

# State Street Global Advisors Calls on 3,500 Companies Representing More Than \$30 Trillion in Market Capitalization to Increase Number of Women on Corporate Boards

**Release Date:**

Tuesday, March 7, 2017 7:25 am EST

**Terms:**[Corporate](#) <sup>[1]</sup> [State Street Global Advisors](#) <sup>[2]</sup>**Dateline City:**

BOSTON

## *On the Eve of International Women's Day, SSGA Issues Guidelines and Places Statue in New York City's Financial District as a Symbol of Need for Action*

BOSTON--(BUSINESS WIRE <sup>[3]</sup>)--On the eve of International Women's Day and the one-year anniversary of its SPDR®SSGA Gender Diversity Index ETF (ticker: SHE), State Street Global Advisors (SSGA), the asset management business of State Street Corporation (NYSE: STT) is calling on the more than 3,500 companies that SSGA invests on behalf of clients, representing more than \$30 trillion in market capitalization<sup>1</sup> to take intentional steps to increase the number of women on their corporate boards.

To mark this effort and the power of women in leadership, SSGA has placed a statue of a young girl, representing the future, in the center of the world's financial capital – right near Wall Street in New York City.

"We believe good corporate governance is a function of strong, effective and independent board leadership," said Ron O'Hanley, president and chief executive officer of SSGA. "A key contributor to effective independent board leadership is diversity of thought, which requires directors with different skills, backgrounds and expertise. Today, we are calling on companies to take concrete steps to increase gender diversity on their boards and have issued clear guidance to help them begin to take action."

This morning O'Hanley will detail the guidance in his keynote speech at the Corporate Governance Symposium hosted by the University of Delaware's Weinberg Center for Corporate Governance. The focus of this year's symposium is "Governance Issues of Critical Importance to Boards and Investors in 2017."

According to an MSCI study, companies with strong female leadership generated a return on equity of 10.1 percent per year versus 7.4 percent for those without a critical mass of women at the top, which is a 36.4 percent increase of average return on equity. <sup>2,3</sup> And, according to a 2015 McKinsey Global Institute report, moving to a scenario where women participate in the economy identically to men would add up to \$28 trillion, or an additional 26 percent, to annual global GDP by 2025 compared to a business as usual scenario.<sup>4</sup>

Despite this, although there has been some progress made on the inclusion of women on corporate boards, one out of every four Russell 3000 companies do not have even one woman on their board, and nearly 60 percent have fewer than 15 percent of their boards comprising women directors.

SSGA today issues guidelines to drive greater board gender diversity through active dialogue and engagement with company and board leadership. In the event that a company fails to take action to increase the number of women on its board, SSGA will use proxy voting power to influence change - voting against the chair of the board's nominating and/or governance committee if necessary.

"As part of our review of boards' gender diversity, we analyzed and compared the level of diversity in three markets: Australia, the UK and the US," said Rakhi Kumar, head of corporate governance at SSGA. "Most large cap company boards in these markets have at least one female director but have yet to fully embrace gender equality in their ranks. We believe boards have an important role to play in increasing gender diversity and believe our guidance can help directors take action now."

"I wholeheartedly support State Street's efforts," said Chris Ailman, Chief Investment Officer, CalSTRS. "Companies need to step up and better utilize the talents and leadership of women in their Corporate Boards, C-suite and throughout their ranks. This statue boldly signals to financial markets that the future depends on investing in the power of women. We all need to lean in and be bold for change now."

To help address the gender gap head-on, SHE incorporates an innovative charitable component that focuses on strengthening the next generation of women leaders - particularly in industries where women have low representation today such as STEM (Science, Technology, Engineering and Math). SSGA is directing a portion of their revenues and a match from SSGA to a Donor Advised Fund, which has awarded a \$50,000 grant to Girls Who Invest, a nonprofit organization founded in

April 2015 dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry.

## About State Street Global Advisors

For nearly four decades, State Street Global Advisors has been committed to helping financial professionals and those who rely on them achieve their investment objectives. We partner with institutions and financial professionals to help them reach their goals through a rigorous, research-driven process spanning both active and index disciplines. We take pride in working closely with our clients to develop precise investment strategies, including our pioneering family of SPDR ETFs. With trillions\* in assets under management, our scale and global footprint provide access to markets and asset classes, and allow us to deliver expert insights and investment solutions.

State Street Global Advisors is the investment management arm of State Street Corporation.

\*Assets under management were \$2.47 trillion as of December 31, 2016. AUM reflects approx. \$30.62 billion (as of December 31, 2016) with respect to which State Street Global Markets, LLC (SSGM) serves as marketing agent; SSGM and State Street Global Advisors are affiliated.

<sup>1</sup> As of 2/28/17

<sup>2</sup> The methodology used in MSCI's study is different than that of the index, and as such, the results of the study should not be viewed as indicative of future performance of the index or SHE. Return on equity is not representative of the performance of any investment or the potential return of any ETF.

<sup>3</sup> Source: Lee, Linda Eling, et al. Women on Boards: Global Trends in Gender Diversity on Corporate Boards, MSCI, November 2015. Accessed on February 17, 2016. MSCI defined strong female leadership as having a board of directors with at least three women, which research suggests comprises a critical mass for decision making influence, or a percentage of women that's higher than average in the company's country. MSCI defined companies without a critical mass of women at the top as companies with less than three women on their board of directors or a lower percentage of women than the average in the company's country.

<sup>4</sup> Woetzel, Johnathan. "The Power of Parity: How Advancing Women's Equality can Add \$12 Trillion to Global Growth." McKinsey Global Institute, September 2015

## For Public Use

**ETFs** trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns

**Gender diversity risk** the returns on a portfolio of securities that excludes companies that are not gender diverse may trail the returns on a portfolio of securities that includes companies that are not gender diverse.

**Concentrated investments** in a particular sector or industry (technology sector and electronic media companies) tend to be more volatile than the overall market and increases risk that events negatively affecting such sectors or industries could reduce returns, potentially causing the value of the Fund's shares to decrease.

**Equity** securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

**Non-diversified funds** that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

**Passively managed funds** hold a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without State Street express written consent.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information.

Distributor: State Street Global Markets, LLC, member FINRA, SIPC, a wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and receive fees from the SPDR ETFs.

**Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, call 1-866-787-2257 or visit [www.spdrs.com](http://www.spdrs.com) [4]. Read it carefully.**

State Street Corporation, One Lincoln Street, Boston, MA 02111-2900

(C) 2017 State Street Corporation - All Rights Reserved

Expiration date: 03/31/2018

CORP-2717

□

# SSGA's Guidance on Enhancing Gender Diversity on Boards

March 7, 2017

## Key Takeaways

- State Street Global Advisors (SSGA) focuses on board quality as foundational to good governance and positive investment outcomes
- We are especially concerned with ensuring effective independent board leadership, which involves achieving the right skill sets as well as a diversity of views, including gender diversity on boards
- As part of our review of boards' gender diversity, SSGA analyzed and compared the level of diversity in three markets: Australia, the UK and the US<sup>1</sup>
- SSGA found that most large cap company boards in these markets have at least one female director but have yet to fully embrace gender equality within their ranks
- While companies cite a limited pool of suitable female director candidates as a primary obstacle in achieving greater diversity in the boardroom, SSGA has identified current practices for nominating directors and behavioral biases that continue to undervalue the contributions of women in the workplace as the leading obstacles
- We believe boards have an important role to play in increasing gender diversity and therefore we have provided guidance to help directors facilitate greater gender diversity within their organizations

## Background

Research shows that companies with greater levels of gender diversity have stronger financial performance as well as fewer governance-related issues such as bribery, corruption, shareholder battles and fraud.<sup>2,3,4</sup> A January 2017 report by the Conference Board suggests that the reason for the outperformance is largely attributed to the outside perspectives brought into the boardroom by adding women to the board.<sup>5</sup>

At SSGA, we view gender diversity as one of many ways a board can introduce a varied set of skills and expertise among its directors to help improve financial performance. Gender diversity on boards has been a thematic engagement area for SSGA since 2015. During our conversations with companies, most boards have been supportive of enhancing gender diversity but cite a limited pool of suitable female director candidates as a primary obstacle to achieving greater diversity in the boardroom. However, based on our discussions, we have found that current practices for nominating directors as well as behavioral biases that continue to undervalue the contributions of women in the workplace are the leading obstacles. These include:

- Excessive reliance on existing director networks and connections that continue to be the primary source for identifying director candidates
- Requiring that all director nominees have CEO experience to be considered to serve on boards
- Lack of female representation in leadership positions on boards and in senior management to help guide the companies on their journey to diversify the organization<sup>6</sup>
- Limited appreciation for and understanding of the value and need for greater gender diversity within organizations
- Lack of efforts to address behavioral gender biases inherent in workplace culture and HR-related practices within organizations
- Limited organizational support in helping individuals achieve work-life balance, which can stymie the career progression of women, thereby adversely affecting the pipeline of women leaders

**Figure 1: An Overview of Gender Diversity in Australia, UK, and US<sup>7</sup>**

	Large Cap Companies			Broader Indices			All Listed Companies		
	Australian Securities Exchange 100 (%)	Financial Times Stock Exchange 100 (%)	Standard & Poors 500 (%)	Australian Securities Exchange 300 (%)	Financial Times Stock Exchange 350 (%)	Russell 3000 (%)	Australia (%)	UK (%)	US (%)
% of Companies with No Female Directors	4	0	2	17	5	24	45	36	35
% of Companies with < 15% of Female Directors	16	11	24	30	30	58	53	55	63

Source: As of date November 30, 2016. Institutional Shareholder Services.

## Market Practice

As part of our review of boards' gender diversity, SSGA analyzed the level of diversity in three key markets — Australia, the UK and the US. We found that in all three markets, boards of most large cap companies had made a concerted effort to include women on their boards (as seen in Figure 1). Nevertheless, 4% of Australian Securities Exchange 100 (ASX 100) and 2% of Standard & Poors 500 (S&P500) still do not have any women on their boards. Moreover, 16% of Australian Securities Exchange 100 (ASX 100), 11% of Financial Times Stock Exchange 100 (FTSE 100) and 24% of S&P 500 companies do not meet a threshold of at least 15% of women on boards. When expanded to all listed companies, the lack of female representation on boards is significant. Figure 1 highlights the percentage of companies that have no female directors and have less than 15% of women on their boards.

## SSGA's Position on Gender Diversity

SSGA believes good governance is a function of sound board quality, which starts with strong, effective independent board leadership. By effective we mean having the right skills; by strong we mean the board's ability to exert its influence; and by independent we mean that the board is not captive by

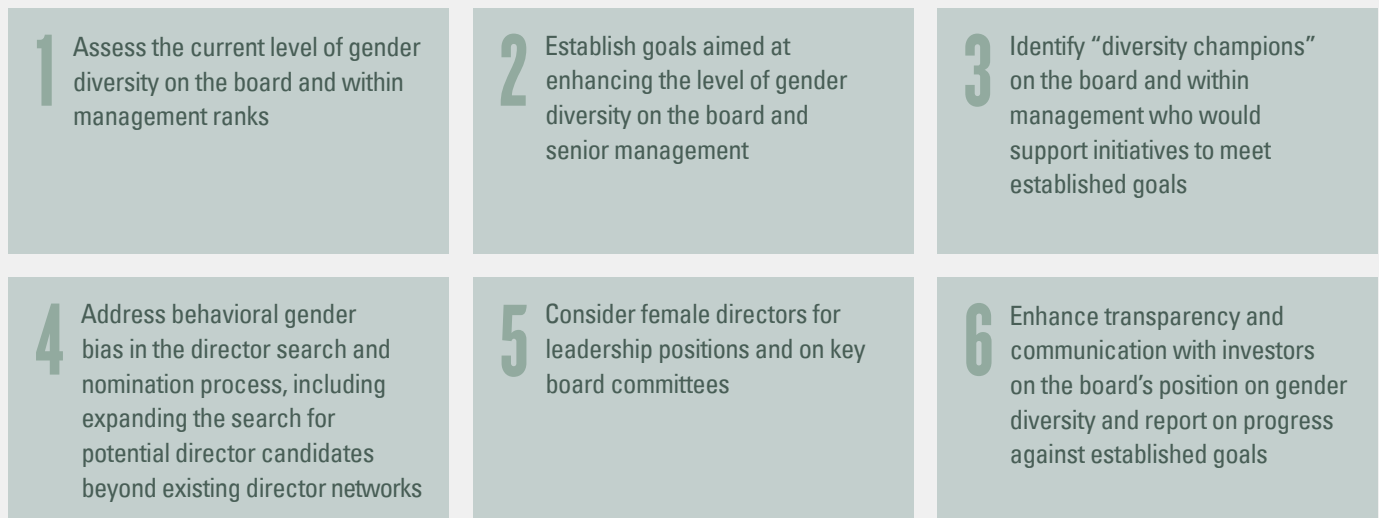
management. SSGA believes board diversity enhances board quality as it brings together directors with different skills, backgrounds and expertise. We recognize that there are many ways to achieve board diversity and we support all forms of diversity, but as a starting point, we believe boards should have at least some independent female directors. Further, boards should also set expectations for senior management to enhance gender diversity within their ranks and the broader organization.

Our preferred approach is to drive greater board diversity through an active dialogue and engagement with company and board leadership. In the event that companies fail to take action to increase the number of women on their boards, despite our best efforts to actively engage with them, we will use our proxy voting power to effect change — voting against the Chair of the board's nominating and/or governance committee if necessary.

## SSGA's Guidance for Enhancing Gender Diversity on Boards

Given our expectations regarding gender diversity on boards, SSGA has developed a framework below (see Figure 2) to help boards enhance female representation on their boards.

**Figure 2: Gender Diversity Framework**



## SSGA's Guidance on Enhancing Gender Diversity on Boards

<sup>1</sup> Gender diversity profile of European country boards were not considered as many markets in the region have regulatory requirements pertaining to gender diversity levels on boards that drives company practices.

<sup>2</sup> "Why Diversity Matters" McKinsey, Feb 2015.

<sup>3</sup> "Women on Boards: Global Trends in Gender Diversity on Corporate Boards" MSCI, Nov 2015.

<sup>4</sup> "Is Gender Diversity Profitable?" Peterson Institute for International Economic, Feb 2016.

<sup>5</sup> "The Effect of Gender Diversity on Board Decision-making: Interviews with Board Members and Stakeholders" The Conference Board, Jan 2017.

<sup>6</sup> As of January 2017, only 5% of ASX100 and S&P500 and 4% of FTSE100 are led by female Chairs, while only 5% of ASX100 and S&P500 and 6% of FTSE100 have female CEOs.

<sup>7</sup> Board profiling universe includes 97 companies listed on the Australian Securities Exchange 100 (ASX 100); 94 companies listed on the Financial Times Stock Exchange 100 (FTSE 100); 472 companies listed on the Standard & Poors 500 (S&P 500); 284 companies listed on the Australian Securities Exchange 300 (ASX 300); 274 companies listed on the Financial Times Stock Exchange 350 (FTSE 350); 2,743 companies listed on the Russell 3000; 682 companies listed in Australia; 826 companies listed in the UK; and 4,546 companies listed in the US.

ssga.com

### For public use.

#### State Street Global Advisors Worldwide Entities

**Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services Licence (AFSL Number 238276). Registered office: Level 17, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240 7600. F: +612 9240 7611. **Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Canada:** State Street Global Advisors, Ltd., 770 Sherbrooke Street West, Suite 1200 Montreal, Quebec, H3A 1G1, T: +514 282 2400 and 30 Adelaide Street East Suite 500, Toronto, Ontario M5C 3G6. T: +647 775 5900. **Dubai:** State Street Bank and Trust Company (Representative Office), Boulevard Plaza 1, 17th Floor, Office 1703 Near Dubai Mall & Burj Khalifa, P.O Box 26838, Dubai, United Arab Emirates. T: +971 (0)4 4372800. F: +971 (0)4 4372818. **France:** State Street Global Advisors France. Authorised and regulated by the Autorité des Marchés Financiers. Registered with the Register of Commerce and Companies of Nanterre under the number 412 052 680. Registered office: Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92064 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92. **Germany:** State Street Global Advisors GmbH, Briener Strasse 59, D-80333 Munich. Authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89 55878 400. F: +49 (0)89 55878 440. **Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103 0288. F: +852 2103 0200. **Ireland:** State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Incorporated and registered in Ireland at Two Park Place, Upper Hatch Street, Dublin 2. Registered Number: 145221. Member of the Irish Association of Investment Managers. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300. **Italy:** State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Limited, a company registered in the UK,

### Contact Us

We hope board members of our portfolio companies find this guidance useful. Any questions or comments may be directed to:

**Lynn Blake**, *Executive Vice President of SSGA and CIO of Global Equity Beta Solutions*

[Lynn.Blake@ssga.com](mailto:Lynn.Blake@ssga.com)

**Rakhi Kumar**, *Managing Director, Head of ESG Investments and Asset Stewardship*

[Rakhi\\_Kumar@ssga.com](mailto:Rakhi_Kumar@ssga.com)

**Caitlin McSherry**, *Principal, Asset Stewardship*

[Caitlin\\_McSherry@ssga.com](mailto:Caitlin_McSherry@ssga.com)

authorised and regulated by the Financial Conduct Authority (FCA), with a capital of GBP 71'650'000.00, and whose registered office is at 20 Churchill Place, London E14 5HJ. State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 06353340968 - R.E.A. 1887090 and VAT number 06353340968 and whose office is at Via dei Bossi, 4 - 20121 Milano, Italy. T: 39 02 32066 100. F: 39 02 32066 155. **Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81 3 4530 7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association. **Netherlands:** State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. T: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826 7555. F: +65 6826 7501. **Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16. **United Kingdom:** State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350. **United States:** State Street Global Advisors, One Lincoln Street, Boston, MA 02111-2900. T: +1 617 786 3000.

The views expressed in this material are the views of Rakhi Kumar and Caitlin McSherry through the period ended March 3, 2017 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.