NASDAQ'S BOARD DIVERSITY RULE
WHAT NEW COMPANIES LISTING ON NASDAQ SHOULD KNOW

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Nasdaq's Board Diversity Rule, which was approved by the SEC on August 6, 2021, is a disclosure standard designed to encourage a minimum board diversity objective for companies and provide stakeholders with consistent, comparable disclosures concerning a company's current board composition.

If you have questions about implementation of the rule or gaining access to complimentary resources to facilitate your board search, email us at drivingdiversity@nasdaq.com.

BOARD DIVERSITY RULE

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

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

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

The following table summarizes the transition periods for new companies listing on Nasdaq on or after the SEC's August 6, 2021 approval but before the initial phase-in period expires.

	Board Matrix	One Diverse Director or Explanation *	Two Diverse Directors or Explanation*
Nasdaq Global Select or Global Markets	One year from the date of listing	August 7, 2023 or one year from the date of listing, whichever is later	August 6, 2025 or two years from the date of listing, whichever is later
Nasdaq Capital Market	One year from the date of listing	No specific milestone	August 6, 2026 or two years from the date of listing, whichever is later
Boards with 5 or fewer directors	One year from the date of listing	August 7, 2023 or two years from the date of listing, whichever is later	N/A

* A company that files its proxy statement after these dates in each respective calendar year would have to explain why it meets, or does not meet, the objective at the time of its proxy filing (or, if the company does not file a proxy, in its Form 10-K or 20-F).

WHAT NEW COMPANIES LISTING ON NASDAQ SHOULD KNOW

1. All operating companies listing on Nasdaq's U.S. exchange have one year from the date of listing to provide board-level statistical disclosure.

   Whether your company is an IPO or transferring from another exchange, it will have one year to publicly disclose its board diversity statistics using the Matrix template found here, or a format substantially similar. On an annual basis, companies will need to include this disclosure in the company's proxy statement or its information statement (or if the company does not file a proxy, its Form 10-K or 20-F), or on the company's website. Examples of acceptable (i.e., same or substantially similar) and unacceptable (i.e., substantially different) disclosures are provided here.

   Companies that elect to provide the Matrix on their websites must also complete a short form through the Listing Center that includes the URL link to the disclosure.

2. Companies have a transition period to meet the diverse director objectives, or explain why they do not.

   As noted in the chart above, companies listing on Nasdaq before the expiration of the initial phase-in period have until the remainder of the applicable initial four or five year period or two years from the date of listing—whichever is longer—to satisfy the requirement.

   Companies listing on Nasdaq *after* the initial phase-in period expires must meet, or explain why they do not meet, the applicable diversity objectives by the later of two years from the date of listing or the date the company files its proxy statement or its information statement for the company's second annual meeting of shareholders after the company's listing.

3. Companies need to meet the diverse director objective OR explain their reasons for not doing so, and the explanation could include describing a different approach.

   Companies that do not have at least two diverse directors by the time their phase-in period expires are required to provide an explanation for not doing so, and their explanation could include a description of a different approach. Nasdaq will verify that the company has provided an explanation, but will not assess the merits of the explanation.

   This rule is not a mandate. If a company chooses to explain why it does not meet the diversity objectives, it can provide its explanation in its proxy statement, information statement for its annual shareholder meeting, or on the company's website.

4. Companies with five or fewer directors can meet the diversity objective with one diverse director, and Smaller Reporting Companies and Foreign Issuers can meet it with two female directors.

   Companies with five or fewer directors can satisfy the diversity objective by having one diverse director who self-identifies as female OR an underrepresented minority or LGBTQ+.

   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+. Similarly, 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+.

As with other Nasdaq-listed companies, if any of these companies chooses to explain why it does not meet the diversity objectives, it can provide its explanation in its proxy statement, information statement for its annual shareholder meeting, or on the company's website.

5. Non-operating companies, including SPACs until they complete their business combinations, are exempt from the Board Diversity Rule.

SPACs listed under Nasdaq Rule IM-5101-2 are not required to provide board diversity statistics or to have, or disclose that they do not have, any minimum number of diverse directors until after their business combination.

In addition to SPACs, limited partnerships, closed end funds, management investment companies and issuers of exchanged traded products, among others, are 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.

6. Nasdaq-listed companies have access to a variety of free and discounted board recruiting services.

Nasdaq is proud to have established partnerships with Equilar, Athena Alliance, Heidrick & Struggles and the Boardlist. We realize one size doesn't fit all, which is why we are building relationships with a growing number of collaborative partners. To learn more about these relationships and how your company can access these resources, please review our guide to Advancing Boardroom Diversity. You can also email your Relationship Manager or Vanessa Mesics at Vaness.Mesics@nasdaq.com.

7. We are 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.*** A complete list of Frequently Asked Questions is available on the Listing Center website here.
- ***Dedicated Mailbox for Questions***. Email your questions to drivingdiversity@nasdaq.com.