



The Forum for Sustainable and Responsible Investment

January 4, 2021

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity (Release No. 34-90574; File No. SR-NASDAQ-2020-081)

Dear Ms. Countryman:

On behalf of US SIF: The Forum for Sustainable and Responsible Investment, I write in support of Nasdaq's Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity (Release No. 34-90574; File No. SR-NASDAQ-2020-081) ("Proposal"). In addition, US SIF encourages the Securities and Exchange Commission ("SEC" or "Commission") to advocate for all exchanges in the United States require the disclosures and director diversity listing requirements included in the Proposal.

The Proposal would require Nasdaq-listed companies to 1) provide statistical information about each director's self-identified gender, race and self-identification as LGBTQ+ and 2) have the board of directors include at least one female and at least one who self-identifies as an underrepresented minority.¹ If the listed company fails to satisfy the second requirement, it must explain why. Small Reporting Companies and Foreign Issuers are allowed exceptions to the director diversity requirement.

US SIF² is the leading voice advancing sustainable investing across all asset classes. Our mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Our members, comprised of investment management firms, mutual fund companies, asset owners, research and data firms, and financial planners and advisors, represent more than \$5 trillion in assets under management or advisement. US SIF members integrate environmental, social and governance factors ("ESG") into their investment decisions and take their responsibilities seriously as shareowners by voting proxies and engaging with companies.

US SIF supports the Proposal because requiring data on diversity and requiring even limited gender and racial diversity is an important first step to address the lack of diversity in corporate boards. In 2019, the percentage of Russell 3000 board seats held by women reached 19 percent and the percentage held by racial and ethnic minorities reached 10 percent.³ Although

¹Underrepresented minorities include Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities; or as lesbian, gay, bisexual, transgender or a member of the queer community ("LGBTQ+").

² www.ussif.org

³ Kosmas Papadopoulos et al, US Board Study: Board Diversity Review, ISS (April 11, 2018). <https://www.issgovernance.com/file/publications/us-board-diversity-study.pdf>.

this is the highest both have ever been, they are still well below the respective groups' demographic representation.

For decades, sustainable investors have advocated for racial and gender diversity on boards and employees of companies they own. At the start of 2020, money managers controlling \$833 billion and institutional investors with \$1.5 trillion in assets under management reported that they consider diversity as a focus area in their investment decision-making process, according to US SIF Foundation's *Report on US Sustainable and Impact Investing Trends 2020*.⁴

Board diversity is a leading issue for shareholder resolutions. From 2018 to 2020, 120 resolutions on board diversity were filed. While relatively few went to a vote, the average vote of support rose from 22.5% in 2018 to 32.4% in 2020.⁵

Despite the current lack of diversity on boards, there is growing support from corporate and investment executives for diversity on boards. In 2018, a group of CEOs signed the Commonsense Corporate Governance Principles. The principles include, "Directors should have complementary and diverse skill sets, backgrounds and experiences. Diversity along multiple dimensions, including diversity of thought, is critical to a high-functioning board. Director candidates should be drawn from a rigorously diverse pool."⁶ Beginning in July 2020, the policy of Goldman Sachs is that it will only underwrite initial public offerings with at least one board member from an underrepresented community. The number increases to two board members from underrepresented communities in 2021.⁷

Diversity on boards also improves performance. A 2019 McKinsey & Company analysis⁸ found "companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies in the fourth quartile—up from 21 percent in 2017 and 15 percent in 2014." For ethnic and cultural diversity, the study found that the "top-quartile companies outperformed those in the fourth one by 36 percent in profitability, slightly up from 33 percent in 2017 and 35 percent in 2014."

Pax World Funds released a report in July 2019 analyzing the performance of MSCI World companies with the strongest gender diversity profiles compared with those with weaker profiles. The top quartile in gender-diversity leadership also constituted the top-performing quartile of stocks in the MSCI World index, delivering a return of 7.9 percent compared with 6.6 percent for the index as a whole.⁹

US SIF believes the Commission should support Nasdaq's proposal and accelerate the move to greater board diversity and better data. We also believe the SEC should urge other exchanges operating in the United States to require robust listing requirements similar to those in the

⁴ US SIF Foundation, "Report on US Sustainable and Impact Investing Trends 2020" (November 2020). www.ussif.org/trends

⁵ *Ibid.*, figure 4.6.

⁶ Commonsense Corporate Governance Principles 2.0, (October 18, 2018) <https://www.governanceprinciples.org/wp-content/uploads/2018/10/CommonsensePrinciples2.0.pdf>

⁷ Goldman Sachs, "Goldman Sachs' Commitment to Diversity" (February 4, 2020) <https://www.goldmansachs.com/what-we-do/investing-and-lending/launch-with-gs/pages/commitment-to-diversity.html>

⁸ McKinsey & Company, "Diversity Wins: How Inclusion Matters" (May 19, 2020). <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

⁹ Falci, Steve, Julie Gorte, Scott LaBreche, David Loehwing, and Heather Smith, Pax World Funds, Gender Diversity Delivered: Results from Five Years of Investing in Women (July 22, 2019). <https://paxworld.com/gender-diversity-delivered-results-from-five-years-of-investing-in-women/>

Proposal. Investors would benefit from clear, consistent and comparable disclosures by all companies no matter which exchange they are listed on.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink that reads "Lisa N. Woll". The signature is written in a cursive style with a large initial 'L'.

Lisa Woll
CEO
lwoll@ussif.org