



GOVERNANCE & ACCOUNTABILITY INSTITUTE'S

TO THE POINT™



Timely News, Insights & Perspectives on Corporate Sustainability, Responsibility & Citizenship

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Governance & Accountability Institute shares timely news, insights and perspectives with corporate managers in key topic areas:

- Corporate Citizenship,
- Corporate Responsibility,
- Corporate Sustainability,
- Community Affairs, and
- Sustainable Investing.

To the Point! is a fee-based educational resource for corporate executives and managers distributed each month with periodic brief updates for critical items.

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WOMEN IN THE BOARD ROOM: The State Street Campaign to Expand Director Diversity in Public Companies

Issue 1.5

Who sits in the corporate board room, making important decisions and overseeing management? Easy answer in the vast majority of such settings: the males.

State Street Corporation is trying to change this picture. This is one of the world's largest asset managers and its reach is into thousands of public companies in which it invests. Plus State Street has its own Bully Pulpit on ESG issues as a large strategic investor.



The Company asserts it manages 11 percent of the world's assets (as of a June 2015 survey). The company operates through 30 offices in 100 geographic markets, working with asset owners, asset managers, insurance companies, public sector institutions, and other partners. (The operating units include **State Street Global Advisors (SSGA)**; **SS Global Markets**; **SS Global Services**; **SS Global Exchange**.)

The company has US\$2.5 trillion in AUM and \$30 trillion in Assets Under Custody.

State Street has long focused on its ESG performance — and the performance of portfolio companies. In this, the company's 225th year of operations, State Street achieved its 2020 Environmental Goals three years ahead of schedule (GHGs reduction, reductions in waste, water use) and adopted new Corporate Responsibility practices. The umbrella terms for the State Street commitments include Corporate Citizenship and ESG activities.

GENDER DIVERSITY IN THE BOARD ROOM - A FOCUS FOR STATE STREET

These approaches include creating a proprietary **Gender Diversity Index** and an ETF designed for investors — with a percentage of revenues generated by the ETF will be directed to select organizations and programs "...that inspire and equip girls and young women to be future business leaders."



Here in New York City, in the downtown financial district local firms' employees and visitors had a lot of fun this year with the new statue placed on Broadway near to the Old Customs House — a little girl, defiant, hands on hips, confronted the famous snorting bull on the little piece of land on the famous Broadway (street's) southern terminus. That was an important signal sent to the capital markets professionals who pass by every day.

In March 2017, State Street Global Advisors called on **3,500** companies — with US\$ 30 trillion in market cap — to put more women in the board room. These are companies that State Street invests in on behalf of clients.

Note that those investment clients represent US\$30 trillion "in taking intentional steps to increase the number of women on their corporate boards." This was also the one year anniversary for the State Street SPDR® SSGA Gender Diversity Index ("SHE"). (The news was released on International Women's Day, at the statue, a "symbol for the need for action.")

SSGA in taking these steps pointed out that based on **McKinsey Global Institute** research, women participating in the economy the same as male peers would add US\$28 trillion to the annual global GDP by year 2025 — compared to a business-as-usual scenario.

The State Street Global Advisors (SSGA) corporate engagement campaign includes dialogue with companies in which they invest, and when that lags or fails to influence change, the use of proxy voting power to "influence change," including voting against the chair of the board's Nominating / Corporate Governance Committee when necessary.

There was support in the investment community for the SSGA steps. **Linda Eling Lee** at analytics leader **MSCI** published a



"Charging Bull," by sculptor Arturo Di Modica – placed on Broadway in the early 1990s. He claims artist Kristen Visbal's "The Fearless Girl" statue violates his "artistic copyright."



research report that pointed out “...strong female leadership includes having a board of directors with at least three women, a critical mass for decision-making...”

STATE STREET IS LEADER OF THE PACK

The organization “**2020 Women on Boards**” applauded SSGA’s actions; CEO Malli Gero said the proxy voting would make an example of public companies that talk about board diversity but don’t take any action to change things.

BlackRock

The world’s largest asset management firm — BlackRock — voted on eight shareholder-sponsored proxy resolutions that promoted board room gender diversity. The vote was “no” for the re-election of the Nominating Committee chair. BlackRock meets with more than 1,500 corporations each year and a variety of issues are raised – including women in the board room.

The Harvard Law School Forum on Corporate Governance and Financial Regulation in July (as the peak of the annual proxy season voting passed), reported that:

- Board of Director diversity and gender pay equity were top issues raised in the corporate voting by shareholders. Investors see these issues as “critical elements in enhancing board effectiveness and corporate talent agendas.”
- Environmental sustainability is another top theme, “with many investors viewing companies’ approaches to climate risk management through the lens of long-term value creation.”
- And, the proxy season voting patterns showed continuing strong interest in director election matters and executive pay program with public company managements and boards “continue to enhance their investor communications” on these and other issues.

The California Public Employees’ Retirement System — CalPERS — sent letters to 504 companies in the Russell 3000 Index to address diversity in the board room of the companies. CalPERS requested that each company now (1) develop and (2) communicate its corporate board diversity policy and the implementation plan that will address the lack of diversity.

Commenting on this initiative, **Anne Simpson** (CalPERS Investment Director) said “...it is essential in today’s global economy that boards avoid ‘group think’ and ensure that there is the breadth of experience, skills and knowledge necessary to meet complex business needs.”

CalPERS with **CalSTARS** (the California State Teachers Retirement Fund) developed the **Diverse Director DataSource (“3D”)** to help companies find untapped talent. The resource is available through the **Equilar Diversity Network**. You can find out more about all of this at:

- **CalPERS Governance & Sustainability Principles**
<https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>
- **CalPERS Environmental, Social and Governance Strategic Plan**
<https://www.calpers.ca.gov/docs/board-agendas/201608/invest/item05a-01.pdf>



Keep in mind: CalPERS will be closely monitoring companies' progress and enter into confidential engagements were necessary. If companies fail to respond, CalPERS will consider withholding votes from directors at Annual Meetings.

All of the above may be shared with your internal team members — investor relations, human resources, compliance, corporate secretary, legal, corporate communications, public affairs, and other functions.

NOTE

The team at **G&A Institute** has long been involved in corporate governance affairs, back to the 1990s, and has assisted public company management and boards in addressing governance issues of importance to their shareholders and certain stakeholders.

We closely monitor governance activities, and key players shaping trends, especially during proxy season — which is now a year-round activity! Keeps our team busy...

Let us know if you'd like to talk more about how we can help you in these areas as the 2018 proxy season approaches.

In 2010 and 2011, the **National Association of Corporate Directors** (NACD) named G&A Chair **Hank Boerner** to the "**Directorship 100**" honors as a corporate governance expert to watch.