

**SECURITIES AND EXCHANGE COMMISSION  
ADVISORY COMMITTEE ON  
SMALL AND EMERGING COMPANIES**

Washington, DC 20549-3628

December \_\_, 2016

The Honorable Mary Jo White  
Chair  
U. S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1070

Dear Chair White:

As you know, the Securities and Exchange Commission organized the Advisory Committee on Small and Emerging Companies to provide the Commission with advice on the Commission's rules, regulations, and policies with regard to its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as they relate to the following:

- (1) capital raising by emerging privately held small businesses and publicly traded companies with less than \$250 million in public market capitalization;
- (2) trading in the securities of such businesses and companies; and
- (3) public reporting and corporate governance requirements to which such businesses and companies are subject.

On behalf of the Advisory Committee, we are pleased to submit the enclosed recommendations regarding corporate board diversity. These recommendations were discussed at an Advisory Committee meeting held on October 5, 2016 and approved by the members of the Advisory Committee present and voting at a telephonic meeting held on December 7, 2016.

We and the other members of the Advisory Committee are prepared to provide any additional assistance that the Commission or its staff may request with respect to these recommendations.

Respectfully submitted on behalf of the Advisory Committee,

Stephen M. Graham  
Committee Co-Chair

Sara Hanks  
Committee Co-Chair

Members of the Advisory Committee

Robert Aguilar  
Xavier Gutierrez  
Brian Hahn  
Kyle Hauptman  
Jenny Kassan  
Catherine V. Mott\*  
Jonathan Nelson  
Patrick Reardon  
Lisa Shimkat\*  
Annemarie Tierney  
Gregory C. Yadley  
Laura Yamanaka

Non-voting members

Michael Pieciak  
Mark Walsh\*

\* Not present at the meeting held on October 5, 2016.

\*\*Not present at the telephonic meeting held on December 7, 2016.

Enclosure

cc: Commissioner Kara M. Stein  
Commissioner Michael S. Piwowar  
Keith F. Higgins  
Elizabeth Murphy  
Sebastian Gomez Abero  
Julie Z. Davis

U.S. Securities and Exchange Commission  
Advisory Committee on Small and Emerging Companies

**Recommendation Regarding Disclosure of Board Diversity**

From the October 5, 2016 and December 7, 2016 Meetings

AFTER CONSIDERING THAT:

1. The Advisory Committee's objective is to provide the U.S. Securities and Exchange Commission (the "Commission") with advice on its rules, regulations and policies with regard to its mission of protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation, as they relate to, among other things, capital raising by emerging privately held small businesses and publicly traded companies with less than \$250 million in public market capitalization.
2. Board diversity has been associated with improved competitiveness and talent management, greater access to capital, more sustainable profits, and better relations with stakeholders and therefore plays an important role in capital formation for small and emerging companies.
3. Accordingly, information regarding board diversity is important to stockholders, employees and customers.
4. In 2009, the Commission adopted a rule (Item 407(c)(2)(vi) of Regulation S-K (the "Rule")) requiring companies to disclose in their proxy statements whether a nominating committee considers diversity in identifying nominees for the company's board of directors, and if it is considered, how. The Rule also requires that if the company has a policy with regard to the consideration of diversity in identifying director nominees, how that policy is implemented and how its effectiveness is assessed.
5. The Rule has failed to generate information useful to stockholders, employees and customers in assessing board diversity.

THE COMMITTEE RECOMMENDS THAT:

The Commission amend Item 407(c)(2) of Regulation S-K to require issuers to describe, in addition to their policy with respect to diversity, if any, the extent to which their boards are diverse. While, generally, the definition of diversity should be up to each issuer, each issuer should be required, to the extent individual directors self-identify, to include each board member's race, gender, and ethnicity.