



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

December 31, 2020

Vanessa Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: SR-NASDAQ-2020-081 - Proposed Rule Change to Adopt Listing Rules Related to Board Diversity

Dear Secretary Countryman,

I am writing to voice my support for the proposed rule change filed by the Nasdaq Stock Market LLC ("Nasdaq") to adopt listing rules related to board diversity, pursuant to Rule 19b-4 under the Securities Exchange Act of 1934.

As the Treasurer of the State of Illinois, I am responsible for safeguarding and prudently investing \$35 billion on behalf of taxpayers, college savers, and units of local government. To effectively execute my fiduciary duties as State Treasurer, my office and our investment service providers routinely examine the composition of corporate board directors when making investment and proxy voting decisions. We seek to evaluate board attributes that are material to good governance and decision-making, and thereby may contribute to better investment performance. This process is critical in our endeavor to provide the highest level of service, stewardship, and financial value to our beneficiaries and participants.

One materially important board attribute we examine is diversity. Research demonstrates that a diverse board of directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism.^{i, ii, iii} Diversity is inclusive of gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ+ status.

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Given the business case for board diversity, investors have a material interest in assessing board diversity data and applying that within the total mix of information. But here lies the underlying problem: investors do not have adequate access to board diversity data.

The current environment is characterized by a lack of standardization, which creates a lack of consistency, comparability and transparency. While some companies provide robust disclosure on their board's composition and their attention to diversity factors, others provide no disclosure on these pertinent board attributes. As a result, investors are often unable to discern the level of board diversity at many companies in which they invest, and even among those that provide some level of disclosure, comparability is tenuous.

In the context of the SEC's mission, the current reporting environment does not help protect investors, nor does it help maintain fair, orderly and efficient markets or facilitate capital formation. In fact, the current environment creates confusion and barriers to effective investment analysis and decision-making; it generates information asymmetry, disorder and inefficiency; and it jeopardizes optimal capital formation.

Given the paucity and incomparability of board-level diversity data, it is reasonable and appropriate that Nasdaq listed companies self-disclose the composition of their boards of directors in a transparent and consistent format. In addition, given the correlation between board diversity and long-term outperformance, it is reasonable and appropriate that Nasdaq listed companies be required to have, or explain why their boards do not include at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+.

Again, we support Nasdaq's new requirement and would further support a split of the three categories of diversity covered by the proposal (gender, race, and LGBTQ+ status) to ensure all three aspects are addressed. This proposal is a sensible, simple, and cost-effective way to provide all stakeholders – and particularly investors – with a better understanding of a company's board composition and its attention to diversity as a material and relevant board attribute.

Thank you for your consideration, and please do not hesitate to contact me with any questions.

Sincerely,



Michael W. Frerichs
Illinois State Treasurer

cc: The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Reisman, Commissioner

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- ⁱ Diversity Wins,” McKinsey & Company, 2020, available at: www.mckinsey.com/~media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf.
- ⁱⁱ Diversity Matters,” McKinsey & Company, 2015, available at: <https://assets.mckinsey.com/~media/857F440109AA4D13A54D9C496D86ED58.ashx>.
- ⁱⁱⁱ David Rock and Heidi Grant, “Why Diverse Teams are Smarter,” Harvard Business Review, Nov. 4, 2016, available at: <https://hbr.org/2016/11/why-diverse-teams-are-smarter>.