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SEC Changes Help Women in the Boardroom



By Tina Vasquez (Los Angeles)

In July of 2009, the U.S. Securities and Exchange Commission (SEC) proposed a number of revisions to their rules. These amendments were designed to improve the amount of disclosure shareholders of public companies receive as it pertains to: compensation policies and practices that present material risks to the company, stock and option awards of executives and directors, director and nominee qualifications and legal proceedings, board leadership structure, the board's role in risk oversight, and potential conflicts of interest of compensation consultants that advise companies and their board of directors.

At the time, the major hope was that these amendments would enable shareholders to better evaluate the leadership of public companies, but it quickly became clear that – if adopted – these new rules could greatly assist in promoting true diversity in the boardroom.

In response to these proposed revisions, the SEC received over 130 comment letters from various organizations offering their opinions and suggestions on the proposed amendments. Not only did the SEC take these opinions into consideration, but they even adopted several of the amendments to their rules late last year. One of the organizations that responded to the SEC's rule revisions with a comment letter was the InterOrganization Network (ION), a nearly six-year-old organization dedicated to advancing the number of women in leadership positions as corporate directors and executive officers. Of particular interest to ION was the SEC's decision to require disclosure of the qualifications of "directors and nominees for directors and the reasons why the person should serve as director of the company."

Board Diversity – No Longer a "Soft" Issue

In ION's comment letter the organization stressed many of the facts that women in the corporate world have been long aware of, but for some reason many boards have failed to acknowledge. In part, the letter asked that companies 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." The letter also contended that board diversity is no longer a "soft issue," but rather solid business strategy that leads to a return on equity, return on sales, and return on invested capital. ION also believes that the SEC's revisions

would not only promote diversity in terms of more women serving on boards, but it would also extend to those of different ethnicities, ages, and attitudes.

Starting February 28, these new, much discussed disclosure requirements come into effect, and according to Jilaine Bauer, founder of Bauer Consulting and a member of ION's board of directors, these new rules are already impacting diversity in the boardroom.

"It's already getting more attention by directors and executives," Bauer said. "Beginning this year investors will be able to vote for or against directors based on the qualifications of individual nominees and board diversity practices disclosed in company proxy statements. Votes by individual investors are also more important this year because for the first time, brokers cannot vote their customers' proxies on director elections without their instructions. If as few as 10-15 percent of shareholders vote against a nominee because they believe they are not qualified or because they believe a board is not sufficiently diverse, it could be a problem for companies whose directors are required to be approved by a majority of shareholders."

Even more impressive, Risk Metrics, a firm that tracks shareholder proposals in proxies, recently reported that shareholders have already filed 12 proposals on board diversity in 2010, compared to just two during all of 2009.

Finally Taking on the Diversity Issue

These new rules were not unexpected. Before they were proposed in July 2009, SEC commissioner Luis Aguilar called attention to issues of diversity many times and when he asked the public if diversity practices should be included in new disclosures before the rules were actually adopted, 90 percent of those who responded said yes.

Besides promoting diversity, these new rules also ensure that qualified individuals who know what they're doing and who have the company's best interest in mind are serving on boards, as opposed to people who've obtained their position because of who they know and how effectively they've networked.

"This will make boards more thoughtful and deliberate in assessing the types of skills, experience, and perspectives they need and it will also make them more accountable to investors," Bauer said. Here's to seeing more diversity and more qualified candidates serving on boards in 2010; it's already shaping up to be a good year for women in the trenches of corporate America.