



State Street Corporation

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Bank of England
Threadneedle Street
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Submitted via Email to: dp2_21@bankofengland.co.uk

Re: FCA, PRA, BOE Discussion Paper (DP 21/2): Diversity and Inclusion in the Financial Sector – Working Together to Drive Change

Dear Sir/Madam,

State Street Corporation (“State Street”) welcomes the opportunity to provide feedback on the Financial Conduct Authority’s (“FCA”), Prudential Regulation Authority’s (“PRA”) and Bank of England’s (“BOE”) (together, “the Regulators”) jointly released Discussion Paper on diversity and inclusion in the financial sector. State Street is one of the world’s leading providers of financial services to institutional investors. With \$42.6 trillion in assets under custody and/or administration and \$3.9 trillion¹ in assets under management, through our investment management arm State Street Global Advisors, as of June 30, 2021, State Street operates globally in more than 100 geographic markets and employs approximately 39,000 people worldwide.

With just under 2,000 employees throughout the United Kingdom (“UK”), State Street operates in the UK by means of eight regulated entities and branches and five unregulated entities. The primary operating entity, State Street Bank and Trust Company London Branch with offices in London and Edinburgh, is regulated by the PRA and FCA (FRN:170462). State Street functions are structured around five business units: four within Investment Servicing (Investment Services including Global Delivery, Global Markets, Alternative Investment Solutions, and Global Exchange) and one within Investment Management (State

¹ This figure includes approximately \$63.59 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (“SSGA FD”) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

Street Global Advisors Limited). For more information, visit State Street's website at www.statestreet.com.

In 2011, we launched our diversity goals and published metrics focusing on Global Female Employees and US Employees of Colour with a commitment to developing an environment that offers equal opportunities to individuals with distinctive backgrounds and unique perspectives. We recognize we have more work to do to achieve our diversity goals but remain committed to being transparent about our progress by making it available [online](#)².

Globally, State Street has launched several efforts internally to recruit, retain and promote more diverse employees such as return-to-work programs for working parents and a Leadership Development Program, and created over 24 employee networks and over 100 global chapters to create a more welcoming work environment for our employees. One year ago, amidst a racial equity and social justice movement that would change how we each think about these critical issues, State Street launched our [10 Actions Against Racism and Inequality](#)³ ("10 Actions") with the goal of combatting racism and inequality within the company, the industry, and the communities where we live and work. Since its launch, we have made meaningful progress against a number of actions and learned many lessons about how we can refine and recalibrate our efforts to drive even more impact. Highlights include State Street Global Advisors' recent [industry study](#)⁴ on best practices for effective board oversight of racial and ethnic diversity, equity, and inclusion; increasing the racial diversity of [State Street's Board of Directors](#) to 25 percent⁵; and partnership with the [MLT Black Equity at Work Certification](#)⁶ to ensure our 10 Actions are implemented in a way that yields significant progress. While each action is powerful in and of itself, the cumulative effect created by all the actions and the people working in partnership with one another has generated real momentum.

In the UK, we are supporters of the UK government's Women in Finance Charter and a member of the 30% Club, which works to achieve greater representation of women on FTSE-100 boards. Nurturing inclusivity also requires a strong framework for employees to connect and we do this through our employee affinity groups. Open to all employees, we have 24 networks with over 110 chapters globally. In the UK, these include UK PRIDE & Friends, Professional Women's Network, Race and Ethnicity network, Families Network and NextGen. They promote diversity awareness and education, offer volunteering opportunities, career development and cultural expression. And our EMEA Diversity Council sets priorities for each of our regional locations, and country managers are held accountable for achieving diversity targets to ensure continuing progress. Through activities including candid conversations with employees,

² State Street, "Reaching Higher with Our Diversity Goals", <https://www.statestreet.com/values/inclusion-diversity/diversity-goals.html>

³ State Street, "10 State Street Actions Addressing Racism and Inequality", <https://www.statestreet.com/values/inclusion-diversity/10-actions-to-address-racism-and-inequality.html>

⁴ State Street Global Advisors, "The Board's Oversight of Racial and Ethnic Diversity, Equity and Inclusion", <https://www.ssga.com/us/en/institutional/ic/insights/board-oversight-racial-ethnic-diversity>

⁵ State Street, "State Street Elects Julio Portalatin and John Rhea to Its Board of Directors" (March 5, 2021), <https://newsroom.statestreet.com/press-releases/press-release-details/2021/State-Street-Elects-Julio-Portalatin-and-John-Rhea-to-Its-Board-of-Directors/default.aspx>

⁶ State Street, "State Street Commits to Black Equity at Work Certification Program and Work Towards Organizational Equality" (February 17, 2021), <https://newsroom.statestreet.com/press-releases/press-release-details/2021/State-Street-Commits-to-Black-Equity-at-Work-Certification-Program-and-Work-Towards-Organizational-Equality/default.aspx>

voluntary self-identification data collection and the launch of measurable, actionable tenets to promote greater equality, we are working toward a more inclusive and sustainable business. We recognize that our employees come from many backgrounds and have a wide variety of life experiences. By knowing the value of different perspectives and encouraging employees to be their true selves, State Street is working toward full organizational equality.

State Street is broadly supportive of the Regulators' efforts to advance diversity and inclusion throughout the UK financial sector, and we thought it may be useful to highlight, in high-level terms, a number of key elements that we believe are important to fostering diversity and inclusion from our perspective as a leading employer in the UK as well as a one of the world's largest asset managers that is actively engaged with our portfolio companies to promote long-term value of our clients' investments.

- Multinational corporations face a particular challenge when it comes to overseeing racial and ethnic diversity as different regions and countries define and collect data on diversity in different ways;
- To ease the burden on companies and encourage voluntary self-identification from employees, Regulators may want to consider limiting the scope of the data collected; and
- Similarly as to how many companies report their gender pay gap numbers in the UK, diversity data should be provided at a consolidated level rather than separately for all subsidiary and related entities.

Furthermore, please find below our response to the specific questions of the consultation. Should you wish to discuss any aspect of our response, please do not hesitate to contact me or a member of my team.

Yours sincerely,



Cuan Coulter, Executive Vice President
State Street UK Country Head
State Street Bank and Trust (London Branch) Branch Manager

Responses to Specific Questions

Q1: What are your views on the terms we have used, how we have defined them, and whether they are sufficiently broad and useful, now and in the future? (paragraphs 1.1 – 1.18)

- To stay competitive in this interconnected world and to adapt to rapidly shifting market dynamics, an agile and diverse workforce is a crucial component. The relationship between diversity and innovation is well-recognized. More diverse teams unlock innovation and consequently lead to stronger organizational performance. Backing this with numbers, a [study](#)⁷ by the Boston Consulting Group has found that companies that have more diverse management teams have 19% higher revenue thanks to innovation. But while diversity comes in many forms – gender, race, religion, sexual orientation, age, culture, socioeconomic background, etc. – much of the conversation revolves around inherent diversity like gender or cultural background. Indeed, many diversity programs in companies focus on ensuring they gain gender and cultural balance.

Cognitive diversity is about much more than race or gender. It is a type of diversity that is less visible, but all the more important as its impact extends well beyond meeting quotas. Cognitive diversity is about differences in thinking, viewpoints, perspective and information processing styles – so in how people feel, think and act. It is natural that people feel comfortable surrounding themselves with others who have styles similar to their own. And indeed, we often tend to move towards people who think and express themselves in a similar way. Unfortunately, when you get more of the same, you end up with more of the same – in the business context with like-minded teams that have only a limited ability to see things differently, engage in different ways or create new opportunities.

People who bring different perspectives might see threats and opportunities that others may miss, achieving a mixture of how people carry out intellectual activities, such as making associations or drawing conclusions, is crucial for innovation, complex problem-solving and high performance.

Cognitively diverse teams also tend to adapt to change more readily, and they demonstrate a greater ability to collaborate when faced with new challenges or situations. And according to [Deloitte](#)⁸, cognitive diversity accounts for better business outcomes: It enhances innovation by 20%, reduces risks by 30% and eases the implementation of decisions. While its benefits are obvious, cognitive diversity isn't easy to achieve. When we look at diversity related to pure demographics, it's easier to identify where an imbalance exists. Cognitive diversity, on the other hand, is easy to overlook because it is less visible. A different approach to problem solving is difficult to detect from the outside and bringing it to the surface takes work.

⁷ Boston Consulting Group, “How Diverse Leadership Teams Boost Innovation” (January 23, 2018), <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation>

⁸ Deloitte Insights, “The diversity and inclusion revolution: Eight powerful truths” (January 22, 2018), <https://www2.deloitte.com/us/en/insights/deloitte-review/issue-22/diversity-and-inclusion-at-work-eight-powerful-truths.html>

“Be yourself” is advice that is often heard; however it is even more important that leaders focus on enabling others to be themselves, offering everybody a safe environment of inclusivity, encouraging people to reveal and deploy their different modes of thinking and to voice their ideas and opinions.

Q2: Are there any terms in the FCA Handbook, PRA Rulebook or Supervisory Statements or other regulatory policies (for any type of firm) that could be made more inclusive? (paragraphs 2.30 – 2.31)

- Generally, we welcome the steps the Regulators have already taken to update their terminology used in handbooks, policy statements, and supervisory statements to be more inclusive, and we encourage the Regulators to consider using a software tool, such as Textio, that can review text to reveal hidden biases and recommend new text with a more inclusive lens.

Q3: Do you agree that collecting and monitoring of diversity and inclusion data will help drive improvements in diversity and inclusion in the sector? What particular benefits or drawbacks do you see? (paragraphs 4.1 – 4.23)

- Yes, we agree that collecting and monitoring diversity and inclusion data will help drive improvements in diversity and inclusion in the sector. But the expansive data elements, as suggested by the Regulators in the Discussion Paper, will be difficult to capture via voluntary self-identification methods. It will be incumbent upon companies and regulators to clearly justify why voluntary self-identification is important while not pressuring or coercing employees to provide this information. Additionally, collecting and reporting data around sexual orientation, disability, and other data beyond race and gender will be a concern as employees may not want to voluntarily self-identify this type of personal information because of previous negative experiences.

At State Street, voluntary self-identification is around 60% in the US and less in non-US locations, including the UK. As we continue to work with our employees and educate them as to the importance of self-identification, we expect these numbers to gradually rise. However, from our experience, voluntary collection of personal data from employees working in the UK and throughout Europe has been challenging for several reasons, including cultural differences amongst employees who are sensitive to providing personal data and concerns that this type of data could subject each firm to the European Union’s General Data Protection Regulation (“GDPR”). Multinational corporations face a particular challenge when it comes to overseeing racial and ethnic diversity. Different regions and countries define and collect data on diversity in different ways.

Q4: Do you have a view on whether we should collect data across the protected characteristics and socio-economic background, or a sub-set?

- To ease the burden on employers and encourage voluntary self-identification from employees, Regulators may want to consider limiting the scope of their data collection to information that similarly collected by the US Equal Employment Opportunity Commission’s [EEO-1 Component 1](#)

[Data Collection Report](#)⁹. The EEO-1 report is a mandatory annual data collection that requires all private-sector employers with 100 or more employees, and federal contractors with 50 or more employees meeting certain criteria, to submit demographic workforce data, including data by race/ethnicity, sex and job categories. Starting in our [2019 Corporate Social Responsibility report](#), State Street expanded our efforts to address racism and inequality by disclosing our own EEO-1 survey data¹⁰. Additionally, State Street Global Advisors' [2021 Proxy Voting Agenda](#)¹¹ stated that we will use our voting power to drive disclosure on board diversity and disclosure of board and workforce diversity for US S&P 500 and FTSE 100 companies. Our expectations are for enhanced racial and ethnic diversity disclosures for all companies in our portfolio, including measures of the diversity of the firm's global employee base using the EEO-1 report or, for non-US companies, disclosing this information in alignment with the Sustainability Accounting Standards Board's ("SASB") guidance.

In the UK, we report our gender pay gap numbers in our annual [UK Gender Pay Gap Report](#)¹². While we still have work to do to improve our pay gap, we are proud of the work we are doing to achieve a more inclusive industry:

- We are proud members of the UK 30% Club that works to achieve greater representation of women on FTSE-100 boards;
- For the seventh consecutive year, State Street employees have taken part in the 30% Club Mentoring Scheme as both mentors and mentees; and
- We support the UK Diversity Project, which aims to accelerate progress toward building an inclusive culture in the industry.

As we have learned from our own engagement with companies on the issue of diversity, disclosure leads to action — and action leads to change. Disclosing EEO-1 data is an important step in our collective journeys — it will ensure more accountability to clients, shareholders and the public at large while driving greater performance over the long term. As such, State Street Global Advisors helped launch the [Corporate Call to Action: Coalition for Equity & Opportunity](#)¹³ with the State of Connecticut Office of the Treasurer and the Ford Foundation where 14 financial institutions have agreed to disclose their own EEO-1 racial diversity data.

⁹ US Equal Employment Opportunity Commission, "2019 & 2020 EEO-1 Component 1 Data Collection", <https://eeocdata.org/EEO1/home/index>

¹⁰ State Street, "2019 Corporate Responsibility Report", https://www.statestreet.com/content/dam/statestreet/documents/values/2019_State_Street_Corporate_Responsibility_Report.pdf

¹¹ State Street Global Advisors, "CEO's Letter on Our 2021 Proxy Voting Agenda" (January 11, 2021), <https://www.ssga.com/us/en/institutional/ic/insights/ceo-letter-2021-proxy-voting-agenda>

¹² State Street, "UK Gender Pay Gap Report", <https://www.statestreet.com/about/office-locations/united-kingdom/corporate-responsibility.html>

¹³ Connecticut Office of the Treasurer, "Corporate Call to Action: Coalition for Equity & Opportunity (CEO) Announces Commitments to Disclose Workforce Data, Further Diversity, Equity and Inclusion Efforts", (February 11, 2021), <https://portal.ct.gov/-/media/OTT/Press-Room/Press-Releases/2021/PR021121-CorporateActionCoalitionEquityOpportunityCommitmentDiscloseWorkforceData.pdf>

Q5: What data could the regulators monitor to understand whether increased diversity and inclusion is supporting better decision making within firms and the development of products and services that better meet customers' needs?

- We believe diversity, equity and inclusion will result in a positive impact on culture, risk and corporate performance. Time and again, we have seen evidence that diversity of ideas and experiences is critical to the performance of the companies in which we invest, as well as the performance of our own organization. As stated in a 2015 report by McKinsey, "[Why Diversity Matters](#)", "...research makes it increasingly clear that companies with more diverse workforces perform better financially"¹⁴. The report goes on to share that "in the United Kingdom, greater gender diversity on the senior-executive team corresponded to the highest performance uplift in our data set: for every 10 percent increase in gender diversity, EBIT rose by 3.5 percent"¹⁵. Over the past five years, the [Hampton-Alexander Review](#) has contributed towards greater data transparency and collaboration, demonstrating "the success of the UK's voluntary, evidence- and business-led approach to improving business leadership diversity"¹⁶. As a result of their efforts, the FTSE 100 met the 33% target for women on boards at the beginning of 2020 and women's representation now stands at 36.2%, up from 27.7% in 2017; and the FTSE 250 met the 33% target for women on boards at the end of 2020 and women's representation now stands at 33.2%, up from 22.8% in 2017¹⁷.

We recognize the industry is characterized by relatively low representation from women and minority groups; efforts to recruit from and develop diverse talent pools can serve to address the talent shortage and generally improve the value of company offerings. Greater workforce diversity is important for innovation and helps companies understand the needs of their diverse and global customer base.

Q6: What are your views on our suggestions to approach scope and proportionality?

We recommend that larger, regulated entities provide demographic workforce data, including data by race/ethnicity, sex and job categories, similar to that which is required for the EEO-1. To help determine large firms, we think it would be appropriate to exclude, at a minimum, any firm that fails to meet the qualifying thresholds to access the Business Banking Resolution Service (e.g., turnover < £10m) or the Financial Ombudsman Service (fewer than 50 employees). Moreover, for large firms, we consider that the data should only be provided at a consolidated level, i.e. the data should be provided at the ultimate UK parent entity, rather than separately for all subsidiary and

¹⁴ McKinsey, "Why Diversity Matters" (January 1, 2015), <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

¹⁵ McKinsey, "Why Diversity Matters" (January 1, 2015), <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

¹⁶ Hampton-Alexander Review, "FTSE Women Leaders – Improving gender balance – 5 year summary report" (February 2021), https://ftsewomenleaders.com/wp-content/uploads/2021/02/HA-REPORT-2021_FINAL.pdf

¹⁷ Hampton-Alexander Review, "FTSE Women Leaders – Improving gender balance – 5 year summary report" (February 2021), https://ftsewomenleaders.com/wp-content/uploads/2021/02/HA-REPORT-2021_FINAL.pdf

related entities. This is a similar approach used by many companies when reporting their gender pay gap numbers in the UK.

Q7: What factors should regulators take into account when assessing how to develop a proportionate approach?

- See answer to Q6

Q8: Are there specific considerations that regulators should take into account for specific categories of firms?

- See answer to Q6

Q9: What are your views on the best approach to achieve diversity at Board level?

- We support disclosure of diversity characteristics, including gender and racial and ethnic makeup, of the board of directors.

Additionally, we would urge companies to follow our lead as we did in 2021 by amending their charter for their Board’s Nominating and Corporate Governance Committee and Corporate Governance Guidelines to formally adopt processes to select director candidates from a diverse pool and consider diverse perspectives, experiences and other characteristics such as race/ethnicity, gender identity, sexual orientation and nationality for new director candidates¹⁸.

Q10: What are your views on mandating areas of responsibility for diversity and inclusion at Board level?

- We would agree that diversity and inclusion be included as part of the authority and responsibility of the board of directors. For example, the State Street’s Board of Directors’ [Human Resources Committee Charter](#) states that the Committee “oversees the Company’s strategies related to human capital management, consisting of recruitment, retention, inclusion and diversity initiatives, and such other matters as the Committee deems appropriate from time to time”¹⁹.

As part of State Street’s 10 Actions initiative, State Street Global Advisors partnered with Russell Reynolds Associates and the Ford Foundation to issue a [report, “The Board’s Oversight of Racial and Ethnic Diversity, Equity and Inclusion”](#)²⁰ which identified potential best practices for board

¹⁸ State Street, “Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934”, (April 6, 2021), https://www.sec.gov/Archives/edgar/data/93751/000114036121011843/nc10018789x1_def14a.htm

¹⁹ State Street, “Human Resources Committee Charter”, [https://s26.q4cdn.com/446391466/files/doc_downloads/governance/2021/Human-Resources-Committee-Charter-\(FINAL-2021\).pdf](https://s26.q4cdn.com/446391466/files/doc_downloads/governance/2021/Human-Resources-Committee-Charter-(FINAL-2021).pdf)

²⁰ State Street Global Advisors, Ford Foundation and Russell Reynolds Associates, “The Board’s Oversight of Racial and Ethnic Diversity, Equity and Inclusion” (July 13, 2021), <https://www.ssga.com/library-content/pdfs/global/boards-oversight-of-racial-and-ethnic-diversity.pdf>

oversight of racial diversity and inclusion and suggests “10 Responsibilities of Boards in the Effective Board Oversight of Racial and Ethnic Diversity”:

- Ensure the CEO and board chair have the capacity and commitment to drive the organization’s racial equity efforts long-term;
- Build a board whose directors are racially and ethnically diverse and have experience with oversight of Diversity, Equity and Inclusion (“DE&I”);
- Make racial equity an active part of the business strategy and work toward clear and quantitative key performance indicators;
- Make racial and ethnic diversity, equity, and inclusion both a committee and full-board responsibility;
- Regularly evaluate the potential impacts of the company’s operations on communities of colour, embracing relevant opportunities and mitigating relevant risks;
- Facilitate boardroom discussions that are thoughtful, balanced and intentional, and build a culture where directors are empowered to challenge ideas;
- Include the perspectives of stakeholders (including employees) in board discussions;
- Create a structured onboarding and ongoing training process that prepares all directors for effective oversight of DE&I;
- Build a coalition, share best practices, and learn from peers and experts; and
- Realize this is a long journey – be patient and don’t give up.

Q11: What are your views on the options explored regarding Senior Manager accountability for diversity and inclusion?

- We recognize the importance of ensuring that DE&I is driven from the top of the organization and in that context the proposals relating to allocating responsibility under the Senior Managers and Certification Regime (“SMCR”) are appropriate. However, we consider that it would be inappropriate to make a single individual responsible for diversity and inclusion as they are unlikely to have control over hiring decisions across all business units. Rather, we suggest that all Senior Management Functions (“SMFs”) should be responsible for diversity and inclusion noting that this mirrors the FCA’s approach of holding “Executive, SLT and managers to account for progress”.

At State Street, all Executive Vice Presidents globally are held accountable for diversity and inclusion efforts, with progress against goals tied to their compensation.

Q12: What are your views on linking remuneration to diversity and inclusion metrics as part of non-financial performance assessment? Do you think this could be an effective way of driving progress?

- We agree that linking remuneration to diversity and inclusion metrics should be included as part of non-financial performance assessments and, as such, all Executive Vice Presidents globally at State Street are held accountable for diversity and inclusion efforts, with progress against their goals tied to compensation. However, it is important to note that in the UK, not all senior managers subject to the SMCR are Executive Vice Presidents and therefore reiterate our suggestion that all SMFs should be responsible for diversity and inclusion.

In further support of our diversity and inclusion efforts, all managers at State Street are required to set at least one inclusion, diversity and equity-related performance priority and are expected to encourage employees to consider doing the same. Change becomes more permanent when behaviours are continually role modelled, reinforced and refined. Our intention is to adopt inclusive, repeatable behaviours and embed these into our everyday activities. Managers are evaluated based on performance priorities and progress against the performance priorities is assessed through regular employee snapshot reviews; this is an integral part of the annual employee compensation process.

Q13: What are your views about whether all firms should have and publish a diversity and inclusion policy?

- Yes, we believe all firms should articulate the role that diversity (of race and gender, at minimum) plays in the firm’s broader human capital management practices and long-term strategy.

Q14: Which elements of these types of policy, if any, should be mandatory?

- Firms should describe what timebound and specific diversity goals (related to race and gender, at minimum) exist, how these goals contribute to the firm’s overall strategy, and how these goals are managed and progressing. But to end systemic racism in our communities, firms can use their power and their capital to address issues of racism and inequality. Some examples taken from our 10 Actions initiative include:
 - Extend requirement to interview a diverse slate of candidates to positions at all levels;
 - Examine development and advancement programs and processes to improve the mobility and development of underrepresented professionals;
 - Enlist the entire workforce in learning opportunities and conversations around anti-racism and equity;
 - Systematically review governance models within key management committees to ensure inclusion and diverse representation; and
 - Increase spend with diverse suppliers.

Q15: What are your views about the effectiveness and practicability of targets for employees who are not members of the Board?

- As stated in Question 11, we recognize the importance of ensuring that DE&I is driven from the top of the organization and in that context the proposals relating to allocating responsibility under SMCR are appropriate. However, we consider that it would be inappropriate to make a single individual responsible for diversity and inclusion as they are unlikely to have control over hiring decisions across all business units. Rather, we suggest that all SMFs should be responsible for diversity and inclusion, noting that this mirrors the FCA’s approach of holding “Executive, SLT and managers to account for progress”.

As stated previously, we believe that all employees play an active role in shaping our culture, ensuring State Street is an inclusive environment where employees of all backgrounds can

succeed. We are committed to ensuring inclusive behaviours and practices are not only encouraged and valued, but also recognized through our performance management process. In order to effectively do so, all managers are required to establish an inclusion/diversity/equity performance priority, and this is also strongly encouraged for all employees.

Q16: What are your views on regulatory requirements or expectations on targets for the senior management population and other employees? Should these targets focus on a minimum set of diversity characteristics?

- See answer to Q14

Q17: What kinds of training do you think would be effective in promoting diverse workforces and inclusive cultures?

- We believe firms should increase training programs to include sessions on unconscious bias, respect in the workplace, inclusive interviewing, leading inclusively, managing micro-behaviours, and anti-racism training, with the caveat that these trainings require consistent application, be available both online and in-person, and are part of a holistic approach to truly impact industry culture. Training is an important step in the journey but would be insufficient in and of itself. As stated in a 2018 article in [Gender and the Economy](#), “there is a tremendous upside for organizations if they can get diversity – and more importantly – inclusion right. But inclusion requires more than just putting diverse people together. Research shows that the key to high performing diverse groups is intervention to help people overcome diversity challenges²¹.”

All employees within a company have a part to play in promoting diverse workforces and inclusive cultures; their collective engagement will foster a shared understanding of inclusion, diversity and equity. Managers, too, play an important role by having candid conversations with their teams, no matter the topic. Managers are critical to building inclusive environments.

Firms should also establish key partnerships with local organizations committed to these ideals. For example, in the UK, we are supporters of the UK government’s Women in Finance Charter, the UK Diversity Project, which aims to accelerate progress toward building an inclusive culture in the industry, and we are a member of the UK 30% Club, which works to achieve greater representation of women on FTSE-100 boards. We are also members of the Business Disability Forum which provides practical, evidence-based, strategic solutions for businesses to recruit, retain, and provide inclusive products and services to people with disabilities.

Q18: What kinds of training do you think would be effective for helping understanding of the diverse needs of customers?

- See response to Q17

²¹ Gender and the Economy, “Debate: Does diversity training work?” by Alyson Colón (January 15, 2018), <https://www.gendereconomy.org/does-diversity-training-work/>

Q19: What are your views about developing expectations on product governance that specifically take into account consumers' protected characteristics, or other diversity characteristics?

- No comment

Q20: What are your views on whether information disclosures are likely to deliver impact without imposing unnecessary burdens? Which information disclosures would deliver the biggest impact?

- As investors, we believe improving the availability of useful information and data is a critical element in advancing board diversity, and, as a result, will improve corporate governance and long-term risk management and financial performance.

We encourage companies to provide measures of the diversity of the firm's global employee base and board. For example, for all full-time employees globally, companies should disclose employee diversity by race, ethnicity and gender, broken down by industry-relevant employment categories or levels of seniorities. In the US, companies can use the disclosure framework set for 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's guidance and nationally appropriate frameworks. At the board level, companies should disclose diversity characteristics, including racial and ethnic makeup, of their board of directors.

However, the Regulators should be measured in their approach over the quantity, frequency and method of reporting required data to ensure the regulatory reporting regime is not burdensome. For example, many entities in the UK already utilize the RegData tool for regulatory reporting purposes. However, the RegData tool is limited in its ability to easily aggregate data at a country level, which we believe would be the most helpful for all entities and Regulators. Further challenging the collection of personal data is the European Union's GDPR of which this type of data could be subject to the Regulation.

Q21: How should our approach for information disclosure be adapted so that we can place a proportionate burden on firms?

- See response to Q20

Q22: What should we expect from firms to disclose and what should we disclose ourselves from the data we collect?

- As stated previously, we recommend that for all full-time employees globally, companies should disclose employee diversity by race, ethnicity and gender, broken down by industry-relevant employment categories or levels of seniorities. In the US, companies can use the disclosure framework set for 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's guidance and nationally appropriate frameworks. At the board level, companies should disclose diversity characteristics, including racial and ethnic makeup of its board of directors.

Over time, through employee engagement and similar activities, we believe voluntary self-identification data collection efforts will allow for the aggregation and reporting of other types of data beyond diversity by race, ethnicity and gender and will, in turn, lead to actionable tenets to promote greater equality.

Q23: What are your views on how we should achieve effective auditing of diversity and inclusion?

- We do not believe diversity and inclusion audits would result in any meaningful progress to foster diversity and inclusion in the UK financial sector in light of all the activities and measures companies are already taking.

In February 2021, State Street was announced as one of 25 companies joining the inaugural cohort in the newly launched [Black Equity at Work Certification offered by Management Leadership for Tomorrow](#), a US non-profit working to transform the leadership pipeline and increase access to the American Dream. This results-driven program establishes a clear and comprehensive standard for certification and provides a rigorous, results-oriented approach toward addressing the persistent inequities faced by Black professionals across corporate America.

As referenced earlier, we are proud members of the UK 30% Club that works to achieve greater representation of women on FTSE-100 boards and a supporter of the UK Diversity Project, which aims to accelerate progress toward building an inclusive culture in the industry.

Another global effort includes our participation in the [Bloomberg Gender Equality Index \(GEI\)](#) which provides a unique opportunity for companies to assess their progress towards parity, benchmark against peers and highlight their commitment to gender equality.

Through State Street Foundation, State Street's charitable arm, we make grants to non-profits and nongovernmental organizations in 26 countries, including the UK. The Foundation's primary strategic focus areas are education and workforce development. In 2021, we engaged an external consultant to audit the Foundation's current grants portfolio to assess the impact and demographic makeup of grant recipients. In connection with this effort, we plan to update the Foundation's grant making guidelines during 2021 to establish combatting racism as a clear funding priority, building upon our longstanding philanthropic focus of addressing socioeconomic and racial inequities in education.

Q24: How can internal audit best assist firms to measure and monitor diversity and inclusion?

- As with all divisions within State Street, DE&I is subject to periodic internal audits that are designed to independently and objectively assess compliance with laws, regulations, and corporate policies and the effective management of risks faced by the company in executing on its strategic and tactical operating plans.

Q25: Do you agree that non-financial misconduct should be embedded into fitness and propriety assessments to support an inclusive culture across the sector?

- SMFs are already subject to non-financial misconduct oversight by Regulators. In addition, we believe most companies have already established rigorous due diligence and stern disciplinary policies up to and including termination, to capture non-financial misconduct. For example, at State Street, we have established several policies at a global level to foster employee representation and to drive a better sense of belonging across our global operations. These include:
 - Global Diversity Policy;
 - Global Equal Employment Opportunity Policy;
 - Global Anti-Bullying and Harassment Policy;
 - Global Non-Discrimination Policy; and
 - Global Sexual Harassment Policy.

Q26: What are your views on the regulators further considering how a firm's proposed appointment would contribute to diversity in a way that supports the collective suitability of the Board and senior management?

- In the financial services industry, directors and senior managers nominated for global businesses must pass stringent background and credit checks while also having specialized skills that bring different perspectives to the company. We recommend that the Regulators consider periodic reviews, rather than at the time of an individual's appointment, of the composition of a firm's entire board of directors and senior management at a consolidated level with a diversity lens. We also suggest that this effort must be without introducing the inefficient maintenance of an expanded board to meet statutory requirements or impose regulatory burdens each time a director or senior manager is changed or added, so as to not force institutions to forgo pursuing certain highly-qualified candidates because it would cause them to be non-compliant.

As stated above in our response to Question 9, we would urge companies to follow our lead as we did in 2021 by amending their charters for their ultimate parent Boards' Nominating and Corporate Governance Committees and Corporate Governance Guidelines to formally adopt processes to select director candidates from a diverse pool and consider diverse perspectives, experiences and other characteristics such as race / ethnicity, gender identity, sexual orientation and nationality for new director candidates. Additionally, State Street's Board has ultimate oversight of the 10 Actions, and we recommend a similar regime at a consolidated regional level for other UK entities.

Q27: What are your views on providing guidance on how diversity and inclusion relates to the Threshold Conditions?

- We recommend the Regulators develop a proportional diversity and inclusion framework for all firms which should include guidance on the board's role, responsibilities and oversight; encourage the development and implementation of internal policies, procedures, metrics and performance management standards for all employees and activities of a firm to increase diversity and inclusion over a sustained period of time; promote partnerships with non-profits and other groups to expand the reach of diversity and inclusion efforts; and help facilitate training and discussions to drive a more inclusive industry culture.

Q28: Do you have any suggestions on which aspects of our supervisory engagement with firms that you think could be improved to help deliver and support greater diversity and inclusion?

- Regulators may want to consider establishing an advisory committee made up of middle management and junior employees to provide diverse perspectives, advice and recommendations on how to foster diversity and inclusion throughout the financial sector.

Q29: What impact do you think the options outlined in this chapter, alongside the FCA's proposals for a new Consumer Duty, would have on consumer outcomes?

- We believe that the questions posed by the Regulators in this Discussion Paper coupled with the heightened attention and multiple activities undertaken by the industry will result in positive outcomes for all stakeholders. From our own experience, we have seen how corporate values and behaviour can create a culture that has a profound impact on a company's business and its clients, employees, investors and the communities it serves. State Street strongly believes that an inclusive culture and a diverse workforce can make our own company, and the industry, stronger and more successful and will enable us to fulfil our mission to help achieve better outcomes for the world's investors and the people they serve.