

DIRECTOR RECRUITING

Diverse Director DataSource opens for business

Ed. Note: Anne Simpson is senior portfolio manager, investments, and director of global governance, at CalPERS. With assets of approximately \$233 billion, CalPERS is the largest public pension fund in the U.S. Anne Sheehan is director of corporate governance at CalSTRS. With assets of approximately \$147 billion, CalSTRS is the largest teacher pension fund and second-largest public pension fund in the nation.

By Anne Simpson and Anne Sheehan

Through recent studies, we've seen that board diversity leads to better performance. A McKinsey study this year found that among companies ranking highest on executive-board diversity, ROEs were 53 percent higher on average ["Is There a Payoff From Top Team Diversity?" McKinsey Quarterly, April 2012].

One question has been supply — where do we find talented and skilled candidates?

We formed the Diverse Director DataSource — "3D" — to provide a new pool of talent where shareowners, companies, search firms and other organizations can find fresh talent ready to take a director seat.

We see board diversity as the route to improving board quality, thereby enhancing risk management and long-term, sustainable value creation. This new resource supports corporate board diversity in the broadest sense: diversity of gender, race, ethnicity, age and, perhaps most important, depth of experience, skills and knowledge.

The California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) began working on 3D nearly three years ago.

We developed the concept of the 3D in an effort to build an innovative solution to board rejuvenation, a way to help company owners — the shareholders — and other interested parties reinvigorate the boardroom with skilled individuals who bring fresh perspectives, diverse backgrounds, and a range of

experience.

Some of the best minds in business agree:

- "Companies face global challenges and need diverse talent on their boards to ensure they have the skills and experience to succeed," said Ira Millstein, director of the Columbia Law School and Columbia Business



Anne Simpson: 447 candidate profiles are fully submitted and searchable.

School Program on Global, Economic and Regulatory Interdependence and senior partner with Weil Gotshal & Manges.

- "With this initiative, the institutional investor community is creating an important opportunity to expand the pool of qualified corporate directors beyond the traditional boundaries, and doing so in an open-minded and collaborative manner together with other key corporate stakeholders. This should not be seen as a 'proxy access' driv-

en project, but rather a resource for those companies that understand that board diversity will give them certain strategic advantages," said Douglas Chia, assistant general counsel and corporate secretary at Johnson & Johnson.

A diverse group of people is less likely to fall victim to corrosive groupthink and more likely to engage in higher-quality analysis. As public pension fund fiduciaries charged with maximizing investment returns and minimizing risk, we need companies acting on robust evaluation and careful thought. 3D can help us realize that goal.

3D is owned and operated by GMI, an independent provider of global corporate governance ratings and research. On July 19, 2012, at the NYSE Moving the Needle event, CalPERS, CalSTRS and GMI announced that 3D is open to the corporate community to recruit potential candidates for board seats.

Over 700 candidate profiles have been started since the initial launch in September 2011, and 447 candidate profiles are fully submitted and searchable. These candidate profiles represent a wide variety of industries, geographies, areas of functional expertise as well as ethnicities, genders and ages.

Of the current candidates, 62 percent are women, 25 percent have international experience, 37 percent have gone through board certification training, and combined they speak 41 different languages.

As active supporters of 3D, we continue to invite all qualified candidates to submit their profiles at www.GMI3D.com.

We also invite companies seeking potential candidates to take a look. Creative skilled directors are the mark of diversity, and CalPERS and CalSTRS are committed to finding them and helping them succeed. They are needed now more than ever.

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