

State Street to Hold Governance Committees Accountable for Lack of Gender Diversity

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On the heels of California becoming the first state to impose requirements mandating gender diversity on boards, which we [discussed here](#), State Street has announced policy changes also focused on gender diversity.

Beginning in 2020, State Street will vote against the entire nominating committee if a company does not have at least one woman on its board, and has not engaged successfully with State Street for three consecutive years.

The [global policy](#) from State Street made headlines because notwithstanding companies concerns, it remains highly unusual for the largest asset managers to vote against directors, leading to director elections resulting in average support of over 95%.

State Street's position is a further enhancement of its "Fearless Girl" campaign that it launched in March 2017. Worldwide, of the 1,228 companies identified by the investor at the beginning as lacking a single female board member, 301 have added a female director and 28 have committed to adding a female director.

The two regions with the largest number of boards without female directors were the U.S. and Japan. Russell 3000 U.S. companies represented 66%, or 816 companies, of those identified as not having any women on their boards in 2017. Since then, 215 have added one and 14 have made commitments, which means that only 28% of the companies' targeted have been responsive. By June 2018, 16% of the Russell 3000 U.S. companies continued to have no women directors. These results pale in comparison to Europe, where only 10 companies were originally targeted and half already added women.

The existing guidelines target only the chair of the governance committee, rather than all the members. According to [news articles](#), while State Street believes that the responses to the campaign so far have been encouraging, some companies are not responding and taking action against the rest of the committee would constitute much stronger action.

Those that have [criticized the law](#) passed in California as overreaching have suggested that State Street's initiative is the better alternative, where major investors use their influence to force change instead.

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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