Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

U.S. Securities and Exchange Commission (SEC) request for Public Comment on Proposed Rule Change to Adopt Listing Rules Related to Board Diversity [File no. SR-NASDAQ-2020-081]

Dear Ms. Countryman:

FCLTGlobal is a 501(c)3 not-for-profit research organization that develops research and tools that encourage long-term business and investment decision-making across the global investment value chain. Focusing Capital on the Long Term began in 2013 as an initiative of the CPP Investments McKinsey & Company, which together with BlackRock, Dow, and Tata Sons founded FCLTGlobal in July 2016. In addition to our Founders, today our 50+ Member organizations span the investment value chain, including asset owners, asset managers and corporations, and are committed to accomplishing long-term tangible actions to lengthen the timeframe of capital allocation decisions.

The SEC is inviting public comments on a proposal to adopt listing rules related to board diversity.[1] This amendment would: "require Nasdaq listed companies, subject to certain exceptions, (A) to have at least one director who self identifies as a female, and (B) to have at least one director who self-identifies as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, two or more races or ethnicities, or as LGBTQ+, or (C) to explain why the company does not have at least two directors on its board who self-identify in the categories listed above."[2]

Based on FCLTGlobal's review of existing academic evidence, our own analysis, and research informed by our multi-year conversations with our Members and other experts, we suggest the SEC carefully consider the following points:

- *Significant evidence demonstrates diverse boards add value over the long term*
- *Despite the evidence, public company board composition has been slow to improve*
- *We've seen regulatory approaches to board diversity succeed in other jurisdictions and we applaud Nasdaq for taking this step*

---

[1] Source: Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity, U.S. Securities and Exchange Commission, 2020, https://www.sec.gov/rules/sro/nasdaq/2020/34-90574.pdf
[2] Id. at 1.

Diverse boards add value over the long term

In a 2019 study by FCLTGlobal, "Predicting Long-term Success for Corporations and Investors Worldwide," we found that having a diverse board—including a mix of genders and ages—is connected to strong long-term returns. The availability of data has been a barrier to robust studies in the past, and the effects of gender diversity are often easier to analyze than other types of diversity (e.g. race, ethnicity, other). Additionally, FCLTGlobal published an article in 2019 highlighting further evidence that diverse boards add long-term value.

In addition to our own analysis, there have been several academic studies to date that explore the connection between diversity and productivity, and the evidence is compelling. Using a multi-dimensional measure of diversity combining ethnicity, age, gender, education, financial expertise, and prior board experience, Bernile, Bhagwat and Yonker (2017) found that greater board diversity correlates with lower stock price volatility, more consistent investment in R&D projects over time, and better performance overall. In a separate study, Carter, Simkins and Simpson (2003) examined the relationship between board diversity and firm value for Fortune 1000 firms, and after controlling for size, industry, and other corporate governance measures they found significant positive relationships between a company's value and the contingent of women or minorities on a company's board. In an analysis of global corporate boards, Credit Suisse's CS Gender 3000 report "reaffirms findings from previous iterations: that a material correlation exists between companies with a higher participation of women in decision-making roles and their stock market and corporate performance". Our research confirms Nasdaq's assertion that "there is a compelling body of credible research on the association between economic performance and board diversity."[3]

Despite the clear benefits, progress has been slow

Despite the empirical evidence, the percentage of board seats held by women directors in the S&P 500 was 27 percent in 2019, up from 16 percent in 2008, showing a slow but visible increase.

While the trend of increasing ethnic diversity on boards is also visible, the rate of change is even slower than the trend in board gender diversity. Among board members who were ethnically diverse, Russell 3000 directors crossed the 10-percent threshold for the first time in 2019 compared to 8 percent in 2008, and 21. 1 percent of directors identified as ethnic minorities in the S&P 500 in 2019.

We've seen regulatory approaches succeed in other jurisdictions

FCLTGlobal applauds Nasdaq in taking leadership on this issue. It is important to note that other developed countries have regulations in place that require a certain degree of gender diversity on corporate boards: Belgium, Finland, France, the Netherlands, Norway and Italy have

[3] Id. at 21.

minimum requirements for women directors. Commonwealth countries, including New Zealand and select Canadian provinces, have installed similar guidelines through a comply-or-explain framework. In the U.S., California recently set quotas for women on the boards of publicly traded companies headquartered in the state.

Additionally, some institutional investors have made a public commitment to diversity and inclusion. Goldman Sachs also announced that after July 1, 2020 that they will only IPO private companies in the US and Europe that have at least one diverse board director.

FCLTGlobal has done extensive work on metrics and disclosures and believes that a disclosure-based approach will serve as a model to enhance transparency and increase consistency and comparability across companies. We hope that this will help to foster the development of data to conduct additional assessments of the association between board diversity and company performance.

Conclusion

Some have argued Nasdaq is putting values above value. Our evidence shows the opposite – that board diversity clearly drives value. We applaud the "Nasdaq rule" and encourage all companies focused on the building long-term value to reach the proposed goal of two diverse directors in the near term.

We appreciate the opportunity to submit these remarks for consideration. Should anyone at the SEC have questions about the research or our remarks, we would welcome the prospect of further discussion.

Most Sincerely,

Sarah Keohane Williamson, CAIA, CFA
Chief Executive Officer

Ariel Fromer Babcock, CFA
Managing Director, Head of Research

Victoria Tellez Leal
Senior Associate, Research