



OFFICE OF ILLINOIS STATE TREASURER

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Illinois State Treasurer Michael Frerichs Moves for More Women and Minorities on Corporate Boards

Five Companies Act to Promote Diversity in Response to Investor Coalition, More Companies Encouraged to Embrace Change

SPRINGFIELD – More women and minorities need to serve on corporate boards, Illinois State Treasurer Michael Frerichs said today.

Frerichs will use his role as Illinois' chief investment officer to encourage greater boardroom diversity. A corporate board without women and minorities typically does not reflect its employees and customers. As such, the likelihood is great for missed opportunities and growth, especially in shareholder value.

“We know that diversity is good for business. We also know that change is hard, especially inside our nation’s boardrooms,” Frerichs said. “Many corporate leaders agree that diversity will benefit their operations. Our focus is to help them navigate this change.”

Women occupy 20 percent of board seats of Fortune 500 companies, and minorities occupy 14 percent, [according to 2016 data](#).

Frerichs and other institutional investors are using their corporate relationships and shareholder rights to encourage boardroom change. Joining Frerichs in this endeavor are UAW Retiree Medical Benefits Trust, the Ohio Public Employees Retirement System, the School Employees Retirement System of Ohio, the SEIU Master Trust, the Sundance Family Foundation, Segal Marco Advisors, and Trinity Health.

The coalition is known as the Midwest Investors’ Diversity Initiative and has a combined \$275 billion in assets under management.

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The Diversity Initiative has already collaborated with five companies to change their corporate governance policies to explicitly consider race, ethnicity and gender when recruiting new board members: Knowles Corporation, Itasca, Ill.; Littelfuse, Inc., Chicago; Marten Transport Inc., Mondovi, Wis.; SPS Commerce, Minneapolis; and TransDigm Group Inc., Cleveland, Ohio. The Diversity Initiative was pleased to learn that two additional companies engaged, A. Schulman in Fairlawn, Ohio, and Rockwell Medical Technology Group in Wixom, Mich., appointed diverse directors to their boards in 2016.

There is a general consensus among academics, industry specialists and financial analysts that diverse boards enhance performance and shareholder value. A [2015 McKinsey study of 366 companies](#) found that corporate leadership groups in the top quartile for racial and ethnic diversity were 35 percent more likely to have financial returns above their national industry median. The study also found that companies with gender-diverse boards are 15 percent more likely to outperform the median in their industry.

In addition to gender, race and ethnicity, institutional investors like Frerichs encourage companies to incorporate additional factors in their board diversity policy, including diversity of skill sets, professional backgrounds, and LGBT status.

“Institutional investors across the country need to continue building coalitions that push for greater board diversity,” Frerichs said. “By doing so, not only are we fulfilling our fiduciary duty and positioning ourselves for enhanced long-term returns, but we can help foster a business culture that is more attentive to the values and perspectives of the entire community.”

Board diversity is one of several environmental, social and governance (ESG) factors Illinois Treasurer Frerichs considers when determining what companies present optimal risk and performance characteristics.

More and more institutional investors are integrating ESG factors into investment decisions as a way to better manage risk, protect assets and maximize returns. For instance, corporations with poor or short-sighted environmental policies may face fines, supply-chain issues, or higher operating costs. Accordingly, investors use ESG data to reduce risk exposures and take an investment position focused on sustainable, long-term growth.

For more information on Frerichs’ responsible investing platform, including a description of ESG priorities, actions taken, and a searchable catalogue of proxy votes, visit www.IllinoisRaisingTheBar.com.

About the Illinois Treasurer

The Illinois Treasurer is the state’s chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. The Treasurer oversees a portfolio worth more than \$25 billion. It includes approximately \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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