



California State Teachers'  
Retirement System  
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December 4, 2017

Honorable Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
110 F Street, N.E.  
Washington, D.C. 20549

Dear Chairman Clayton,

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS) concerning the recent explosion of media reports detailing high profile and widespread instances of sexual harassment and misconduct. This misconduct and harassment is not only happening in Hollywood, political institutions in Washington and private companies such as Miramax, but also in publicly listed companies.

We believe this is a critical time for the Securities and Exchange Commission (SEC) to lead and implement meaningful rulemaking to further understanding the "tone at the top" and at the board level. Issues of sexual harassment are a component of a company's culture with many companies willing to continue in silence without adequately addressing the underlying cultural issues.

CalSTRS believes it is necessary that companies adopt more transformative solutions including addressing the power structures of Boards.

In March of 2015, CalSTRS, along with North Carolina's Treasurers' office and other institutional investors with collective assets of greater than \$1.12 trillion, submitted a request for [Rulemaking amendment of the proxy rule regarding Board nominee disclosure, file # 4-682](#). CalSTRS as a long-term shareholder, along with the many signers of this petition know that what is disclosed or measured is managed. We believe regulation with meaningful board disclosure requirements would help accelerate essential changes in board diversity. Better disclosures such as requested in the rulemaking proposal, but also whether the company is committed to policies in its board selection and in developing a diverse pipeline of its most important asset, its human capital.

The 2015 proposal built on Item 407©(2)(v) of Regulation S-K which requires registrants to identify the minimum skills, experiences, and attributes that all board candidates and nominees are expected to possess. More specifically the proposal requires registrants to indicate, in a chart or matrix, each nominee's gender, race, and ethnicity, in addition to the skills, experiences, and attributes described above. More and more investors are requesting better transparency with a few good examples. One

Chairman Jay Clayton  
SEC  
12/4/2017  
Page 2

example we like to highlight is General Mills -

[https://www.sec.gov/Archives/edgar/data/40704/000130817916000407/lgis2016\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/40704/000130817916000407/lgis2016_def14a.htm)

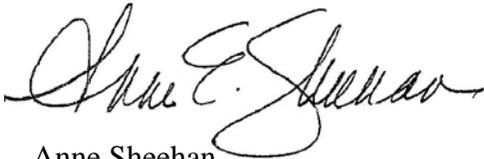
An article on October 10<sup>th</sup> in CNN Money shared “There's no prominent research that proves a lack of women at the top allows sexual harassment to fester. But there is evidence that female representation on boards correlates with [greater attention to risk oversight and accountability measures](#). Such an approach could prompt leaders to discipline bad actors before they become PR disasters.”

There is growing evidence that diversity is good for business. An article listed at the NACD , by Lisa Roberts of Nasdaq, emphasizes the NACD 2016 Blue Ribbon Commission on Building the Strategic-Asset Board which at its core states the successful strategic-asset board is a mix of directors with diverse backgrounds who are fit for the purpose of complex oversight. She also goes on to state, “that diverse boards engage in more robust debates, make decisions that are sounder than they would be otherwise, better understand their customers, and attract higher-performing employees.” Ms. Roberts shares the importance of better disclosures by publicly listed companies and shares Nasdaq’s model for the 2016 Proxy statement which enhances board diversity, transparency and statistics on a variety of metrics.<sup>1</sup>

Having women on boards and in C-suites is also about the message it sends down the chain, according to Catalyst executive Brande Stelling. CalSTRS agrees and supports the SEC requiring better board disclosures through a matrix or graph as a good place to begin.

The rationale and momentum are here presenting an opportunity of the SEC to require this type of disclosures prior to the 2018 Proxy Season. If you have any questions or would like to discuss this letter further, please do not hesitate to contact me at 916-414-7410, [ASheehan@calstrs.com](mailto:ASheehan@calstrs.com), or Mary Hartman Morris, Investment Officer at 916-414-7412, [MMorris@CalSTRS.com](mailto:MMorris@CalSTRS.com).

Sincerely,



Anne Sheehan  
Director of Corporate Governance  
California State Teachers’ Retirement System

cc: Honorable Kara M. Stein, Commissioner  
cc: Honorable Michael S. Piwowar, Commissioner

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<sup>1</sup> Lisa Roberts, VP, Nasdaq’s Legal and Regulator Group and manages Governance Clearinghouse, January 10, 2017.  
<https://blog.nacdonline.org/tag/board-diversity/> Nasdaq’s Governance Clearinghouse  
<https://listingcenter.nasdaq.com/ClearingHouse.aspx>