Dear Chair Shapiro and Commissioners Aguilar, Casey, Paredes, and Walter,

“Executive Compensation and Diversity Are Key Public Interest Issues”

We congratulate this commission, and in particular the Chair, for seeking to reinvigorate the SEC and transform it into a regulatory body that is well respected on Main Street and is prepared to fully protect Main Street shareholders from corporate abuse.

The two issues we wish to address relate to diversity at the board of director level and executive compensation.

Board of Directors diversity information

The Obama Administration, through its cabinet, may have the most diverse board of directors of any Fortune 500 corporations, (three African Americans, three Asian Americans, and three Latinos). We believe that the safety and soundness of a corporation is assisted by the diversity of its leadership, a view first enunciated by the Federal Reserve Bank of Boston in a 1992 study on diversity. We therefore urge the following, all of which relates to transparency only and does not, at this time, require any corporate diversity actions:

1. the full board of directors should be identified by race, ethnicity, and gender;
2. the top 25 individuals subject to SEC executive compensation reporting should be identified by race, ethnicity, and gender;
3. all officers should be identified by race, ethnicity, and gender

In requesting this info from all corporations subject to the 10k proxy, it should be noted that all corporations have such data readily available and the cost involved in supplying such info is estimated to be less than $250 per year.

We also urge that the SEC publish annually a summary of all of this data as well as a create a website that lists Fortune 500 companies and ranks each corporation separately for its board diversity, its officer diversity, and its top executive compensation diversity.

In 2012, the Greenlining Institute will, upon review of all of this data, offer recommendations to the SEC and Congress on possible other actions that might stimulate safety, soundness, and greater accountability through diversity. This might include
readily available data on diversity at all levels of management. Please see, for example, GAO study of July 2006 on the lack of diversity in the financial industry.

Executive compensation

At this time, and we stress at this time only, all of our recommendations are related to transparency and we offer no recommendations that would directly restrict excessive executive compensation. We recommend that executive compensation reporting incorporate all forms of compensation including tax benefits, retirement funds, and travel expenses above, for example, economy class travel, for the following categories:

1. board of directors separated by individual director (some board members are compensated at real rates that exceed a $500,000 for work that often involves 100 hours or less and is equivalent to a compensation rate of $5,000 an hour or more).
2. all corporate officers;
3. the top 1% of all managers and professionals at all corporations (not to exceed top 100 and not to be less than top 25).

We also suggest that for the 100 largest corporations defined by number of employees, and/or revenue, and/or pre-tax profits, be required on a confidential basis, at least preliminarily, to file comprehensive data on the compensation for the top 1% of all managers and professionals (for certain corporations that have 200,000 or more employees the initial cost of doing so could exceed $1,000 but is estimated to be less than $5,000).

The future for diversity in executive compensation

The Greenlining Institute works closely with all major banks doing business in California on issues relating to diversity and has been actively involved in executive compensation issues effecting major corporations subject to the California Public Utilities Commission (CPUC) jurisdiction. Some companies have set specific informal and aspiration goals to increase their diversity at the board of director’s level among their officers and among their management including senior management. We believe that some of them would be available to be of assistance in the future in devising additional efforts by the SEC to provide both transparency and effective changes in the diversity among corporations.

The Greenlining Institute, through a series of legal actions worked with the CPUC to develop, beginning in 2005, what many considered to be the most effective and comprehensive form of executive compensation transparency in the nation. We urge the SEC to specifically contact Michael Peevey, President of the CPUC to learn more about this method which has the full support of the effected corporations.

Many efforts, generally unsuccessful have been made to directly reign in excessive executive compensation. The Greenlining Institute has never supported absolute dollar maximums such as a $500,000 or a cap barring any executive from earning more than the $400,000 salary of the U.S. president. Instead we recommend that compensation be
predicated on long term results (5-7 years minimum) and be related to the median wage of non-management workers within the company or the industry. For example, an executive except under the most extraordinary of circumstances should not receive more than 100 times more in overall compensation than the median non-management worker. Where the sum exceeds that, the company should be required to provide in detail why a particular executive had to be compensated at a level more than 100 times the median worker’s compensation.

The Greenlining Institute is considering developing a report card on the transparency of a corporate board of directors and officer diversity that would rate companies from A-Z on their diversity and executive compensation. We would suggest however that it would be far better if the SEC, with input from public interest groups, develop such a report card beginning in 2012.

Main Street views

We recognize that the SEC will presently only go as far as transparency collection and publication of data collected, however we would make the following recommendations for future consideration (possibly in 2012 when the data collected through transparency is published and analyzed):

1. Less than half of Fortune 500 corporations have even one Latino on their board of directors despite Latinos representing over 15% of America’s population and one third or more in many states where these corporations are headquartered, such as California.

2. Similarly and far worse only 11% of Fortune 500 corporations have even one Asian American on their board of directors. Many Greenlining Coalition members have provided information demonstrating for example that among the more than 6,000 of Fortune 500 corporations in 2006, there were only 2 Filipino Americans and only 2 Vietnamese Americans despite there being more than 6 million Filipino and Vietnamese Americans in the U.S. with many of them attaining the highest level of professional success.

With this in mind the SEC should conduct safety and soundness and profitability studies that may demonstrate the importance of diversity for future sustainability profits and market opportunities.

Orson Aguilar
Executive Director
The Greenlining Institute