



December 23, 2020

California State Teachers'
Retirement System
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Sent via email: rule-comments@sec.gov

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

RE: [File Number SR-NASDAQ-2020-081 Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity](#)

Dear Secretary Countryman:

We are writing on behalf of the California State Teachers' Retirement System ("CalSTRS"). CalSTRS was established for the benefit of California's public-school teachers over 100 years ago and is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$275 billion.¹ We serve the investment and retirement interests of more than 964,000 plan participants and their beneficiaries. The long-term nature of CalSTRS liabilities and our responsibility as a fiduciary to our members, make the fund keenly interested in the rules and regulations that govern the securities market.

We appreciate the opportunity to provide our comments to the Securities and Exchange Commission's ("SEC" or "the Commission") on The Nasdaq Stock Market LLC ("Nasdaq") proposed rules: File Number SR-NASDAQ-2020-081 Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity.

We support the proposed rules, as we believe board diversity is an essential tool to improve corporate accountability and enhance long-term sustainable value to shareholders. Our Corporate Governance Principles², which guide our proxy voting and corporate engagement activities, state that corporate boards should be composed of diverse individuals with regards to skills, education, experiences, expertise and personal qualities. CalSTRS has long been an advocate of boardroom diversity, and we have multiple long running initiatives and partnerships focused on engaging companies on this exact issue. We strongly agree with Nasdaq that *"there is a compelling body of credible research on the association between economic performance and board diversity."* We appreciate Nasdaq taking this forward-thinking step which we believe will further the goal of increasing board diversity across listed companies.

¹ [California State Teachers' Retirement System, Current Investment Portfolio as of November 30, 2020](#)

² [California State Teachers' Retirement System Corporate Governance Principles](#)

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Rule 5605(f) Diverse Board Representation

We view the requirement proposed by the rule, that listed companies must have one director who self identifies as a woman, and one director that self identifies as belonging to another underrepresented group³, as reasonable in concept and implementation. The rule allows for companies who are unable to meet the requirement the opportunity to instead explain its reasoning for not having two diverse directors. Nasdaq does not make a judgement on the validity of a company's explanation, and instead leaves that to the discretion of investors. The rule provides for a reasonable two-year phase in period for companies to report that they have one diverse director or explain why they do not, combined with a four-year period before companies must report two diverse directors or provide an explanation. Other accommodative measures are built into the rule, such as allowing for two women directors to satisfy the requirement at foreign companies, recognizing that the US has a uniquely diverse demography.

Rule 5606 Board Diversity Disclosure

The proposed rule includes requirements that listed companies “*provide statistical information in a proposed uniform format on the company's board of directors related to a director's self-identified gender, race, and self-identification as LGBTQ+*”. In general, we believe that companies should establish a format to disclose the various skills, experience and backgrounds of board members and how those attributes enhance the long-term strategy of the company. Inconsistent and non-standardized disclosure practices between companies result in the inability of investors to accurately assess the appropriateness of the composition of a board. We believe the board has a fiduciary duty to represent and protect the best interest of shareholders. Enhanced disclosure of board diversity provides investors with an additional metric with which to consider when electing directors.

In summary, we support Nasdaq's proposed rules as described in File Number SR-NASDAQ-2020-081. We are supporters of increased board diversity and enhanced disclosure that appropriately informs investors, and we view the proposed rules as accretive towards these outcomes without placing undue burden on listed companies.

Thank you for the opportunity to provide CalSTRS' perspective on these proposals. If you have any questions, please contact me directly at amastagni@calstrs.com.

Sincerely,



Aisha Mastagni
Portfolio Manager, Sustainable Investment and Stewardship Strategies
California State Teachers' Retirement System

³ The Nasdaq proposed rule describes this as an individual who self-identifies as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, two or more races or ethnicities, or as LGBTQ+