
May 2023

Asset Stewardship

Guidance on Diversity Disclosures and Practices

At State Street Global Advisors, we believe that companies have a responsibility to effectively manage and disclose risks and opportunities related to diversity, equity, and inclusion, particularly regarding gender, race, and ethnicity. Gender diversity has been a priority of State Street Global Advisors' asset stewardship program since 2017 and we have been a leader in this area since, as evidenced by our *Fearless Girl* campaign. In this Guidance we set forth our expectations for diversity-related disclosures and how we integrate those expectations into our asset stewardship and proxy voting activities.

**Our Expectations for
Diversity, Equity, and
Inclusion Disclosures**

Investors can benefit from increased publicly-available data on diversity, equity, and inclusion at portfolio companies. As such, we encourage companies to share relevant information with the market, and we expect all companies in our portfolio to offer public disclosures in five key areas:

1. **Board Oversight** Describe how the board executes its role in oversight role of risks and opportunities related to diversity and inclusion;
2. **Strategy** Articulate the role diversity (of race, ethnicity, and gender, at minimum) plays in the company's broader human capital management practices and long-term strategy;
3. **Goals** Describe what diversity, equity, and inclusion-related goals exist, how these goals contribute to the company's overall strategy, and how they are managed and progressing;
4. **Metrics** Provide measures of the diversity of the company's global employee base and board, including:
 - a. **Workforce** Employee diversity by race, ethnicity, and gender (at minimum). We expect to see this information to be broken down by industry-relevant employment categories or levels of seniority, for all full-time employees. In the US, companies are expected to at least use the disclosure framework set forth by the United States Equal Employment Opportunity Commission's EEO-1 Survey. Non-US companies are encouraged to disclose this information in alignment with SASB guidance and nationally appropriate frameworks; and
 - b. **Board** Diversity characteristics, including racial, ethnic, and gender makeup (at minimum) of the board of directors; and
5. **Board Diversity** Articulate goals and strategy related to diverse representation at the board (including race, ethnicity, and gender, at minimum), including how the board reflects the diversity of the company's workforce, community, customers, and other key stakeholders.

**Our Expectations for
Pay Equity Disclosures**

We expect all companies in the US and the UK to provide public disclosure on:

1. Adjusted pay gaps related to race and gender within the company (Disclosure of the unadjusted pay gap is also encouraged, but not expected outside of the UK market at this time);
2. Strategy to achieve and maintain pay equity; and
3. Role of the board in overseeing pay strategies as well as Diversity, Equity and Inclusion efforts.

Civil Rights Risks

We expect companies in the US to provide public disclosure on:

1. Risks related to civil rights, including risks associated with products, practices, and services;
2. Plans to manage and mitigate these risks; and
3. Processes at the board for overseeing such risks (e.g., committee responsible, frequency of discussions, etc.).

**Expanding the Aperture
of Diversity, Equity,
and Inclusion**

Investors, regulators, and other stakeholders are increasingly focused on other dimensions of diversity beyond gender, race, and ethnicity. For example, California lawmakers and the Nasdaq exchange include LGBTQ-identified individuals in their perspectives on board diversity. Some advocates are calling for the prioritization of disability as an essential dimension of diversity, and several companies (especially outside of the US) already disclose information regarding the role of people with disabilities in their organization. We encourage our portfolio companies to consider providing disclosures about the full diversity of their organization, as these disclosures are wholly aligned with contributing to the intent to increase diversity of thought that underlies the present more common focus on gender, race and ethnic diversity. The reputational and regulatory risk of not doing so also may increase in the coming years.

Engagements
Incorporating Our
Expectations into
Conversations
with Companies

Since 2021, we have reached out to 35 of the largest employers in our portfolio each year to have deeper conversations on human capital management and diversity, equity, and inclusion. Our aim is to monitor companies' approaches to these topics, and encourage alignment with our expectations described herein.

Voting
Incorporating Our
Expectations into Our
Proxy Voting Policies

In order to achieve alignment with our aforementioned expectations and advance transparency in the public markets, State Street Global Advisors has the following proxy voting guidelines:

Race & Ethnicity — United States and United Kingdom

- If a company in the Russell 1000 or FTSE 350 does not disclose the racial and ethnic composition of its board, we will vote against the Chair of the Nominating Committee. Acceptable disclosures include:
 - Aggregate-level (e.g., “5% of our Directors are Black”, “Seven of our Directors are people of color”, “30% chose not to self-identify”).
 - Individual-level (e.g., “Jane Doe is African-American, John Smith is Caucasian,” etc.).

- If a company in the S&P 500 or FTSE 100 does not have at least one director from an underrepresented racial or ethnic community, we will vote against the Chair of the Nominating Committee.
- If a company in the S&P 500 does not disclose its EEO-1 report, we will vote against the Chair of the Compensation Committee. Acceptable disclosures include:
 - The original EEO-1 report response.
 - The exact content of the report translated into custom graphics.

Gender

- We expect boards of companies in all markets and indices to have at least one female board member. In markets where we are implementing this policy for the first time, we may waive the policy if a company engages with State Street Global Advisors and provides a specific, timebound plan for adding at least one woman to the board.
- In addition, we expect companies in the Russell 3000, TSX, FTSE 350, STOXX 600, and ASX 300 indices to have boards comprised of at least 30 percent women directors. We may waive the policy if a company engages with State Street Global Advisors and provides a specific, timebound plan for reaching 30 percent representation of women directors.
- If a company fails to meet any of the expectations outlined above, State Street Global Advisors may vote against the Chair of the Nominating Committee or the board leader in the absence of a Nominating Committee, if necessary. Additionally, if a company fails to meet this expectation for three consecutive years, State Street Global Advisors may vote against all incumbent members of the Nominating Committee or those persons deemed responsible for the nomination process.

Shareholder Proposals

Below is the approach we follow when voting on shareholder proposals:

- **FOR** we will consider voting for shareholder proposals that we believe will lead to increased alignment with our expectations for diversity-related disclosures and practices;
- **ABSTAIN** we will consider voting abstain when we support some elements of a proposal's request, or recognize a company's commitment to implement related disclosure and/or oversight practices;

AGAINST we will vote against shareholder proposals that we believe are immaterial, overly prescriptive, or would not further our disclosure and oversight expectations.

Thought Leadership
The Board's Oversight of
Racial and Ethnic
Diversity, Equity,
and Inclusion

In 2020, State Street Corporation announced it would be taking "10 Actions to Address Racism & Inequality." As part of Action #7, State Street Global Advisors' Asset Stewardship team led an internal, cross-functional workstream to study best practices in board oversight of racial and ethnic diversity, equity, and inclusion. We partnered with Russell Reynolds Associates and the Ford Foundation to interview 27 directors of FTSE 100 and S&P 500 multinational corporations, culminating in a report titled "The Board's Oversight of Racial and Ethnic Diversity, Equity and Inclusion."

Conclusion

We remain focused on our fiduciary duty to maximize the long-term shareholder value of our clients' investments. We believe that teams with a diversity of perspectives generate a diversity of ideas that can drive the long-term success of a firm. Please reach out to our Asset Stewardship team at GovernanceTeam@ssga.com. We look forward to engaging with you on this important topic.

About State Street Global Advisors

State Street Global Advisors serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. Pioneers in index, ETF, and ESG investing and the world's fourth-largest asset manager*, we are always inventing new ways to invest.

* Pensions & Investments Research Center, as of December 31, 2021.

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State Street Global Advisors Marketing Communications

Worldwide Entities

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