TREASURY DEPARTMENT
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PA 17120

JOSEPH M. TORSELLA
TREASURER

January 4, 2021

**Via Electronic Transmission**

The Honorable Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, North East
Washington, DC 20549-0609

**Re: Comment letter regarding Nasdaq's proposed requirement for board diversity disclosure, file number: SR-NASDAQ-2020-081**

Dear Secretary Countryman:

I write to you in my official capacity as state treasurer of the Commonwealth of Pennsylvania, expressing my support for a recent proposal from Nasdaq that seeks approval from the Securities and Exchange Commission (SEC) for new listing requirements related to board diversity. Research shows that improving board diversity positively impacts corporations, and this proposal will improve the competitive positioning of Nasdaq listed companies by improving the diversity of corporate boards with respect to, inter alia, race, ethnicity, sexual orientation and gender identity.

It has been shown that more diverse composition of corporate boards leads to more deliberate decision making and better governance. Until large institutions, such as Nasdaq, begin requiring disclosure of this important information from companies, we will not see the commitment to diversity that our global economy desperately needs to thrive.

No voice is more important to shareholders than a corporation's board of directors, but most corporate boards do not reflect the increasing diversity of the shareholder base. The structure of U.S. capital markets has been a competitive advantage for our economy, because it provides corporations access to broad and deep capital markets, and it is critical that listing rules reflect the modern corporate ownership structure. In addition, it is important that these changes are implemented in a way that adds value to the company.

Nasdaq's proposed approach is disclosure-based, giving companies the opportunity to make improvements to board diversity over time, rather than imposing mandatory quotas. There is no one-size-fits-all approach to board diversity, and companies would have the flexibility to explain their efforts towards diversity if not meeting the minimum of two diverse directors. I commend Nasdaq for recognizing that implementing these changes can take time by offering a phase-in period for companies to evaluate their current board and make any necessary changes without interruption to business. I also recognize that Nasdaq has resources dedicated to assisting companies who are navigating this for this first time.

I am confident that the SEC's approval of this proposal will strengthen our capital markets and pave the way for more individuals from underrepresented communities, who are highly qualified, distinguished in their fields, and more representative of the increasingly diverse shareholder base, to be appointed to corporate boards.

Sincerely,

Joe Torsella

Joseph M. Torsella
Pennsylvania State Treasurer

CREDIT SUISSE

# Press Release

**Large-cap companies with at least one woman on the board have outperformed their peer group with no women on the-board by 26% over the last six years, according to a report by Credit Suisse Research Institute**

According to a report released today by Credit Suisse Research Institute, companies with at least one woman on the board have outperformed in terms of share price performance those with no women on the board over the course of the past six years. Companies with at least one woman on the board also exhibit higher return on equity, lower leverage and higher valuations.

**Zurich/New York**
31.07.2012

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The study also found that in the middle of the decade when economic growth was relatively robust, there was little difference in share price performance between companies with and companies without women on the board. However, post the 2008 financial crisis and the subsequent deterioration in the macro environment, stocks with women on the board have strongly outperformed those without any woman on the board.

Giles Keating, Head of Research for Private Banking, noted: “Unique in its scale and global reach this study contributes to the robust debate surrounding the importance of gender diversity and boards. Working with several experts on the topic including Professor Katherine Phillips, Columbia Business School, this study goes beyond the data to explore why gender diversity matters.“

This unique ground-breaking study by the Credit Suisse Research Institute, “Gender Diversity and Corporate Performance,” explores this increasingly topical issue from a global perspective, analyzing the performance of close to 2,400 companies with and without women board members from 2005 onward.

Stefano Natella, Co-Head of Securities Research & Analytics, said “This in-depth study provides investors with striking evidence that greater gender diversity is a valuable additional metric to consider when evaluating investments. The results of our analysis are irrefutable and for the first time offer a global view of this topic and a compelling explanation of why gender diversity adds value."

The report evaluates the average financial metrics of companies with women on the board versus those without, with four key findings:

1. Higher return on equity (ROE): The average ROE of companies with at least one woman on the board over the past six years is 16%; four percentage points higher than the average ROE of companies with no female board representation (12%).

2. Lower gearing: Net debt to equity of companies with no women on the board averaged 50% over the past six years; those with one or more have a marginally lower average, at 48%. However, we note the much faster reduction in gearing that took place at companies with women on the board as the financial crisis and global slowdown unfolded.

3. Higher price/book value (P/BV) multiples: In line with higher average ROEs, aggregate P/BV for companies with women on the board (2.4x) is on average a third higher than the ratio for those with no women on the board (1.8x).

4. Better average growth: Net income growth for companies with women on the board has averaged 14% over the past six years compared to 10% for those with no female board representation.

The report identifies seven key reasons why greater gender diversity could be correlated with stronger corporate performance:

1. A signal of a Better Company: Some academics suggest that there is no causation between more women on the board and greater profitability. They argue that there well may be reverse causation as bigger, higher-profile stocks that, by definition, have already done well, are the ones that are more likely to appoint women to the board. Hence, more women on the board could well be a signal that the company is already doing well, rather than a sign of better things to come. The Research Institute results did find that large-cap companies, which tend to be historical strong performers, are more likely to appoint women to their boards. However, even in an isolated comparison of the large cap companies the outperformance of companies with women in the board held up. This indicated that the causation between greater gender diversity and improved profitability goes beyond simply pre-existing strength of the company.

2. Greater Effort Across the Board: Evidence suggests that greater team diversity (including gender diversity) can lead to better average performance. Research conducted by Professor Katherine Philips at Columbia University has shown that majority groups improve their own performance in response to minority involvement producing better average outcomes in more diverse environments.

3. A Better Mix of Leadership Skills: McKinsey and NASA have conducted various studies on leadership skills and have shown that women are particularly good at defining responsibilities clearly as well as being strong on mentoring and coaching employees. This supports the idea that a degree of gender diversity at the board level fosters a better balance in leadership skills within the company.

4. Access to a Wider Talent Pool: Data from UNESCO shows that by 2010, the proportion of female graduates across the world came to a median average of 54 percent. This compares to a median average of 51 percent female graduates in 2000. Therefore, any company that achieves greater gender diversity is more likely to be able to tap into the widest possible pool of talent.

5. A Better Reflection of the Consumer Decision Maker: To the extent that women are responsible for household spending decisions, it follows that a corporate board with female representation may enhance the understanding of customer preferences. Supported by the fact that consumer-facing industries already rank among those with the greater proportion of women on the board.

6. Improved Corporate Governance: There is a strong consensus within the academic research that a greater number of women on the board improves performance on corporate and social governance metrics.

7. Risk Aversion: The Research Institute's analysis of the MSCI AC World constituents shows that stocks of companies with women on the board are more likely to have lower levels of gearing than their peer group where there are no women on the board. Lower relative debt levels have been a useful determinant of equity market outperformance, delivering average outperformance of 2.5 percent per annum over the last 20 years and 6.5 percent per annum over the last four years.

**Report "Gender Diversity and Corporate Performance" →**

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