

# CARLYLE

March 16, 2021

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: File No. SR-NASDAQ-2020-081, Nasdaq Proposed Listing Rule Change Related to Board Diversity

Dear Secretary Countryman:

The Carlyle Group appreciates the opportunity to submit this letter in response to the Securities and Exchange Commission request for comments on The Nasdaq Stock Market LLC proposed Rule 5605(f) related to board diversity.

Carlyle is a leading global investment firm with \$246 billion in assets under management. We invest on behalf of over 2,650 diversified clients ("Limited Partners"), including public pensions, corporations, foundations, and endowments. Our portfolio includes over 250 companies globally across a range of industries.

We strongly support the Nasdaq proposal because we believe board diversity contributes to more effective and robust decision-making processes and stronger governance. In line with a large body of academic research, data from our own portfolio companies also supports the growing consensus, and our own firmly held belief, that diverse boards make better decisions. Accordingly, diversity is a priority for our business and our investors.

For a fixed sample of U.S. firms held in the portfolio over the three-year period from 2017 to 2019, the average earnings growth since acquisition of Carlyle portfolio companies with two or more gender and racially diverse board members was nearly 12 percentage points per year greater than that of companies that lack diversity. After controlling for industry, fund, and vintage year, companies with diverse boards generate earnings growth five times faster on average, with each diverse board member associated with a 5% increase in annualized earnings growth.

Thanks to multiple years of investment, we are making progress on the composition of our portfolio companies' boards and have seen the benefit of setting clear expectations, similarly done in Nasdaq's proposal. In 2016, we created a goal within our US Corporate Private Equity funds to have diverse boards for all our majority-owned company boards within two years of taking control of the company. At the time, 38% of the boards met that goal. Five years later, that figure has risen to 88% overall and 100% in US Buyout, our largest fund. In 2020, we expanded our portfolio company diversity goal to achieve 30% diverse directors on boards of

Carlyle-controlled companies within two years of ownership. In 2020, 56% of new directors in these goal eligible companies globally were diverse. Based on this experience, we believe Nasdaq's proposed phase-in of two to five years is reasonable.

Board diversity is also of increasing importance to our Limited Partners. Limited Partners representing more than half of Carlyle's AUM have engaged with us for more information about our DEI and ESG strategy in the past year. This is underscored by a recent [Preqin study](#), which reported that 57% of Limited Partners believe a focus on diversity is beneficial to reaching their investment outcomes.

Our experiences, results and proprietary data are the basis of our perspective on diversity's materially positive impact on company performance. Therefore, we support Nasdaq's proposed requirement for boards to have, or explain why they do not have, at least two members who are diverse, including at least one director who self-identifies as a female, and at least one who self-identifies as an underrepresented minority or as LGBTQ+. This is a pragmatic definition. We also believe it is important that the proposal include the flexibility to modify or expand the set of included demographic groups as our understanding of relevant dimensions of diversity evolve.

Fostering a diverse and inclusive environment is a priority for us and our stakeholders, and we thank you for your careful consideration of this letter.

Sincerely,



Kewsong Lee

Chief Executive Officer

The Carlyle Group