



Via Electronic Filing

September 8, 2009

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

Re: Proxy Disclosure and Solicitation Enhancements
File Number S7-13-09
Release Nos. 33-9052; IC-28817

Dear Ms. Murphy:

The InterOrganization Network (ION) appreciates the opportunity to comment on the Securities and Exchange Commission's proposed rule amendments to enhance disclosures public companies make regarding corporate governance.

Founded in 2004, ION works to advance the strong business case for increasing the number of women in leadership positions as corporate directors and executive officers. Since then, we have doubled in size and now represent **twelve regional organizations** across the country that engage approximately 10,000 accomplished executive and professional women.¹ We advocate for the advancement of women in business, act to influence others in a position to advance women in business and engage others to elevate board diversity as a key governance principle. Together with our members, we conduct research to assess the progress of board diversity among U.S. public companies, work to prepare women for board service and facilitate searches for highly qualified women board candidates.²

ION believes the Securities and Exchange Commission (SEC) can play an important role in setting the parameters for effective corporate governance, and we are pleased that it has proposed enhancing corporate governance disclosures by public companies, including registered management investment companies. We believe mandating disclosures about core governance practices encourages companies to pay

¹ Current members are: Board of Directors Network (Atlanta), The Boston Club, CABLE (Nashville), The Central Exchange (Kansas City), The Chicago Network, Financial Women's Association of New York, Forum for Women Entrepreneurs and Executives/University of California Davis (San Francisco), The Forum of Executive Women (Philadelphia), Inforum Center for Leadership (Detroit), Milwaukee Women inc, Network 2000 (Baltimore) and Women Executive Leadership (Florida). Further information about ION and our member organizations is provided at www.IONwomen.org and in *Appendices A and B*.

² The March 2009 ION report is available at http://www.ionwomen.org/pdf/news/ION_2009.pdf.

more attention to governance and provide investors with information that is important in making voting and investment decisions, yet it still preserves flexibility and diversity in their application to individual company needs. For these reasons, we support the SEC's proposals to enhance director and nominee disclosure and to require disclosure of a company's leadership structure and the board's role in a company's risk management process. We also support the proposal to provide shareholders with more timely disclosure of voting requirements. However, while we support the proposal to enhance director and nominee disclosure, we believe it can and should be improved.

A. Public companies, including registered management investment companies, should be required to disclose under Item 407 of Regulation S-K whether and how diversity is considered in evaluating and selecting directors and under Item 401(a) of Regulation S-K the gender identity of directors and individuals nominated to become directors.

Strong and effective boards reflect a diversity of backgrounds and experience – diversity that encompasses differences in gender, racioethnicity, age, and attitudes. Accordingly, companies should be intentional and deliberate in identifying the board diversity necessary to enable them to successfully compete in a constantly changing global marketplace, thereby increasing their value to shareowners. Additionally, in order to nominate the strongest possible candidates, boards should recruit directors from the broadest possible spectrum of qualified individuals and increase their efforts to identify qualified women, people of color and other talented individuals who may not be discovered through traditional board search processes. As part of the SEC's effort to improve corporate governance through enhanced director and nominee disclosure, it should require public companies (including registered management investment companies) to disclose whether and how diversity is considered by nominating committees in evaluating and selecting directors, as well as the gender identity of directors and individuals nominated to become directors.

1. Public companies with more diverse boards perform better than those with homogeneous boards.

Board diversity is no longer a soft issue. A growing body of research places board diversity squarely within the realm of solid business strategy. Studies now show that companies with more diverse boards, in particular those with a higher proportion of women directors, perform better as measured by key financial metrics including return on equity, return on sales and return on invested capital.³ After controlling for size, industry,

³ See, e.g., "Board Diversification Strategy: Realizing Competitive Advantage and Shareholder Value," Virtcom Study commissioned by CalPERS (February 2009), available at www.virtcomconsulting.com; Catalyst, "The Bottom Line: Corporate Performance and Women's Representation on Boards" (2007), available at <http://www.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards>; Veleva, Vesela, "Gender Diversity and Financial Performance," *Citizens Advisors* (2005), available at www.citizensfunds.com; Catalyst, "The Bottom Line: Connecting Corporate Performance and Gender Diversity" (2004); Carter, D.A., B. Simkins, and W.G. Simpson, "Corporate Governance, Board Diversity, and Firm Value," *The Financial Review*, Vol. 38 (2003), pp. 33-53; Erhardt,

and other corporate governance measures, a study of *Fortune 1000* companies found significant positive relationships between the number of women or minorities on a company's board and firm value.⁴ Additionally, companies and investors should care about how many women sit on corporate boards. Although even a single women director can and does make a difference, studies have found that companies that go beyond one women board member to include three or more experience better governance and a performance advantage. Significantly, boards with three or more women were found to communicate better, work together more collaboratively and be less reticent about asking tough questions.⁵

2. Decision making by diverse boards is superior to that of homogeneous boards.

Forward thinking companies have discovered that diversity produces benefits when trying to solve difficult problems because diverse individuals have different ways of perceiving problems and devising solutions.

In his book, *The Wisdom of Crowds*, Jim Surowiecki, a well-known *New Yorker* columnist, lays out the case for why, under the right conditions, including diversity and independence, groups hold far more wisdom than generally acknowledged, and argues that companies that can tap into that wisdom have a lot to gain. Scott E. Page goes further in his book, *The Difference*, discussing research he conducted with his academic colleague, Lu Hong, that not only supports the premise that diverse groups outperform homogeneous groups in solving difficult problems but also that random groups of intelligent problem solvers outperform groups of the best individual problem solvers. In short, they found that diversity trumps homogeneity, and even ability, under the conditions of problem difficulty, diversity of perspective and problem solving approach, and sufficiency of group size and universe of problem solvers.

Simply put, diverse groups find better solutions to cognitive problems because diversity improves collective performance. Deeper understandings, better predictions, and more novel solutions come about through interactions among intelligent, committed individuals who are diverse than from interactions among those who look the same. A cognitively diverse group of independent thinkers is able to bring different ideas to bear, ask clarifying questions and productively challenge one another's interpretations. Groups

J.L., J.D. Werbel and C.B. Schrader, "Board of Director Diversity and Firm Financial Performance," *Corporate Governance: An International Review*, Vol.11 (2003), pp.102-11.

⁴ Carter, D.A., B. Simkins, and W.G. Simpson, "Corporate Governance, Board Diversity, and Firm Value," *The Financial Review*, Vol. 38 (2003), pp. 33-53.

⁵ See, e.g., Kramer, V.W., A. Konrad and S. Erkut, "Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance," *Wellesley Centers for Women*, Report No. WCW 11 (2006); G.Desvaux, S. Devillard-Hoellinger, and M.C. Meany, "A Business Case for Women," *The McKinsey Quarterly: The Online Journal of McKinsey & Co.* (September 2008); Lois Joy, Ph.D., Nancy M. Carter, Ph.D., Harvey M. Wagner, Ph.D., and Sriram Narayanan, Ph.D. *The Bottom Line: Corporate Performance and Women's Representation on Boards*, Catalyst Inc. (October 2007), available at <http://www.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards>.

in which members are biased in the same direction are less good at making decisions because diverse points of view tend to be frozen out or squelched. In the January 22, 2007 issue of *The New Yorker*, Mr. Surowiecki writes about the adverse effect of homogeneous boards in a study of three thousand companies where those companies whose directors had the most in common paid their chief executives most lavishly and underperformed the market.

3. Studies suggest that gender diversity on boards may enhance risk oversight.

In addition to research that has found that board diversity improves financial performance and board decision making, another body of research suggests that the presence of women on boards may enhance risk oversight. In a longitudinal study of data collected from 141 Canadian public companies over a 28-year period, The Conference Board of Canada found that corporate boards with more women surpassed all-male boards in paying attention to audit and risk oversight. It also found that 94% of boards with three or more women ensured conflict-of-interest guidelines (compared with 68% of all-male boards) and 86% of boards with three or more women established a code of conduct for the organization (compared with 66% of all-male boards).⁶ Other studies have found that oversight of risk analysis and risk management might be optimized by making boards more gender diverse due to gender-based attitudinal and behavioral differences towards risk.⁷

4. Board diversity – including gender diversity - enhances corporate governance and shareholder value in other important ways.

In a rapidly evolving and competitive global economy, diversity on boards - including gender diversity - also enhances shareholder value by

- Promoting a better understanding of a marketplace with increasingly diverse customers and suppliers.
- Increasing creativity and innovation through a greater mix of attitudes, experiences, perspectives and skill sets that vary with gender, race and age.
- Enhancing the effectiveness of corporate leadership by providing a broader view and better understanding of the complexities of the environment leading to more astute decisions.
- Increasing the effectiveness of global relationships by increased sensitivity to other cultures.⁸

⁶Brown, D.A.H., D.I. Brown, and V. Anastasopoulos, *Women on Boards: Not Just the Right Thing...But the Bright Thing*, The Conference Board of Canada (2002).

⁷Schubert, R., "Analyzing and Managing Risks – On the Importance of Gender Differences in Risk Attitudes," *Managerial Finance*, Volume 32, Issue 9, pp. 706 – 715 (2002); Gysler, M., J. Brown Kruse, and R. Schubert, "Ambiguity and Gender Differences in Financial Decision Making: An Experimental Examination of Competence and Confidence Effects," *Swiss Federal Institute of Technology, Center for Economic Research* (2002), doi:10.3929/ethz-a-004339594, available at <http://e-collection.ethbib.ethz.ch/eserv/eth:25290/eth-25290-01.pdf>.

⁸Robinson, G. and K. Dechant, 1997, "Building A Business Case for Diversity," *Academy of Management Executive*, Volume 11, No. 3, pp. 21-30.

5. Key members of the investment and corporate communities recognize board diversity as an important element of investment analysis and decision making.

- The **Council of Institutional Investors (CII)**, representing U.S. public, union and corporate pension plans with more than \$3 trillion in combined assets, maintains a set of policies representing standards and best practices that they believe companies and boards should adopt (“Policies”). On May 11, 2009, the CII announced that its members had approved an amendment of its Policy advancing board diversity to reflect recent research that suggests a mix of backgrounds, experiences, ages, races, genders, ethnicities and cultures has benefits that can enhance corporate financial performance.⁹
- Institutional investors have long sponsored shareholder resolutions as a mechanism to call upon companies to diversify their boards by adding women and minorities and to change their board nomination criteria to include diversity. Among those sponsoring such resolutions in 2009 are **The Episcopal Church, CalSTRS and Calvert.**
- In its October 2008 public company governance survey titled “Governance Trends Reflect New Priorities,” the **National Association of Corporate Directors** observed “*Effective boards are more likely to encourage new, fresh perspectives on the board by... supporting gender and ethnic diversity among directors.*”
- **GovernanceMetrics International (GMI)**, which publishes ratings for 4,162 public companies around the world, was formed on the premise that companies that emphasize corporate governance and transparency will, over time, generate superior returns and economic performance and lower their cost of capital. Citing its clients’ strong feelings that today’s boards need to be more diversified, not just in terms of experience, but also on fundamental issues like gender, in March 2009 GMI announced that it would begin to include in its ratings reports statistics to compare the percent of women on individual company boards to averages by sector and home market.

6. Information about board diversity and the gender identity of board members and individuals nominated to serve on boards is relevant and material to investors and should be disclosed under Item 401(a) and a new part to Item 407 of Regulation S-K.

Investors identify companies and securities in which to invest by forming a conclusion based on an array of factors. Although much financial information may arguably not be relevant to a particular determination, few would question the need for broad, consistent and comparable disclosure of financial data to all investors to inform their investment and voting decisions. The same holds true for corporate governance information. Materiality and relevance do not reside in any single factor, or cluster of

⁹ See *Council of Institutional Investors* May 11, 2009 press release, available at <http://www.cii.org/UserFiles/file/press%20release%20on%20new%20policies%2005-11-09.pdf>.

factors, but rather emerge from all reported facts. According to the Supreme Court's definition of materiality, something is material where there is "a substantial likelihood that the...fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available."¹⁰ There is ample evidence that the gender of board members and nominees and the extent to which diversity of backgrounds and experience is considered in evaluating and selecting directors is relevant and material to investment and voting decisions and should be disclosed to investors.

In addition to age, the gender identity of directors and nominees should be disclosed under Item 401(a) of Regulation S-K. With regard to board diversity as it relates to the process of evaluating and selecting directors, a new part should be added to Section 407 requiring a company to disclose whether or not it has a policy requiring its board to be diverse and, if so, to describe the attributes of diversity the board believes should be reflected in its composition, and how they are reflected among its members.. Given that this information is difficult, if not impossible for investors – especially retail investors - to otherwise obtain, both diversity policies *and* diversity composition of the board should be disclosed including, by example, background, experience, age, race, gender, ethnicity and culture. If a board has no specific policy on diversity, it should explain why. This approach elevates the importance of diversity while reserving to the board the flexibility to establish (or not establish) a diversity policy and to determine its attributes based on the individual company's needs and requirements.¹¹

While we advocate disclosure of board diversity information, we do not favor regulation that requires or encourages particular board qualifications in terms of abilities or experience. Regulators can not anticipate the needs of individual companies, and prescriptive requirements could have the unintended effect of creating more homogeneous boards and discouraging boards from considering the fullest possible range of talent and abilities.

B. Registered management investment companies (a/k/a mutual funds) and registered investment advisers should be required to disclose to their shareowners and clients, respectively, whether and how corporate governance, including diversity, is considered in voting to elect directors of portfolio companies.

The U.S. has the largest mutual fund market in the world. As of year-end 2008, U.S. mutual funds held approximately \$9.6 trillion in assets with approximately 39% (or \$3.74 trillion) in stock funds.¹² Ownership of mutual funds by U.S. households has grown significantly over the last 30 years with 45% owning mutual funds in 2008, compared to less than 6% in 1980. In 2008, 92 million individual investors were estimated to own mutual funds representing 82% of total mutual fund assets at year-

¹⁰ *TSC v. Northway*, 426 U.S. 438 (1976).

¹¹ Additionally, if the SEC adopts new "sustainability" reporting requirements mandating corporate environmental, social and governance (ESG) disclosures like those described in the letter from the Social Investment Forum to Chairman Schapiro dated July 21, 2009, board diversity disclosures also should be specifically included in those requirements.

¹² *The Investment Company Institute Fact Book* (2009), p. 20.

end.¹³ Investor assets represented by the two other forms of registered management investment companies – closed end funds and separate accounts which offer variable annuity contracts – are also significant. Additionally, as of April 2008, assets under management by SEC-registered investment advisers were reported to be at an all-time high of \$42.3 trillion, and of this amount more than 90% (or \$38.7 trillion) were managed on a discretionary basis.¹⁴

Investors who invest in public companies through registered funds, and those who invest with the assistance of investment advisers, should know whether and how their funds and advisers consider corporate governance, including board diversity, in voting to elect directors of portfolio companies. The availability of this information should not depend on whether one invests in public companies directly or through an intermediary that has voting discretion.. Funds and investment advisers are already required to describe and make available to investors and clients, respectively, their proxy voting policies and procedures and their proxy voting records.¹⁵ These disclosure requirements should be amended to specifically require disclosure about whether and how funds and advisers consider corporate governance and board diversity in voting proxies with respect to the election of directors. Further, instructions for how to obtain this information and voting records from funds should be included prominently in fund prospectuses and annual reports, rather than in their statements of additional information as is the case now. Currently, it is difficult for investors to discover that proxy voting information is available because they do not know it is included in a document they must request to obtain.

ION and its twelve member organizations believe diversity, including gender diversity, impacts U.S. companies in positive ways. We further believe that both companies and investors stand to benefit from boards actively giving diversity attention in succession planning and director selection and from greater transparency and more disclosure about the diversity of board members and diversity as a consideration in recruiting directors.

We appreciate the opportunity to comment on the SEC's proposals to enhance corporate governance disclosures by public companies and would welcome the opportunity for further dialogue with the SEC staff about our perspective, the research on gender diversity published by ION and its member organizations, and any other aspect of this letter.

¹³ Id, p. 72.

¹⁴ *Investment Adviser Association and National Regulatory Services, Evolution Revolution Report* (2008), p.1; based on data filed on Form ADV, Part 1A through the Investment Advisory Registration Depository (IARD) system as of April 23, 2008.

¹⁵ See Item 12(f) of Form N-1A, Item 16 of Form N-2, Item 20(n) of Form N-3 and Rule 206(4) – 7 of the Investment Advisers Act of 1940. Form N-1A is used by open-end management investment companies ,Form N-2 is used by closed-end management investment companies and Form N-3 is used by separate accounts organized as management investment companies which offer variable annuity contracts.

Sincerely,



Rona Wells
President
InterOrganization Network
1231 Highland Avenue
Fort Washington, PA 19034

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner

Attachments:

Appendix A (About ION)
Appendix B (List of ION Members)

About ION

ION seeks to eliminate gender bias and increase gender diversity in corporate leadership in four ways.

We advocate for the advancement of women in business, we act to influence others in a position to advance women in business and we engage with other organizations and individuals to elevate board diversity as a key corporate governance principle.

Together with our member organizations, we provide access to a pool of qualified women board candidates for those seeking women directors.

Together with our member organizations, we measure and evaluate the progress of U.S. companies in increasing the gender diversity of their board members and executive officers by publishing regular national and regional reports that include data and analysis not available elsewhere. In the ION March 2009 report we identify seven concrete actions that companies can take to increase board diversity of all types. Copies of these reports are available at www.ionwomen.org.

We sponsor a practical, grassroots approach started in 2000 to educate individual investors about the benefits of increased gender diversity on public company and mutual fund boards and to ask when they vote their proxies "*Where Are the Women?*"*

*"*Where Are the Women?*" was initially conceived and developed by *Women On the Job*, a project of the Long Island Fund for Women & Girls located in Jericho, NY. *Women On the Job* has granted ION permission to use the name. For more information, please see www.ionwomen.org.

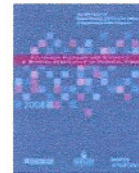
ION Member Organizations

Board of Directors Network
info@boarddirectorsnetwork.org
PO Box 550627 · Atlanta, GA 30355
770-489-6689



The Board of Directors Network, founded in 1993 in Atlanta, Georgia, is a research and advisory organization with the mission "to increase the number of women in executive leadership and on corporate boards of directors." BDN is comprised of women and men representing boards of directors, corporations, government agencies, academia, the legal and financial professions, not-for-profit organizations, and the media.

The Boston Club
info@thebostonclub.com
PO Box 1126 · Marblehead, MA 01945
781-639-8002



The Boston Club, founded in 1976, is an organization of more than 500 senior executive and professional women that promotes the advancement of women in business and the professions. It provides personal and professional development programs, conducts research on issues affecting women in business, and works to increase the participation of women on corporate and nonprofit boards.

CABLE
PO Box 23148 · Nashville, TN 37202
615-269-7489



CABLE is Tennessee's largest and most established network of diverse professionals committed to connecting women and opportunity. With over 500 members and a 30-year history, CABLE meets members where they are and provides them with resources to grow their businesses, build their careers, achieve highest levels of leadership, serve their communities and develop their unique talents and strengths.

The Central Exchange

ellen@centralexchange.org

1020 Central Street · Kansas City, Missouri
64105
816-471-7560



The Central Exchange was formed in 1980 to promote the personal and professional development of women with emphasis on leadership training. It has more than 1,000 members from throughout the Kansas City metropolitan area. The Central Exchange presents personal and professional development programs almost daily at two locations in the area, as well as an annual one-day women's leadership conference and an intensive, one-year development program for emerging women leaders.

The Chicago Network

a.osler@thechicagonetwork.org

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Illinois 60611
312-787-1979



The Chicago Network, now in its 30th year, is an organization of metropolitan Chicago's most distinguished professional women leaders, committed to the success and advancement of women. The Chicago Network's more than 300 members have leading roles in academia, the arts, corporations, entrepreneurial enterprises, government, law, health, science and medicine, not-for-profit, politics and professional service firms.

Financial Women's Association of New

York

Fwaoffice@fwa.org

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York, New York 10003
212-533-2141



Founded in 1956, the Financial Women's Association (FWA) is a leading executive organization of over 1,000 women and men committed to shaping leaders in business and finance with a special emphasis on the role and development of women in business and in boardrooms. The FWA serves its members through educational programs and networking opportunities, and serves the community through its nationally acclaimed scholarship, mentoring and training programs.

Forum for Women Entrepreneurs and Executives/University of California Davis
info@fweande.org
2475 Hanover Street · Palo Alto, CA 94304
650-388-8189



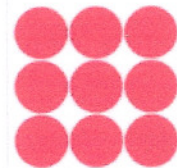
The Forum for Women Entrepreneurs & Executives, founded in 1993, is a membership organization of over 500 experienced women leaders in the San Francisco Bay area. FWE&E is the center of leadership excellence for accomplished women from a wide range of disciplines and industries who build meaningful relationships, exchange ideas, and openly share their collective wisdom with each other. To measure California's advancement of women on public boards, FWE&E has formed an alliance with the University of California Davis, who conducts an annual census of leading California companies.

The Forum of Executive Women
info@foew.com
1231 Highland Avenue · Fort Washington,
PA 19034
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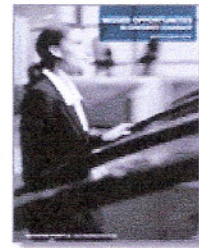
The Forum of Executive Women, founded in 1977, is a membership organization of more than 300 women of influence in the Greater Philadelphia region with our members holding top positions in every major segment of the community. As the region's premier women's organization, we actively work to promote our mission to leverage the power of executive women in the Greater Philadelphia region to expand the impact and influence of women leaders.

Inforum Center for Leadership
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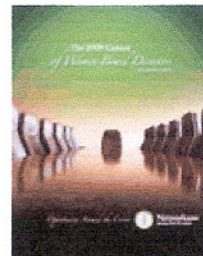
Inforum Center for Leadership accelerates careers through unique leadership development programs that allow women to challenge themselves, take risks, and reach the next level. The Center also conducts and publishes research on women's leadership influence in Michigan, and facilitates the placement of women on corporate boards. Inforum (formerly the Women's Economic Club) is one of the largest and most prestigious statewide business forums in the nation, with over 2,000 members from a broad cross-section of Michigan's business community.

Milwaukee Women inc
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414-254-1177



Milwaukee Women inc, founded in 2002, is the collaborative effort of Milwaukee area executive and professional women seeking to accelerate the advancement of women in key leadership roles and in doing so change the face and quality of leadership. Steering committee participants include representatives from Milwaukee's leading women's professional organizations, as well as corporate, nonprofit and academic leaders.

Network 2000
www.network2000md.org
P.O. Box22765 · Baltimore, MD 21203
410-783-8225



In 1993, a group of Maryland business leaders created Network 2000. Their mission was to assure leadership opportunities for qualified women, increase the number of women serving as directors on corporate Boards of Directors and educate the public on the benefits of having women in decision making positions. Today, its membership of 80 women and men continues to support the founders' mission through mentoring programs, research, community grants and education.

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Women Executive Leadership (WEL) advocates, educates and connects accomplished women. WEL is a not-for-profit organization whose primary purpose is to increase the number of women on corporate boards by recognizing and connecting accomplished women and further expanding their influence within their respective business communities. WEL's membership is reflective of executive women of diverse businesses in Florida.