D., Vice President, Research, at Catalyst Inc. and by Harvey M. Wagner, Ph.D., Professor, Kenan-Flager Business School, University of North Carolina, Chapel Hill, and Sriram Narayanan, Ph.D., Assistant Professor, Eli Broad School of Business, Michigan State University, East Lansing.



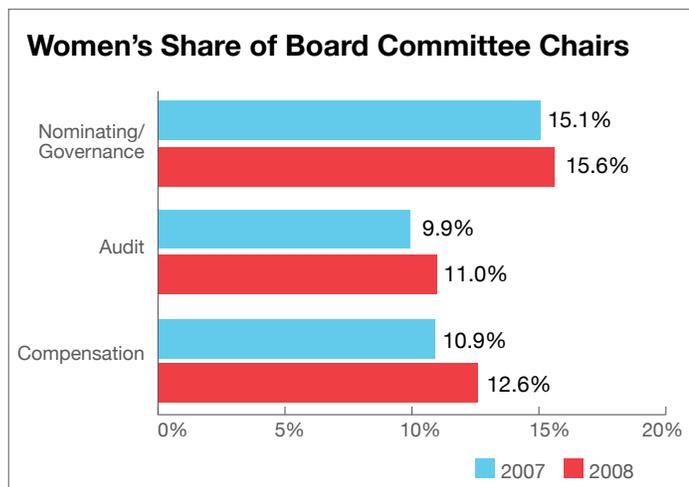
## Representation Stagnates Even as Women's Share of Nominating/Governance Committee Chairs Keeps Pace With Their Share of Overall Directorships



- Little change occurred in the percentage of directorships held by women.<sup>1</sup>



- Little change occurred in the number of companies having zero, one, two, or three or more women directors.
- The slight increase in companies with three or more women directors was offset by the slight increase in companies with zero women.

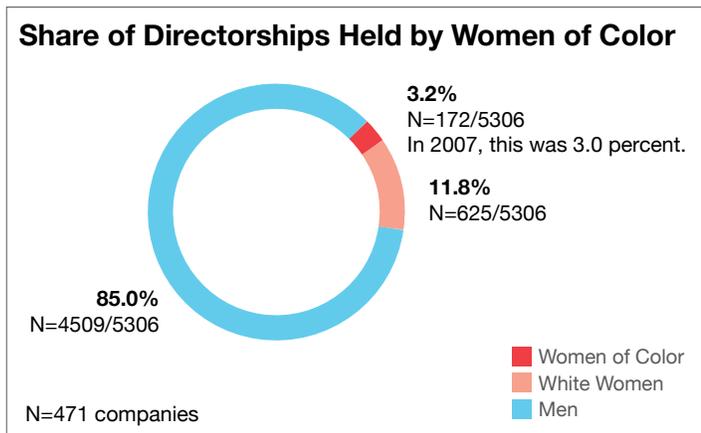


- Little change occurred in women's share of board committee chairs.
- Women's share of nominating/governance committee chairs continued to keep pace with their share of all directorships.
- Women's share of audit and compensation committee chairs continued to lag behind their share of all directorships.

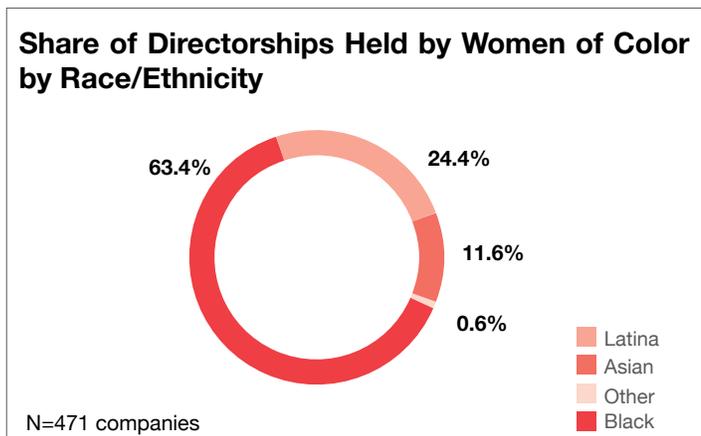
\* Updated January 12, 2009.

1. For all data in this report, changes from 2007 to 2008 are not statistically significant.

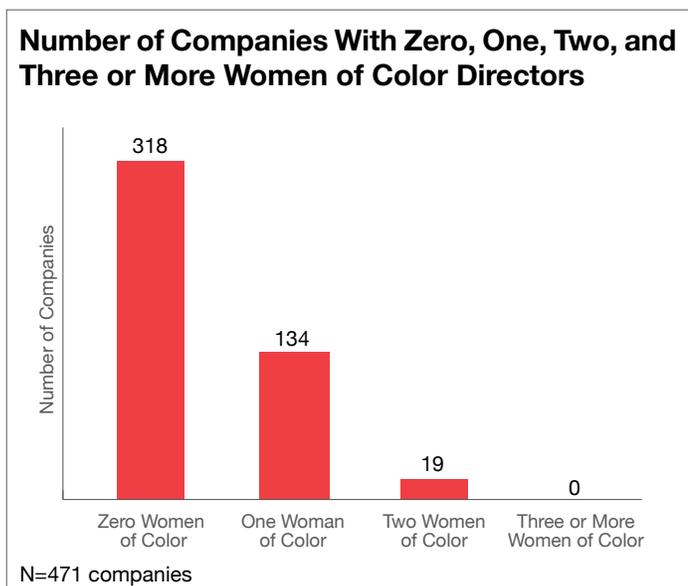
## Representation of Women of Color Remains Stagnant With Many Boards Having No Women of Color



- Little change occurred in the percentage of directorships held by women of color.<sup>2</sup>
- Women of color made up slightly more than one-fifth of women directors.



- Women of color directors comprised about two-thirds black women, almost one-quarter Latinas, and about one-tenth Asian women.



- More than one woman of color serving on a board was rare—only 4.0 percent (N=19/471) of companies had two women of color directors.

2. Catalyst's 2008 race/ethnicity data was drawn from 471 *Fortune* 500 companies compared to 337 in 2007.