

What We Learn from State Street's Q1 Stewardship Activity Report

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State Street [released a report](#) on their Q1 focus and activities related to the companies where they vote. What we learned:

- *They've been busy.* State Street voted at 2,596 meetings in 60 countries, weighing in on 18,105 management proposals and 382 shareholder proposals. They favored management proposals 83% of the time and shareholder proposals about 13% of the time.
- *North America dominates engagement.* Fifteen percent of the voting decisions were made at North American companies, but more than half of engagement discussions took place with companies in this region. A specific list of the companies that they engaged with are included in the report.
- *Fearless Girl's impact continues.* March 8, 2018, International Women's Day, marked the one-year anniversary of State Street's Fearless Girl campaign. The statue of the girl near Wall Street was enacted in part to call attention to the lack of board gender diversity. More than 700 companies in the US, UK and Australia have been the focus of State Street's efforts to add at least one woman to their boards. State Street has voted against directors when viewed as necessary, so far at 500 companies.
- *Moving from the boardroom to executive ranks on gender diversity.* State Street wants companies to adopt policies and practices to increase gender diversity throughout their organizations, and will expect companies to monitor and disclose the level of gender diversity in all levels of management, focusing on the development pipeline of diverse candidates. They will start by screening and engaging with companies in the STOXX 600 and FTSE 350.
- *Investor Stewardship Group principles have teeth.* As [we previously described](#), State Street is screening S&P 500 companies' governance practices for compliance with the principles set forth by the Investor Stewardship Group. Inadequate disclosure explaining a company's non-compliance may lead to negative votes against select independent directors. To State Street, introducing screens like this is an "important evolution" in their approach to proxy voting. Traditionally, votes are held on specific subject areas. Evaluating companies against local market corporate governance expectations gives State Street the ability to hold directors accountable for governance structures even without a ballot item on the topic.
- *Expect more abstentions on say-on-pay.* Abstentions will be used more frequently when State Street cannot provide "unqualified support" for say-on-pay proposals, or where companies have responded to some but not all of their concerns about pay. State Street may abstain, for example, where a one-time retention grant is made but it is not deemed to be excessive and performance is strong, or where a company exhibits strong performance but the disclosure around performance metrics is lacking.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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