December 29, 2020

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

RE: Nasdaq's Proposed Listing Requirements for Board Diversity; File Number SR-NASDAQ-2020-081.

Dear Secretary Countryman:

We are writing to comment on Nasdaq's proposed listing requirements for board diversity. As the first minority-owned asset management firm in the United States with a nearly 38-year history, we have seen overwhelming evidence that diverse leadership drives better shareholder outcomes. Companies that cultivate inclusive cultures are not only more likely to attract the best talent – they are also able to broaden their sales and marketing opportunities and drive revenue. Accordingly, a 2018 McKinsey study found that companies with the most ethnically and culturally diverse boards were 43% more likely to experience higher profits.

Diversity has increasingly become a material issue that many investors consider as fiduciaries. At Ariel, we seek comparable comprehensive data on material ESG issues, including board composition. This information helps us make informed investment decisions on behalf of our institutional and individual clients. As such, we believe it to be in the best interest of shareholders to require diversity disclosures.

As seasoned public company board directors, we have experienced first-hand how a business can benefit from a myriad of perspectives at the highest ranks. Furthermore, in an ever-connected world, employees, customers and the general public are holding all corporations accountable for diversity issues. Public companies seeking to be world-class, 21st century organizations, must ultimately show real, measurable results when it comes to fostering an inclusive environment.

There are some misconceptions about Nasdaq's proposal.

First, we do not believe Nasdaq's disclosure requirements will be overly burdensome or coercive. The proposal provides flexibility for companies to explain why they do not meet the minimum objective of two diverse directors. Nasdaq has no plans to judge the merits of a company's explanation. A disclosure would enable shareholders to decide if this information is meaningful to their investment decisions.

Second, finding qualified diverse directors is not unduly difficult. In a country with over 330 million people, there are plenty of qualified candidates. As respected, long-term shareholders, we are proud to say that over 50 of Ariel's portfolio companies have added diverse directors. We believe these actions were in part due to our questioning and encouragement. Also, the growing number of attendees at Ariel's annual Black Corporate Directors Conference is a testament to a business community that is rich with untapped Black and brown board talent.

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Third, the proposal is not radical. In fact, there is a rising chorus for board diversity and inclusion among financial institutions, state policy makers, and other market participants. Our fellow investors, including Goldman Sachs Asset Management, State Street, Vanguard, and many others, have stepped up their advocacy on this topic. States such as California and Illinois been pushing this agenda as well. In 2022, proxy advisors like ISS and Glass Lewis plan to consider diversity when making board recommendations.

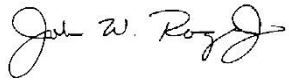
This is the right approach. What gets measured, gets done. Companies set targets for many other important business initiatives. In the annual reports that we read regularly, diversity is often stated as a "strategic imperative." It is impossible to measure progress without data. As such, when it comes to board diversity disclosures, clarity and uniformity are needed. Nasdaq's proposal provides clear guidance on reporting standardized, aggregated, board-level diversity data, while allowing directors to voluntarily self-identify. Nasdaq's proposed definition of diversity will improve transparency and comparability of disclosures across companies—while a broader definition would maintain the status quo of inconsistent, incompatible data.

We acknowledge there may be reasons why a company does not meet Nasdaq's minimum objective. For example, they may focus on diversity and inclusion at the executive level or company-wide, rather than the board level. Or, a company might consider diversity more broadly than Nasdaq's definition. Nasdaq's proposed disclosure-based approach, as well as the two-year timeframe to satisfy the objective, is reasonable in our view. Since there is a six-month cure period for companies who do not satisfy the rule within the proposed timeframe, there is plenty of time to comply, rather than be immediately delisted.

Nasdaq's proposal will enhance corporate governance, board decision-making, investor protections, confidence, and ultimately shareholder returns. Not to mention, this approach will make board rooms more diverse when it comes to race, ethnicity, sexual orientation and gender identity.

Thank you, in advance, for your consideration.

Sincerely,



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