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Company

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capitalgroup.com

December 22, 2020

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

Re: **Board Diversity Proposal by The Nasdaq Stock Market LLC (File No. SR-NASDAQ-2020-081)**

Dear Ms. Countryman:

We appreciate the opportunity to provide comments to the United States Securities and Exchange Commission (the "Commission") on the above-referenced proposal (the "Proposed Rule") by The Nasdaq Stock Market LLC ("Nasdaq") to adopt listing rules related to board diversity.¹ The Capital Group Companies is one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The vast majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies managed by Capital Research and Management Company, distributed through financial intermediaries and held by individuals and institutions across different types of accounts.

We write today in strong support of the Proposed Rule. As investors, we have long believed that diverse perspectives lead to better investment outcomes. As evidenced by a growing body of research, including those noted by Nasdaq in the Proposed Rule, we share the view that diverse boards tend to make better decisions and support better financial performance of the companies they govern. What is more, for companies operating in markets with

¹ Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity (Dec. 4, 2020), Release No. 34-90574, 85 Fed. Reg. 80472 (Dec. 11, 2020).

changing demographic trends, diverse boards help companies to be more aligned with, and relevant to, an increasingly diverse set of customers, employees and talent pools. To that end, in our engagement with portfolio companies, we seek to understand their approach to diversity and inclusion and expect those in developed markets to have diverse boards of directors. We view diversity broadly and believe the disclosure requirements under the Proposed Rule would greatly improve transparency around the composition of company boards and allow investors and other stakeholders to monitor and measure board diversity in a more holistic way. We also applaud Nasdaq for its proposal to provide listed companies that have not yet met their board diversity objectives with free access to a network of qualified and diverse board candidates.

In our view, the targets set out in the Proposed Rule, the timeline for compliance and the “comply-or-explain” approach are reasonable. Specifically, subject to certain exceptions, each listed company must have, or explain why it does not have, at least one director who self-identifies as a female or an underrepresented minority or LGBTQ+ by no later than two calendar years after the Proposed Rule is approved by the Commission, and at least two such diverse directors by no later than four calendar years after such approval date (in the case of companies listed on the Nasdaq Global Select or Global Market tiers) or five calendar years after such approval date (in the case of companies listed on the Nasdaq Capital Market tier). As Nasdaq observes, a supermajority of listed companies today already have at least one woman on the board and companies are working to address the dearth of other diverse attributes among their board directors.² We believe the flexibility provided under the Proposed Rule for foreign issuers is important, as it recognizes the complexities of managing diversity and inclusion in a global context and allows companies based outside of the United States to be thoughtful and locally relevant in their approach to enhancing board diversity.

We are particularly supportive of the Proposed Rule’s requirement for companies to report statistical information on their board directors’ self-identified gender, race (or, in the case of foreign issuers, self-identification as underrepresented in the home country jurisdiction) and self-identification as LGBTQ+, as applicable. As investors, transparency of information relating to our portfolio companies is critical as it allows our investment professionals to

² *Id.* at 80480.

better understand a company's risks and opportunities and its long-term value drivers. This, in turn, facilitates more productive engagement with the company. When it comes to board diversity, the disclosure of diverse characteristics of company boards, apart from gender, has been inconsistent and unreliable to date, making it challenging to compare data across companies or to monitor companies' progress in improving board diversity with respect to characteristics other than gender. We believe requiring standardized disclosure of company board diversity statistics would go a long way in addressing this information gap.

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We thank the Commission for its consideration of our above comments. If you have any questions or would like to discuss the contents of this letter, please feel free to contact me at

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Sincerely,

Robert W. Lovelace
Chief Executive Officer
Capital Research and Management Company