
Asset Stewardship and Addressing Racial Diversity

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Racial equity at State Street Corporation

Addressing Racism & Inequality

1. **Triple our Black and Latinx leadership** (senior vice presidents+) and **double our percentage of Black and Latinx populations** over the next three years. Extend requirement to **interview** a diverse slate of candidates to positions at all levels.
2. Examine all of State Street's **development and advancement programs** and processes to improve the mobility and development of Black and Latinx professionals.
3. Enlist our entire workforce in **learning opportunities and conversations** around anti-racism and equity. Make these approaches and programs available to our **clients**.
4. Systematically review **governance models** within key management committees to ensure inclusion and diverse representation.
5. Increase our spend with **diverse suppliers** over the next three years. Hold ourselves accountable for strengthening **Black and Latinx owned businesses**.
6. Work with our board to **add Black and Latinx directors** within 18 months and to expand its diversity efforts.
7. Partner with State Street Global Advisors' **Asset Stewardship** and determine what State Street can learn from others to develop best practices and evolve to a best-in-class organization in combatting racism and attracting, motivating, and retaining Black and Latinx talent.
8. Lead an effort with the **asset management industry** to attract and advance more Black and Latinx people into our profession.
9. Establish combatting racism as a clear priority pillar alongside education and workforce development, and reprioritize **State Street Foundation** spending accordingly.
10. Leverage **Juneteenth** as a day of reflection to create awareness and establish a State Street-wide **day of service** focused on better understanding racism and giving back to our communities.

State Street Global Advisors: Advancing racial diversity

What is Asset Stewardship?

Our team ensures that companies in our portfolio can generate long-term sustainable value for our clients by effectively managing ESG (environmental, social, and governance) risks. We do this through:

Proxy Voting

We vote on items affecting shareholders at annual meetings for 10,000+ companies

Engagement

We connect with companies to learn about their ESG risk management efforts, and to encourage them to improve their practices and oversight

Thought Leadership

We share our perspectives on financially-material ESG issues with the market through letters, essays, and interviews

Diversity drives returns

- Diverse groups can **enhance decision making, risk oversight and innovation.**
- Management teams with a critical mass of racial, ethnic and gender diversity are more likely to generate **above-average profitability.**
- Companies that promote workforce diversity and inclusion through transparent hiring, promotion and wage practices have seen **improved productivity, revenues, and market share.**
- Companies with limited diversity are more likely to **underperform their peers and face reputational risks.**

Source: "Diversity Strategy, Goals & Disclosure: Our Expectations for Public Companies," SSGA, August 2020

Lack of racial diversity data

- Only **32** companies in the Russell 1000 disclose workforce diversity data
- **80%** of Russell 1000 companies do not disclose racial diversity of board
- **60%** of S&P 500 companies do not have at least 1 Black director

Source: "Diversity Strategy, Goals & Disclosure: Our Expectations for Public Companies," SSGA, August 2020

Racial Diversity Disclosures: Our Expectations for Companies

1. **Strategy:** Articulate role of racial diversity in firm's long-term strategy
2. **Goals:** Describe progress toward specific diversity goals
3. **Metrics:** Provide measure of diverse representation:
 - a) Workforce: Employee diversity by race, ethnicity, and gender broken down by job levels
 - b) Board: Racial and ethnic makeup of directors
4. **Board diversity:** Articulate efforts to increase diversity of board
5. **Board oversight:** Describe board oversight of diversity and inclusion

Advancing racial diversity: Voting

Voting policies

In the process of updating our voting guidelines and considering racial diversity

Voting framework

Created framework for voting on diversity-related shareholder proposals

Advancing racial diversity: Engagements

- **50+ engagements** on racial diversity since August
- 2021: Campaign to proactively **engage large employers** in US, tracking and encouraging progress on disclosures
- **Insights:**
 - Every company is on a journey
 - Companies are supportive of our expectations
 - Anticipate a critical mass of disclosures
 - Strongest disclosures: Technology & Financial services
 - Area for improvement: Disclosure of workforce and board diversity metrics

Advancing racial diversity: Thought Leadership

- Partnering with two leading institutions to study best practices for **effective board oversight** of racial diversity-related risks and opportunities
- Will release **report** in 2021, incorporate into **State Street's** board governance

Important Disclosures

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