

HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON DIVERSITY AND INCLUSION

December 9, 2021

Testimony of Cyrus Taraporevala

President and Chief Executive Officer, State Street Global Advisors

Chairwoman Beatty, Ranking Member Wagner and Members of the Subcommittee, thank you for providing me the opportunity to testify today.

I am Cyrus Taraporevala, President and Chief Executive Officer of State Street Global Advisors, the investment management arm of State Street Corporation headquartered in Boston, Massachusetts. At State Street Global Advisors, we manage nearly \$4 trillion in assets for investors around the globe, through our over 2,300 institutional investor clients, such as retirement plans and endowments. We are the creator of the world's first exchange-traded funds (ETFs) and an indexing strategy pioneer. We also manage defined contribution retirement investments for 23 million plan participants, including a portion of the Federal Thrift Savings Plan.

State Street Global Advisors' parent company, State Street Corporation, employs approximately 40,000 talented people around the globe, over 2,500 of whom are part of State Street Global Advisors.

For State Street, increasing diversity and inclusion, and building equity, across our organization is essential to our success as a company. The evidence is clear. Greater diversity --- on every dimension, including racial, ethnic, cultural and gender --- contributes to better corporate performance, and better outcomes for all our stakeholders.

While I am proud of our actions and achievements to date, increasing diversity and inclusion remains a work in progress for all of us, and I support the Committee's efforts in this area.

At State Street Global Advisors, our efforts to realize the benefits of diversity fall into three broad pillars:

- First, we are committed to increasing the diversity and inclusion of our own Board and workforce;
- Second, we are committed to increasing diversity and inclusion in the asset management industry and in the communities in which we operate; and
- Third, we are committed to increasing diversity and inclusion in the portfolio companies in which we invest on behalf of our clients.

We provide detailed information on our approach to diversity on our public website, particularly related to our engagement with the companies in our investment portfolios.

For today's hearing, I'd like to discuss actions we took following the racial justice-related events of the summer of 2020, and then share some important efforts around gender diversity to which we have committed.

The events of the past few years -- violence towards men and women in minority communities, persistent education and economic gaps, and the disproportionate impact of the pandemic ---

have illustrated stark realities that demand actions by responsible corporations that go beyond traditional tools to address issues impacting their employees and communities.

At State Street, we announced in July, 2020 our “10 Actions” to address issues of racism and inequality. The details of our 10 Actions are attached, but here are a few highlights of some of our progress:

For our Board and workforce:

- We've increased the racial diversity of our corporate board from 9% to 25%.
- We've adopted a global diverse candidate slate requirement for middle management and above, the U.S. version of which is commonly referred to as the “Rooney Rule.”
- We have committed to the Management Leadership for Tomorrow's Black Equity at Work Certification, which provides a roadmap to enable employers to take a systemic, results-oriented approach to Black equity in the workplace.
- We've greatly increased employee engagement on diversity, equity and racial and social justice issues, including recognizing Juneteenth as a U.S. corporate holiday.
- We recently announced we will undertake a full Civil Rights audit as the next step in gaining additional perspective to strengthen our programs and initiatives.
- Our commitment to diversity and inclusion for LGBTQ+ communities has resulted in a 100% score for the past six years in the Human Rights Campaign's Corporate Equality Index, recognizing our support for an inclusive culture and corporate responsibility.

For our industry, community and other stakeholders:

- We've greatly improved the quality of our diverse supplier program, with measurable positive results. Most notably, we enhanced the diversity and effectiveness of the syndicates underwriting our corporate debt by introducing Black-, Latinx-, women- and veteran-owned firms in issuances of \$1.3 billion over the past year.
- We conducted an audit of our charitable foundation, resulting in our formally including racial equity as a funding focus.
- We've announced new strategic engagements with industry groups and nonprofits --- A Better Chance, National Association of Securities Professionals, the Toigo Foundation and the Association of Luxembourg Fund Industry – to increase representation of Black and Latinx talent in our industry.
- We've devoted particular attention to supporting minority populations in our headquarters' Boston community, such as our leadership of the Small Business Strong initiative, which provides free business resources to Black, Latinx, women and veteran small businesses impacted by the COVID-19 crisis, and our \$1 million State Street Foundation commitment to four Boston schools in racially-diverse areas to help students prepare for college.

For the companies in which we invest:

- In 2017, we launched our “Fearless Girl” campaign to draw attention to gender diversity in boardrooms --- including installing a “Fearless Girl” statute on Wall Street --- which identified 1,500 companies lacking women on their Boards – 900 of which have since added at least one woman director.
- In 2020, we expanded that campaign to include racial and ethnic diversity. We've urged our portfolio companies to disclose the racial and ethnic composition of their boards and, over time, add at least one director from underrepresented communities.
- We have also called for companies to disclose their EEO-1 data on U.S. employees.
- We have partnered with Russell Reynolds Associates and the Ford Foundation to glean best practices for corporate boards to advance racial and ethnic diversity and inclusion.

We have made significant progress, but, as the Committee's report reveals, there remains much to be done. Sustainable, meaningful advancements in diversity and inclusion require enduring changes to the way we all operate, and State Street --- and I personally --- are committed to staying that course.

Once again, thank you for the opportunity to testify today.

10 STATE STREET ACTIONS

ADDRESSING RACISM AND INEQUALITY

PROGRESS AGAINST GOALS AS OF JUNE 2021

ACTION	DESCRIPTION	2021 PROGRESS
1 IMPROVE BLACK & LATINX¹ EMPLOYEE REPRESENTATION	Triple our Black and Latinx leadership (senior vice presidents+) and double our percentage of Black and Latinx populations over the next three years. Extend requirement to interview a diverse slate of candidates to positions at all levels.	<ul style="list-style-type: none">• <u>Improving representation of Black and Latinx</u> employees in leadership roles• Held leadership accountable via pay decisions for our <u>Diversity Goals</u>• Enhanced global definition for diverse candidate slate requirement
2 SHARPEN FOCUS ON BLACK & LATINX¹ TALENT DEVELOPMENT	Examine all of State Street's development and advancement programs and processes to improve the mobility and development of Black and Latinx professionals.	<ul style="list-style-type: none">• Leveraged partnerships and programs to drive career and personal development for Black and Latinx employees• Required Diversity, Equity and Inclusion (DEI) as a performance priority for all managers and recommended for all employees• Launched mentorship and sponsorship pilots within major business areas to measure outcomes and outline best practices
3 CONDUCT ANTI-RACISM CONVERSATIONS AND TRAINING	Enlist our entire workforce in learning opportunities and conversations around anti-racism and equity. Make these approaches and programs available to our clients.	<ul style="list-style-type: none">• ~38,000+ employees globally completed unconscious bias training; this training is now required for new employees• Ongoing anti-racism sessions led by business leaders, employee networks and external experts across the Company• Offering public <u>Justice, Equity & Inclusion Series workshops</u> to support anti-racism skill development in the workplace

¹ Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.M.E), globally

ACTION	DESCRIPTION	2021 PROGRESS
<p>4</p> <p>IMPLEMENT DEI PRACTICES FOR MANAGEMENT COMMITTEES</p>	<p>Systematically review governance models within key management committees to ensure inclusion and diverse representation.</p>	<ul style="list-style-type: none"> • Provided toolkit for senior management committee chairs to discuss inclusive behaviors and actions • Launched baseline survey to measure effective governance, amplified culture traits, overall inclusion and diversity within each committee
<p>5</p> <p>INCREASE SPEND WITH BLACK & LATINX¹ SUPPLIERS</p>	<p>Increase our spend with diverse suppliers over the next three years. Hold ourselves accountable for strengthening Black and Latinx-owned businesses.</p>	<ul style="list-style-type: none"> • Issued <u>\$850M senior subordinated bonds</u> utilizing an underwriting syndicate made up equally of banks and Black and Latinx-owned companies • Launched updated <u>supplier diversity website</u>
<p>6</p> <p>IMPROVE BLACK & LATINX¹ BOARD REPRESENTATION</p>	<p>Work with our board to add Black and Latinx directors within 18 months and to expand its diversity efforts.</p>	<ul style="list-style-type: none"> • Added <u>Julio Portalatin and John Rhea</u> to our Board, increasing racial diversity to 25%
<p>7</p> <p>LEVERAGE SSGA'S ASSET STEWARDSHIP EFFORTS</p>	<p>Partner with State Street Global Advisors' Asset Stewardship and determine what State Street can learn from others to develop best practices and evolve to a best-in-class organization in combatting racism and attracting, motivating, and retaining Black and Latinx talent.</p>	<ul style="list-style-type: none"> • SSGA asked companies to disclose more detail on <u>Board and workforce diversity</u> • SSGA 2021 <u>stewardship priorities</u> focused on lack of racial and ethnic diversity • <u>Partnered with Russell Reynolds Associates and Ford Foundation</u> to issue a report on best practices for effective oversight of DEI

¹ Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.ME), globally

ACTION	DESCRIPTION	2021 PROGRESS
<p>8</p> <p>IMPROVE BLACK & LATINX¹ REPRESENTATION ACROSS OUR INDUSTRY</p>	<p>Lead an effort with the asset management industry to attract and advance more Black and Latinx people into our profession.</p>	<ul style="list-style-type: none"> Formalized strategic <u>partnerships with four organizations</u> with a goal of providing career exploration, DEI best practices, employment and professional development opportunities
<p>9</p> <p>ESTABLISH COMBATTING RACISM AS A STRATEGIC PRIORITY FOR STATE STREET FOUNDATION</p>	<p>Establish combatting racism as a clear priority pillar alongside education and workforce development, and reprioritize State Street Foundation spending accordingly.</p>	<ul style="list-style-type: none"> Committed to making ~\$6M in grants to <u>relevant nonprofit organizations</u> Offering 2:1 matching gifts donating to organizations addressing racial equity issues Increased employee volunteer time-off policy from 2 to 4 days²
<p>10</p> <p>INCREASE CIVIC ENGAGEMENT AND REFLECTION</p>	<p>Leverage Juneteenth as a day of reflection to create awareness and establish a State Street-wide day of service focused on better understanding racism and giving back to our communities.</p>	<ul style="list-style-type: none"> Provided World Anti-Racism Reflection Moments (WARM) for employees and families through monthly, global opportunities for reflection and community service to engage on anti-racism and social justice Launched June's racial equity and social justice 21-day challenge, a collection of short daily lessons, culminating with a week of community service actions, in honor of Race Unity Day and Juneteenth

For additional detail on the 10 actions please visit: <https://www.statestreet.com/values/inclusion-diversity/10-actions-to-address-racism-and-inequality.html>

¹ Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.M.E), globally

² Inclusive of non-political volunteering in civic engagement and social justice causes.

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