THE U.S. IMPACT INVESTING ALLIANCE
Private Capital for Public Good

March 5, 2021

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: 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)

Dear Ms. Countryman,

The U.S. Impact Investing Alliance ("the Alliance") writes in support of the proposed rules put forth by Nasdaq related to board diversity and encourages approval by the U.S. Securities and Exchange Commission ("the Commission"). As acknowledged in the Nasdaq proposal, the events of the past year have brought widespread recognition that the corporate sector must improve its diversity practices, and we believe this is an important first step. Further, board diversity has shown to improve business performance, and investors should have access to clear, comparable disclosures on these material issues.

The Alliance is dedicated to catalyzing the growth of impact investing in the United States. Members of our boards and councils include individual and institutional investors collectively owning hundreds of billions of dollars of invested assets, in addition to asset and fund managers collectively managing over one trillion dollars in assets. We define impact investing broadly to include those investments that create financial returns alongside measurable and positive social, economic or environmental impacts across asset classes.

The Alliance frequently engages with federal policymakers to promote an enabling public policy environment for the work of impact investors. An overarching theme that cuts across our public policy priorities is the need for broader transparency and accountability to stakeholders. For investors in particular, access to clear, consistent and comparable data on material factors like board diversity is critical for better understanding and managing their investments over the long-term.

The Alliance is supportive of the Nasdaq proposal and would encourage the Commission to institute similar disclosure requirements for all publicly traded U.S. companies. First and foremost, diversity and corporate governance issues are material and should therefore be disclosed to investors. For example, there is ample evidence that companies with diverse leadership outperform those without. A recent report from McKinsey on "the business case for inclusion and diversity" found that companies ranked in the top quartile for gender diversity are 25% more likely to have "above average profitability" than those in the bottom quartile.[1] The findings were analogous for "ethnic and cultural diversity" as well – companies ranked highest by these measures outperformed those ranked lowest by 36%.[2]

[1] McKinsey, "Diversity wins: How inclusion matters," May 2020.
[2] Ibid.

In addition to the disclosure requirements, the Alliance is also supportive of the proposed requirement that Nasdaq listed companies have at least one female board member, as well as one member who self-identifies as an "underrepresented minority or LGBTQ+." In general, there is a significant lack of gender and racial diversity in corporate America relative to population composition and despite many corporate pledges to improve representation. For example, the Institutional Shareholder Services ("ISS") published a report on board diversity for companies in the S&P 1500 Index and found that only 19% of the total board seats were held by women and just over 10% were held by "ethnic minorities" as of 2017.[3] Furthermore, recent figures from ISS could indicate an overall decline of board diversity in the past few years.[4] Given the evidence cited above that diversity is tied to improved business performance, this lack of diversity is a missed opportunity for corporate America and its investors.

Finally, while we are generally supportive of the Nasdaq proposal, we would encourage the Commission to take note of the proposed definition of "diverse" and continue to study the potential inclusion of additional categories – such as individuals with disability – when considering the opportunity to institute similar disclosure requirements for all publicly traded U.S. companies. Similarly, we hope that Nasdaq will continue to monitor diversity disclosures and actively assess if their definition of "diverse" is properly scoped or should be expanded.[5]

To be certain, the Alliance would urge the Commission to institute mandated, standardized disclosures on material environmental, social and governance ("ESG") factors for public and potentially large private companies, including information on board diversity. That said, tracking the diverse representation of boards and the consistency with which that representation is aligned with stakeholders is an important step toward meaningfully expanding accountability in the capital markets. As such, we are encouraged by the Nasdaq proposal and support approval by the Commission.

Sincerely,

Fran Seegull
President, U.S. Impact Investing Alliance

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[3] Kosmas Papadopoulos, Robert Kalb, Angelica Valderrama and Thomas Balog, Institutional Shareholder Services, "U.S. Board Study: Board Diversity Review," April 2018.

[4] Peter Eavis, New York Times, "Diversity Push Barely Budges Corporate Boards to 12.5%, Survey Finds," September 2020.

[5] In particular, we take note of compelling research that shows disability inclusion practices can lead to improved business performance, echoing the research cited above pertaining to gender and racial diversity. For more information, see: Accenture, "Getting to Equal: The Disability Inclusion Advantage," October 2018.