

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

**Re: The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity (Release No. 34-90574; File No. SR-NASDAQ-2020-081)**

Ladies and Gentlemen:

I am writing to you on behalf of BMO Global Asset Management (BMO GAM), whose institutional and retail clients collectively represent over US\$ 269 billion of assets. In addition, BMO GAM has been authorised to vote and/or engage in dialogue on behalf of a further 37 other investment institutions with assets totalling over US\$ 325 billion.

At BMO GAM, portfolio investment decisions are always made in the best interests of our clients. Supporting these investment decisions is the belief that prudent management of environmental, social and governance (ESG) issues, such as board diversity, can have an important impact on the creation of long-term investor value. Alongside this work we also see our active ownership activities, including proxy voting at company meetings and direct engagement with companies, as part of our duty as an investor acting in the best interest of our clients.

BMO GAM appreciates the opportunity to comment on the Nasdaq's proposed rule change to adopt listing rules related to board diversity (the "Proposal"). Overall, we support Nasdaq's proposed listing requirements for board diversity for Nasdaq-listed firms and encourage the US SEC to approve this for the following reasons:

- **Aligns with a core value for our organization** - Enhancing diversity and inclusion is a core value at BMO GAM and BMO Financial Group more broadly. We approach this both from an internal perspective by advancing diversity and inclusion within our organization, as well as from an investment perspective where diversity and inclusion is a key theme of our active ownership activities with investee companies. We agree with Nasdaq's conclusion that "academic research demonstrates that diverse boards are positively associated with improved corporate governance and financial performance" and therefore look to improve the diversity of those boards at investee companies.
- **Data transparency will be improved** – The disclosure requirements detailed in the Proposal will greatly enhance transparency for investors, with the comparability of the resulting data assisting us in our investment decision-making as well as with active ownership activities. Nasdaq's suggestions relating to disclosing board-level diversity statistics and the requirement for companies to explain when they do not have at least two diverse directors are particularly useful. Our experience with other comply-or-explain regimes introduced within other markets, such as Canada, is that they have been successful in improving both the quality and quantity of diversity data.
- **Aligned with our in-house proxy voting approach** – Nasdaq's objective of improving the diversity of company boards is one that we have been encouraging through our own proxy voting, as expressed in our Corporate Governance Guidelines<sup>1</sup> for several years. Our current expectations for the U.S. market is that companies should have a minimum of two female directors on their board, which will change in 2021 to an expectation of at least 25% gender diversity. Additionally, we aim to put in place expectations for ethnicity on boards in 2022, with a minimum of at least one director of an underrepresented group.

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<sup>1</sup> <https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/corporate-governance-guidelines.pdf>

- **Supportive of flexibility with a comply-or-explain approach** - We agree with Nasdaq that companies should have the flexibility to approach board diversity in a manner that works best for them, as well as have the time to integrate diversity in a thoughtful manner. As such we are supportive with the comply-or-explain approach and the timelines proposed for implementation, as well as the phase-in period for companies to adhere to the new listing standards.

## **Conclusion**

The level of diversity on U.S. corporate boards has improved over recent years, but there is still much work to do<sup>2</sup>. We consider that the Nasdaq's proposal will be an important step in continuing this progress, but also hope is that companies will not regard the proposal as the limits of their ambitions.

We appreciate the opportunity to submit this comment and are available to answer any questions.

Sincerely,



Kristi Mitchem | Chief Executive Officer  
**BMO Global Asset Management**

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<sup>2</sup> As shown by the results of the U.S. Spencer Stuart Board Index, concluding only 28% of S&P 500 company directors are women and only 22% of newly appointed directors are minorities (defined as Black/African American, Asian and Hispanic/Latinx). ([https://www.spencerstuart.com/-/media/2020/december/ssbi2020/ssbi\\_2020\\_highlights.pdf](https://www.spencerstuart.com/-/media/2020/december/ssbi2020/ssbi_2020_highlights.pdf))