

NASDAQ'S BOARD DIVERSITY RULE: WHAT COMPANIES SHOULD KNOW

Last Updated February 28, 2023

BOARD DIVERSITY RULE HIGHLIGHTS

Nasdaq's Board Diversity Rule requires companies listed on Nasdaq's U.S. exchange to:

- Publicly disclose board-level diversity statistics annually using a standardized template; and
- Have, or explain why they do not have, diverse directors.

The rule provides additional flexibility for Smaller Reporting Companies and Foreign Issuers, which can meet the diversity objective by including two female directors, and for all companies with five or fewer directors, which can meet the diversity objective by including one diverse director.

Nasdaq-listed companies have a transition period to achieve compliance. Transition periods vary based on a company's listing date and market tier, as described in the chart below.*

	For Companies Listed on Nasdaq prior to August 6, 2021			For Companies Listing on Nasdaq on or after August 6, 2021		
	Board Diversity Matrix	One Diverse Director or Provide Explanation	Two Diverse Directors or Provide Explanation	Board Diversity Matrix	One Diverse Director or Provide Explanation	Two Diverse Directors or Provide Explanation
Nasdaq Global Select or Global Market	Annually by December 31	December 31, 2023	December 31, 2025	Initial Matrix: One Year From Date of Listing Subsequent Matrix: Annually by December 31	December 31, 2023 or one year from date of listing, whichever is later	December 31, 2025 or two years from date of listing, whichever is later
Nasdaq Capital Market			December 31, 2026		No specific milestone	December 31, 2026 or two years from date of listing, whichever is later
Boards with 5 or fewer directors**			N/A		December 31, 2023 or two years from date of listing, whichever is later	N/A

* Reflects [amendment](#) filed in December 2022.

** Companies with 5 or fewer directors that listed on the Nasdaq Capital Market on or after August 6, 2021 have until December 31, 2026 or two years from date of listing, whichever is later, to meet the Diverse Director Objective or provide an explanation.

BOARD DIVERSITY MATRIX

All operating companies listed on Nasdaq's U.S. exchange will need to disclose board-level diversity data each year by December 31 using the Board Diversity Matrix or a format substantially similar. Foreign Issuers may choose to disclose board-level diversity data using an alternative Board Diversity Matrix template. Companies can provide this disclosure in its proxy statement or information statement (or if the company does not file a proxy, in its Form 10-K or 20-F), or on the company's website. If a company elects to provide such disclosure only on its website, then the company must also notify Nasdaq either by sending an email to drivingdiversity@nasdaq.com with a direct URL link to the disclosure or by completing Section 10 (Board Diversity Disclosure) of the Company Event Form, which is available from the Listing Center.

The first year a company is required to disclose board diversity statistics, the company is required to publish board diversity statistics for the current year only. Each subsequent year, the company is required to publish its data for the current year and prior year. If, however, the Company's Matrix for the immediately prior year remains publicly available (i.e., a proxy statement, information statement or company website), then the company can choose to disclose data for the current year only. Refer to [FAQ 1753](#).

Board Diversity Matrix templates for both U.S. companies and Foreign Issuers along with instructions for completing the Board Diversity Matrix can be found [here](#). Examples of acceptable and unacceptable disclosures are provided [here](#).

DIVERSE DIRECTOR OBJECTIVE

Companies may satisfy the board diversity objective prior to the end of the applicable transition period, as noted in the chart above. This rule is not a mandate.

A company that does not meet the board diversity objective can satisfy the board diversity objective by providing an explanation along with its Matrix in its proxy statement, information statement, or on the company's website. Nasdaq will verify that a company that does not meet the diverse director objective has provided an explanation, but Nasdaq will not assess the merits of the explanation. Refer to [FAQ 1771](#) for more information regarding explanations.

[Operating companies with boards of more than five members](#) can satisfy the diversity objective with one female director and one director who is an underrepresented minority or LGBTQ+. As described below, the Board Diversity Rule does provide additional flexibility for Smaller Reporting Companies, Foreign Issuers, and companies with five or fewer directors.

[Smaller Reporting Companies](#) can meet the diversity objective with two female directors, or with one female director and one director who is an underrepresented minority or LGBTQ+.

[Foreign Issuers](#) can meet the diversity objective with two female directors, or with one female director and one director who is an underrepresented individual based on national, racial, ethnic, indigenous, cultural, religious, or linguistic identity in the country of the company's principal executive offices, or LGBTQ+.

[Companies with five or fewer directors](#) can meet the diversity objective by having one diverse director.

FOREIGN ISSUERS

The Board Diversity Rule applies to all foreign private issuers (regardless of where headquartered) and any Foreign Issuers headquartered outside of the United States. Nasdaq defines a Foreign Issuer as (a) a Foreign Private Issuer or (b) a company that (i) is considered a Foreign Issuer under Rule 3b-4(b) under the Securities Exchange Act of 1934; and (ii) has its principal executive offices located outside of the United States. Refer to [FAQ 1760](#).

EXEMPT COMPANIES

Until non-operating companies, including SPACs, complete their business combinations, they are exempt from the Board Diversity Rule. SPACs listed under Nasdaq Rule IM-5101-2 are not required to provide the Board Diversity Matrix or to satisfy, or explain why they do not satisfy, the board diversity objective until after their business combination. Limited partnerships, closed end funds, management investment companies and issuers of exchanged traded products, among others, are also exempt from the Board Diversity Rule. Refer to [FAQs 1762, 1763 and 1764](#) for more information regarding exemptions and how the Rule applies after a SPAC completes a business combination.

WEBSITE DISCLOSURE

To facilitate compliance monitoring with Nasdaq's Board Diversity Rule 5606, a company that elects to provide disclosure on its website also needs to notify Nasdaq either by sending an email with a direct URL link to drivingdiversity@nasdaq.com or by completing Section 10 (Board Diversity Disclosure) of the Company Event Form, which is available upon logging in to the [Listing Center](#).

Companies that choose to include the Board Diversity Matrix in their proxy statement or information statement do not need to submit the Company Event Form.

While your company can provide the Board Diversity Matrix anywhere on its website, we recommend posting it on your company's Investor Relations webpage or other webpage where Governance documents are housed.

RESOURCES

[Nasdaq is prepared to help](#). We maintain a toolkit of resources to help our listed companies and their advisors understand and achieve compliance with these new requirements.

- [FAQs](#) are available on on Listing Center website [here](#).
- [Board Diversity Matrix Instructions and Templates](#) for U.S. companies and Foreign Issuers can be found [here](#).
- [Board Diversity Matrix Requirements and Examples](#) of acceptable and unacceptable disclosures are provided [here](#).
- [Dedicated Mailbox for Questions](#). Email your questions to drivingdiversity@nasdaq.com.