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January 13, 2021

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

RE: Release No. 34-90574

Dear Ms. Countryman,

Thank you for the opportunity to comment on the "Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity." Morningstar supports this proposal and believes it addresses a major information gap investors face in assessing board diversity.

Investors are increasingly interested in workforce diversity in general, including gender diversity in board representation. For example, shareholders have submitted many resolutions over the past decade requesting information about board diversity, indicating their interest in using it to assess corporate governance. The reason for this interest is clear: A company with less board diversity than its peers may raise questions for investors. In his July 2020 post to the *Harvard Law School Forum on Corporate Governance*, Jared Landaw (COO and General Counsel at Barington Capital Group LP) commented that "[t]he most common corporate governance weaknesses we find at the underperforming companies we invest in are issues with the composition of their boards. Many of these companies have a board comprised of a homogeneous group of directors."[1] For their part, companies know investors are interested: Nearly all issuers already disclose some level of board diversity information.

Regrettably, current board diversity disclosures are insufficient and noncomparable. Some companies report their board composition using broad groupings, such as "minority" or "ethnically diverse," while a few report by specific racial or ethnic groups. For example, one disclosure from a large Fortune 500 company reads: "At year-end 2018, 44 percent of the board's independent directors were female or an ethnic minority." Another peer company simply reports that "The company's Board of Directors is composed of exceptional leaders with diverse backgrounds who help ensure that the company's decisions and actions advance and respond to shareholders' interests." These disclosures provide little actionable or decision-useful information for investors. Despite this opacity, what is clear is that while companies know investors want information on board diversity, they have little guidance on how to disclose it in a consistent fashion, nor incentive to disclose more than their peers do.

Morningstar therefore welcomes Nasdaq's proposal to require statistical information in a proposed uniform format on a company's board of directors related to a director's self-

[1] See https://corpgov.law.harvard.edu/2020/07/14/maximizing-the-benefits-of-board-diversity-lessons-learned-from-activist-investing/

identified gender; race; and self-identification as LGBTQ+. We believe the proposed template will be a major step forward from the kinds of disclosures we often see today. We further believe anchoring the disclosures on the Equal Employment Opportunity Commission definitions is sensible, as most companies are familiar with those categorizations. No diversity framework will be perfect, but the framework Nasdaq proposes will add important consistency and comparability.

Thank you again for the opportunity to comment on Nasdaq's proposed rule to adopt listing rules related to board diversity. We believe the proposal is an important step forward.

Sincerely,

Aron Szapiro
Head of Policy Research
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Michael Jantzi
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