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Chiang Urges CalPERS and CalSTRS to Address Diversity on Corporate Boards

SACRAMENTO – State Controller John Chiang today asked the nation’s first and second largest public pension funds to lead an effort to increase women and minority representation on corporate boards.

“Across the nation, the faces of companies’ shareholders are rapidly changing, and in order to tap into a wider range of talents and ideas, corporate boardrooms should reflect this changing diversity,” Chiang said. “I am asking that CalPERS and CalSTRS leverage their leadership in corporate governance and diversity initiatives to help women and minorities increase their representation on corporate boards.”

In letters to the CalPERS and CalSTRS Investment Committees, Chiang wrote women and minorities continue to be underrepresented on corporate boards nationwide, despite widespread acknowledgement that diversity strengthens a healthy corporate structure. Chiang cited a 2005 report from the Alliance for Board Diversity that found women and minorities hold fewer seats on the boards of Fortune 100 companies when compared to general population demographics for race and gender.

Institutional investors have acknowledged that diverse corporate boards are necessary to properly represent shareholders and maintain a competitive edge in global markets. The CalPERS Core Principles of Accountable Corporate Governance recommend that corporate boards consider a mix of director characteristics and diverse perspectives when nominating directors, and also suggest that boards should include members from historically underrepresented groups.

“Diversity in the boardroom leads to greater creativity, dynamic debates, and more integrity of processes – all of which are strong traits for a board and good corporate governance practices,” Chiang added.

Chiang is recommending that the pension funds study the most recent available data on board diversity and consider amending its corporate governance policy to address diversity when the funds nominate directors, establishing best practices for corporations to follow in seeking diversity, and actively engaging companies on the issue of diversity, including filing shareowner proposals that address diversity when appropriate.

As California’s Controller, Chiang is a board member of both CalPERS and CalSTRS, the nation’s two largest public pension funds with more than \$413 billion in combined assets.

Copies of Chiang’s letters are available [here](#).

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