



December 30, 2020

Online submission: rule-comments@sec.gov

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

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 Secretary Countryman,

Boston Trust Walden Company is a private, employee-owned investment management firm with approximately \$11 billion in assets under management. As an investment manager and fiduciary, we seek to invest our client assets in diversified portfolios of securities positioned to manage risk and produce sustainable returns. Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager. ESG considerations are integral to our investment philosophy. Simply stated, we seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives.

Boston Trust Walden believes that diversity—inclusive of gender, race, and ethnicity—is a critical attribute of a well-functioning board and a measure of sound corporate governance. Hence, we write to express our strong support for the new proposed listing rules put forth by The Nasdaq Stock Market LLC (Nasdaq) to increase diverse representation on boards and require public disclosure of consistent and transparent board diversity statistics.

Along with investors, corporate leaders recognize the strong business case for board diversity. The Guiding Principles of Corporate Governance of the Business Roundtable, an influential association of chief executives, state: “Boards should develop a framework for identifying appropriately diverse candidates that allows the nominating/corporate governance committee to consider women, minorities and others with diverse backgrounds as candidates for each open board seat.”¹ Benefits associated with board and management diversity include a larger candidate pool from which to pick top talent, better understanding of consumer preferences, a stronger mix of leadership skills, and improved risk management.

The Nasdaq proposal would accelerate improvement in the composition of U.S. boards. Despite recent progress, women and people of color remain significantly underrepresented. Women account for 21.1 percent of the directorships in the Russell 3000, up slightly from 20.7 percent one year ago.² Among board members of Russell 3000 companies whose race was identified, non-white directors represent less than 11 percent.³ Additionally, Nasdaq estimates that more than three

¹ <https://s3.amazonaws.com/brt.org/Principles-of-Corporate-Governance-2016.pdf>.

² ISS 2020 Proxy Season Review

³ ISS Analytics U.S. Board Diversity Trends in 2019

quarters of its listed companies, roughly 2,500 companies, would fall short of its proposed diversity requirements⁴.

For decades, Boston Trust Walden has instituted proxy voting policies that encourage greater board diversity. Our current guidelines stipulate that boards of directors generally must have at least one woman and one person of color, and overall diverse representation of 30 percent or more to cast votes in support of nominating committee members. Numerous institutional investors now have proxy voting guidelines that similarly seek to foster improvement in board diversity, including many of the largest state and city pension plans and investment firms.

Implementing proxy voting guidelines related to board diversity is challenging due to the lack of consistent disclosure from companies regarding the gender, racial, and ethnic diversity of their boards of directors—an information gap the proposed Nasdaq rule would rectify for its listed companies. Therefore, the proposed disclosure requirements would allow for greater investor confidence in the accuracy of proxy voting decisions.

As a long-term investor, Boston Trust Walden understands that director appointments are relatively infrequent occurrences, and that it can take time to build a diverse board of directors. Therefore, we agree with Nasdaq's phase-in period for companies to meet the new listing standards. We would encourage companies to use this time to affirm or enact leading board nomination policies and practices. These include: nominating and corporate governance guidelines and charters that explicitly consider gender and racial or ethnic diversity in director nominations; public commitments to include women and people of color in each board nominee pool; board refreshment and review processes that incorporate board diversity; and periodic assessments of challenges experienced and progress achieved.

We appreciate your consideration of our comments and urge that the Proposed Rule be accepted.

Sincerely,



William H. Apfel, CFA
Chief Investment Officer



Amy D. Augustine
Director, ESG Investing

⁴ <https://www.wsj.com/articles/nasdaq-proposes-board-diversity-rule-for-listed-companies-11606829244>