

# Mercy Investment Program

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August 25, 2009

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

## **Re: Proxy Disclosure and Solicitation Enhancements (File No. S7-13-09)**

On behalf of Mercy Investment Program, I am writing to support the Securities and Exchange Commission's proposed rule, *Proxy Disclosure and Solicitation Enhancements*.

Mercy Investment Program considers enhanced disclosure of director nominees a component in efforts to restore investor confidence in boards of directors and as well, to improved corporate governance for the long term. We suggest that increased diversity disclosures help investors make better informed voting decisions. MIP welcomes the opportunity to comment on these provisions and will address the need for (1) disclosure of whether diversity is considered in the director nomination process and (2) disclosure of the gender and racial breakdown of directors and director nominees.

Mercy Investment Program believes resilient corporations reflect excellent corporate governance principles and prudent attention to corporate social responsibility. The well-governed sustainable company meets high ethical standards and operates in the best interests of all stakeholders: investors, employees, customers, suppliers, communities and the environment. In our opinion, these are the companies that avoid unnecessary financial risk and that plan to be operating into the long-term future.

In the late 1970s, the Sisters of Mercy of the Americas created a pooled investment program for its U.S. regions. From inception, Mercy Investment Program played the role of active investor: establishing investment and proxy voting guidelines, filing shareholder resolutions, dialoguing with management, attending annual shareholder meetings and voting proxies. Because the Sisters of Mercy work in ministries across the U.S. and Latin America, advocacy encompasses a variety of social, environmental and governance issues. In recent years, corporate governance, particularly as it relates to boards of directors, has been a MIP priority.

Over the past number of years, we have witnessed a series of corporate governance failures that can be attributed directly to boards of directors who appear to have forgotten that they have the obligation is to represent the interests of all shareholders. Scores of directors failed to manage appropriately these duties, and from Enron and WorldCom through AIG, Fannie Mae and Citigroup, millions of shareholders have been harmed.

Thus, we believe there is a great deal of investor and public support for re-examining rules governing nominee and director background disclosures. Current practices guiding the director, nominee and nomination process have little or no meaningful disclosure. As a proxy voting investor, we read hundreds of proxy statements and annual reports each year. It is rare that we receive proxy disclosures adequate to properly assess a director's background—and more rare, to be able to ascertain racial and gender diversity e.g. no photos, initials instead of first names.

We believe diversity is critical to a well-functioning board and an indication of good governance. We've argued in shareholder resolutions that in this complex global marketplace, a wide range of viewpoints, backgrounds, experience and expertise increases management's ability to make right decisions. Director and nominee diversity ought to include a balance among race, gender, culture, age, thought and geography so that differing perspectives are brought to issues arising in the multitude of societies in which companies operate and seek to establish business.

- **Disclosure of whether diversity is considered in the director nomination process**

We believe all companies, not just the few enlightened, must demonstrate diversity in race and gender in director selection criteria and ensure that each slate of directors includes qualified women and minority candidates. We encourage the SEC to require companies to disclose whether they consider diversity in the nomination of director nominees. Disclosure would give investors confidence that nominating committees have contacts and processes for looking beyond traditional circles for independent nominees.

- **Disclosure of gender and racial breakdown of directors and nominees**

Companies also must present director and nominee race/ethnic and gender representation data. There are some companies which have no photos and which use initials rather than names so that gender representation cannot be determined. However, even where one can figure out who the females are, there is no way to accurately determine the level of minority representation on corporate boards. Data has been long sought by investors for making better voting decisions.

In closing, we suggest that current proxy disclosures limit investors' ability to properly assess director nominees and board composition. Additional disclosure of director diversity, both in the qualifications of candidates and in representation data, is critical to restoring investor confidence and making possible a more informed vote. Thank you for the opportunity to comment. We urge you to expand proxy disclosure requirements to include these director diversity provisions.

Yours truly,

A handwritten signature in cursive script that reads "Valerie Heinonen, o.s.u." The signature is written in dark ink on a white background.

Valerie Heinonen, o.s.u.  
Consultant, Corporate Social Responsibility