May 2023

2022 Asset Stewardship Report

STATE STREET GLOBAL ADVISORS

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Introduction and Background

Statement From Yie-Hsin Hung, President & CEO, State Street Global Advisors

As the new President & CEO of State Street Global Advisors, I am excited to join this firm for a number of reasons, not least of which is the size, scope, and reach of our business, and the responsibility we have to our global client base. And, as an industry participant and senior leader in the investment management industry for the past 25 years, I have always admired State Street Global Advisors' value-driven stewardship efforts, and its pragmatic and consistent approach to promoting sound governance practices with the boards of companies in its clients' investment portfolios.

Given the sheer number of views espoused and the vigorous debate about asset stewardship — and in light of our recently expanded program offering more investors the power to direct how shares held in the funds they own are voted — I want to share some of my observations on how State Street Global Advisors seeks long-term value and the increasing need for boards to assess and disclose value-related risks.

Committed to a Pragmatic, Value-Driven Approach

Fulfilling the fiduciary duty it owes to its clients is an investment manager's most important responsibility. To that end, State Street Global Advisors has always focused its stewardship activities — including engagements with portfolio companies, proxy voting activity, and thought leadership — on long-term risks and opportunities facing portfolio companies. As long-term holders of capital on behalf of our clients, we believe that our portfolio companies must have effective oversight and governance to ensure they consider these risks and opportunities and integrate them into their strategy and management.

While recently there has been a great deal of discussion in the market regarding environmental, social, and governance (ESG) issues, State Street Global Advisors has consistently viewed these issues through a lens of long-term *value* creation. While values are important to all of us, in this context we focus exclusively on value: how to drive long-term portfolio value. We focus our stewardship efforts on issues we believe can have significant impact to our clients' portfolios over the long term based on our review of policies and rules developed by regulators and government bodies, academic research, insights from investment colleagues, and data gathered and produced by industry experts. We believe that the risks and opportunities we identify are important for portfolio companies to manage and boards to oversee, and our clients expect us to encourage effective portfolio company disclosure of material information in those areas. Our unwavering attention to these issues has always been rooted in a combination of best practices, evidence-based research, pragmatism balanced with a long-term view, and sound governance. This will continue to be our approach in the years ahead.

Our Stewardship Focus in 2023

Our 2023 stewardship priorities are to encourage transparency and disclosure in the areas of:

1. Effective board oversight
2. Climate risk management
3. Human capital management
4. Diversity, equity, and inclusion

Each of these topics presents short- and long-term risks and opportunities to companies across our portfolio. For instance, we ask companies to disclose information about their human capital management practices because research suggests that employees themselves increasingly are considered to be a material asset and how firms manage their people can create risks and opportunities and impact financial performance.[1] In addition, we have long encouraged boards to recruit diverse directors in light of research that suggests that a diversity of perspectives can enhance strategic oversight; likewise, we ask companies to offer insight into their diversity, equity, and inclusion efforts given the potential impact on financial performance.[2] And with increasing consensus that climate change is a potential systemic risk to firms and sectors alike,[3] we ask portfolio companies to provide transparency into their plans for managing climate-related risks, and encourage boards to have oversight of relevant climate risks and opportunities.

Engaging With Boards and Ensuring Accountability

Underpinning all of this work is the importance of effective board oversight, which has always been a cornerstone of our asset stewardship approach, given that the strength, independence, and effectiveness of boards is critical to ensuring the long-term value of a firm.[4] In my experience, I have found that boards are not only the conduit between investors and management teams, but also often are best positioned to keep management focused on long-term strategy and provide needed perspective and governance with respect to material risks and opportunities facing the companies in which we invest our clients' assets.

State Street Global Advisors' approach over the years has been to use constructive engagement to encourage two-way dialogue with boards while at the same time holding them accountable for improving disclosure, oversight, and strategy. While shareholder proposals can be effective at raising awareness on certain issues — and we will support them when both reasonable and likely to maximize long-term value for clients — proposals are non-binding in most markets and often too prescriptive.

By contrast, our team has found that votes in director elections are far more effective at focusing board attention on issues we believe important to long-term value and on which we have engaged with a portfolio company. This makes sense, as responsibility lies with boards to oversee related strategy. Our voting guidelines outline the scenarios in which we may vote against directors and/or chairs of relevant committees for governance failures (our voting record can be found here).

Our Focus for 2023: Effective Board Oversight of Risks and Opportunities

The consistent, transparent, and pragmatic approach our team has taken to fulfilling our asset stewardship responsibilities on behalf of clients has not been static. Each year we have worked to evolve the way we engage with boards to understand how they are conducting their oversight and other governance responsibilities.

As boards have increasingly focused on managing longer-term risks and opportunities, their governance, committee structure, and effectiveness have become that much more important. For example, this past year, after our team identified shortcomings in board oversight and governance at a large, diversified e-commerce company, we voted against the Compensation Committee Chair. Going forward, we will continue using director and committee chair votes to encourage sound governance and oversight while holding relevant directors accountable on a case-by-case basis as outlined in our related guidance on Effective Board Oversight.

Today, directors are busier than ever, reporting a 25% increase both in formal board meetings and number of days spent on director work[5] — often serving on multiple boards simultaneously. This raises the concern that a substantial increase in directors' workloads could lead to a degradation of overall board effectiveness over time. To date, the proxy voting guidelines of most asset managers permit named executive officers, chairs, and lead independent directors to sit on a certain number of publicly listed portfolio company boards. In contrast, making subjective decisions to determine the caliber and time commitment of individual directors should be the job of well-governed boards themselves, not asset managers.

We have generally found that good disclosure reduces the tendency for shareholders to micromanage companies in which they invest. Unfortunately, more than one in five companies in the S&P 500 provide limited transparency into how they manage their directors' time commitments.[6] Shareholders expect boards to effectively govern themselves with respect to the ability of directors to devote adequate time to the board's work. As such, in the year ahead we will be looking to the nominating and governance committees of portfolio companies to be responsible for establishing and enforcing, as well as disclosing, robust director time commitment policies.

Starting in 2024, we will:

- No longer use numerical limits to identify overcommitted directors, and instead

- Vote against the chair of the nominating and governance committee at companies in the S&P 500 that do not disclose their internal policy on director time commitments.

By providing clear guidance to nominating and governance committees on director commitment levels and holding them accountable through our annual vote, we hope to advance transparency on this issue, and prioritize other topics in our discussions with portfolio companies relating to long-term risks and opportunities.

Supporting Long-Term Value Creation in a Changing World

In a world of ongoing economic and geopolitical uncertainty and market volatility, the need for strong governance and board oversight, transparency, and disclosure could not be more important.

As our now State Street Chairman & CEO, Ron O'Hanley, said in 2017 when he was CEO of State Street Global Advisors: "Long-term value begins at the board." Despite all of the changes we have witnessed in these intervening six years, his words remain true today and continue to guide us in our mission to serve all investors. Our commitment to pragmatic stewardship and our focus on long-term value creation remain steadfast. I look forward to the next steps in our stewardship journey.

Statement From Lori Heinel, Global, CIO, State Street Global Advisors

In the many years since State Street Global Advisors became active in asset stewardship, we have seen increased attention to material governance and sustainability issues across global markets. Today, we believe more firmly than ever that responsible asset stewardship contributes to long-term shareholder value.

Throughout this report, we detail our progress on stewardship and note opportunities for improvement. For example, we are continuing to strengthen our stewardship of non-equity assets. In 2022, our fixed income stewardship efforts focused primarily on proxy voting. In 2023, we expanded our scope and hired a full-time fixed income stewardship specialist. Year-to-date, we have held 8 engagements alongside our fixed income investment team, and we are actively exploring opportunities to strengthen our approach to fixed income stewardship.

Below, we summarize several highlights that we focused on in 2022 and will continue developing in 2023.

Strengthening ESG Governance

State Street Global Advisors has continued to strengthen our ESG and stewardship resourcing, oversight, and governance. In January 2022, we established an ESG Committee responsible for overseeing the firm's philosophy and practices in ESG and asset stewardship. We have made progress restructuring internal reporting lines to provide effective organization and oversight of all our ESG and asset stewardship functions.

The ESG Committee's primary purposes are:

- to oversee the firm's ongoing commitments to ESG and sustainable investing, related business practices, and public policy matters relevant to the firm;
- to oversee the Asset Stewardship team's proxy voting and investee company engagements on behalf of the firm's discretionary portfolios; and to review and approve the firm's voting policies.

The ESG Committee comprises senior staff across our investment, client-facing, legal, compliance, risk management, and operational teams. This cross-functional committee facilitates discussions about themes emerging from our client engagements and voting activities.

Additionally, State Street Global Advisors expanded our ESG capabilities in 2022, adding an operations team focusing on ESG governance. The team works closely with other State Street functional areas including business controls, legal, and compliance. We also prioritized hiring and talent development to ensure we have the human capital required to support our ESG and stewardship initiatives.

Extending Proxy Voting Choice to More Investors

As a major asset manager, State Street Global Advisors votes on proxy proposals at roughly 20,000 shareholder meetings annually. To seek to maximize our clients' long-term value, our Asset Stewardship team dedicates significant resources and expertise to reviewing these proposals. Yet we recognize that clients may have an alternative point of view or want to vote differently.

We recently announced a new proxy voting program that offers eligible investors in certain institutional funds in the US and UK a range of voting policies that can be applied to their pro rata portion of the shares voted by those funds. These include policies oriented toward sustainability, social responsibility, labor, faith, and an option that generally supports corporate board perspectives. Eligible shareholders can choose one of these policies or opt to apply State Street Global Advisors' proxy voting policy. With the addition of this new program, available for the 2023 proxy season, investors in more than 40% of our index equity assets will be able to exercise choice over how shares held in the funds and separately managed accounts they own are voted. Over time, we intend to expand the proxy voting program to as many of our index equity assets under management as possible.

Supporting Climate Risk Management

In 2021, State Street Global Advisors joined the Net Zero Asset Managers initiative because we believe climate change is a systemic risk that may have impacts on our economy and society if not managed properly. As fiduciaries, we believe net zero initiatives are helpful tools in managing long-term investment risk from climate change for our clients. In 2022, we made initial progress toward our net zero goals, beginning with setting our interim targets and establishing baseline reporting. In addition, we have called on companies in major indices in the US, Canada, UK, Europe, and Australia to align with the climate-related disclosures requested by the Task Force on Climate-related Financial Disclosures ("TCFD").

Enhancing ESG Capabilities

We continue to look for opportunities to serve our clients by offering ESG products and solutions, including customization, and sharing thought leadership.

Data drives virtually all of our ESG initiatives, and we aim to further enhance our capabilities in this area. For example, data is crucial to our Responsibility Factor (R-Factor™) scoring system, which is based on a financial materiality framework. R-Factor is used to score more than 11,500 companies worldwide, helping State Street Global Advisors to assess ESG risks and opportunities. In 2022, our Asset Stewardship team used R-Factor to identify companies for engagement and proxy voting action. In the past, we voted against R-Factor laggards that failed to improve their R-Factor Score and showed no signs of taking action to do so. In 2022, we expanded our R-Factor voting screen to include companies that showed a downward trend or that have for multiple years consistently underperformed their peers on R-Factor scores.

Additionally, data supports our mandate screening options; these empower clients to express priorities such as investing in strong climate or diversity performers, excluding companies that conflict with their values or risk preferences, or simply titling toward governance and sustainability leaders. ESG data also underpins Point of View (POV) —our standard ESG investing exclusionary approach — and informs investment analyses by our research professionals and portfolio managers. In 2022, we expanded our ESG data capabilities, allowing us to further integrate forward-looking climate indicators from key vendors. We also completed the onboarding of additional ESG data from a major data provider, which features over 5,000 indicators. These new data capabilities advance our drive to be at the forefront of investing and asset stewardship.

Through thought leadership and research papers, we aim to help our clients understand the rapidly changing landscape of ESG data and how it may relate to their investment goals and preferences. For example, in 2022 we published Physical Climate Risk Data: A Primer and Evaluation and Climate Data Nuances in Equity Index Portfolios to share insights about ESG data that can inform investment challenges and opportunities.

Focusing on Outcomes

In our asset stewardship activities across the globe, we are keenly focused on promoting long-term value and protecting clients against certain material risks. We are investors first and foremost, and our relationships with investee companies are intended to be constructive. We share with company boards and management teams a common goal of creating shareholder value, and we believe that investee companies can help achieve that goal by optimizing their disclosure and oversight practices. The case studies in Chapter 5, Stewardship Priorities, demonstrate our approach through specific outcomes. If our engagement efforts fall short, we may hold companies accountable through our escalation and voting action.

There is, of course, still much to do to improve stewardship and enhance our ESG capabilities. We will continue to refine our approach. We look forward to another fruitful year and to reporting on our progress in next year's report.

2 Who We Are and Who We Serve

In this section, we describe our organization and our mission, as well as the fundamental elements in our fiduciary duty that drive our stewardship activities.

As a fiduciary, we have an obligation to put our clients' interests first. To be effective in fulfilling this obligation, we must consider factors that have a material impact on long-term value creation. We believe that material ESG factors can affect the performance of investments to varying degrees across companies, sectors, regions, asset classes, and over time. We believe that effective stewardship of companies that we invest in on behalf of our clients will result in greater adoption of improved business practices and disclosures. Therefore, we utilize our asset stewardship program to engage with investee companies with the aim of seeking long-term value and mitigating risk to our clients' portfolios.

Below, as part of our organizational overview, we describe the mission and guiding principles of State Street Global Advisors and our parent company, State Street Corporation.

State Street Corporation's Mission

State Street Global Advisors is a fully owned subsidiary of State Street Corporation. Our parent company provides a framework for our mission and culture. State Street Corporation's mission is to help create better outcomes for the world's investors and the people they serve. Our corporate framework, described below, unites us as an organization.

What our corporate framework means:

- **Global Force, Local Citizen** We are a global company with a deep commitment to our individual markets, clients, and communities.
- **Always Finding Better Ways** We are committed to continuous improvement — delivering value to clients, shareholders, and communities; developing our people; and operating efficiently and ethically.
- **Stronger Together** We are passionate about building relationships and creating shared goals that help our employees and clients achieve success.
- **Trust Is Our Greatest Asset** We are committed to acting with integrity and treating our clients, employees, and stakeholders with fairness and respect.

We believe it is critical for our success and employee experience to have a strong culture. The human capital aspect of our business, including how we engage with and support our employees, is material to our long-term success. Our employees help us seek long-term value and better ways to provide services to our clients and engage with our stakeholders.

State Street Global Advisors' Guiding Principles

At State Street Global Advisors, we believe that an inclusive culture and diverse workforce are essential to the long-term sustainability and success of our business. We hold our employees and leadership accountable to high standards of conduct that ensure our business is run in an ethical and responsible manner that fits our fiduciary role.

To help our clients achieve their financial goals, we live our guiding principles each and every day.

Start with Rigor We take a highly disciplined and risk-aware approach built on exhaustive research, careful analysis, and market-tested experience to meet client needs.

Build from Breadth Today's investment problems demand a breadth of capabilities. We build from a universe of index and active strategies to create cost-effective solutions.

Invest as Stewards As fiduciaries, we believe good stewardship is good investing.

Invent the Future We created the first ETF in the US and are pioneers in index and active investing. Using data, insights, and investment skill, we are always inventing new ways to invest.

Our Company

State Street Global Advisors is one of the world's largest asset managers, responsible for $3.48 trillion[7] in assets under management and the third-largest provider of exchange-traded funds globally (as of December 31, 2021).[8]

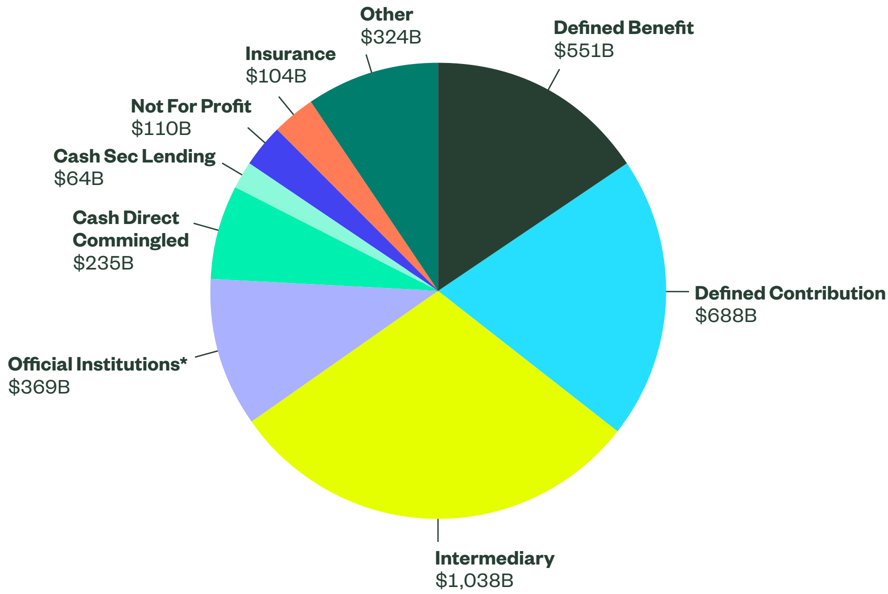
We are a global, scaled index and systematic investment manager with strengths in index investing (institutional and ETFs), cash, and select active and multi-asset capabilities, underpinned by strong ESG capabilities. Our active and index capabilities cover the risk/reward spectrum, and we seek to address clients' demands for ESG investing opportunities through our ESG product offerings.

Figure 1
Assets Under Management Split by Asset Class

Equity	Fixed Income & Cash*	Multi-Asset	Alternatives†
$2.13T	**$930B**	**$209B**	**$214B**
Active • Quantitative • Fundamental	Active	Strategic and Tactical Asset Allocation	Hedge Funds
Smart Beta	Smart Beta	Outcome Oriented • Target Date Funds • Real Assets • Inflation Protection • Absolute Return	Private Equity
Index	Index	Exposure Management	Private and Public Real Estate
	Cash Management	Model Portfolios	Currency
			Commodities
			Real Assets

Source: State Street Global Advisors, 31 December 2022.
* Cash includes both floating- and constant-net-asset-value portfolios held in commingled structures or separate accounts.
† Alternatives Includes real estate investment trusts, currency and commodities, including gold-backed ETFs for which SSGA only serves as marketing agent.

Figure 2
US $3.48 Trillion in Assets Under Management[2]
Clients by AUM



Source: State Street Global Advisors, 31 December 2022.
* Official Institutions is a client type that includes all plan type assets including DB and DC.

Who We Serve
Our Client Base

As one of the world's largest asset managers, we serve a diverse range of clients across the globe. Below is a high-level summary as of 31 December 2022.

Figure 3
Our Capabilities Deliver for Our Diverse and Global Client Base

$3.48
Trillion in Assets[9]

2100+
Clients[10]

32
Million DC Participants[11]

57
Countries with Clients[10]

10
Investment Centers[10]

24-hour
Global Trading Capability[12]

Source: State Street Global Advisors, 31 December 2022.

Our institutional clients include pension providers, intermediaries, institutions, and not-for-profit organizations. We are also a leading partner to some of the largest government retirement plan providers and sovereign wealth funds globally. Consequently, for many of our clients, the investment horizon is measured in decades. Although we do not have direct relationships with retail clients, we are acutely aware that the services we provide to institutional investors ultimately impact their underlying investor base. For example, underlying the pension clients with whom we work are individual pensioners and beneficiaries whose future financial well-being and retirement security is impacted by the role we play.

A breakdown of our clients by type and by geography follows.

Figure 4
Client Assets Under Management
Net AUM

Institution Type	
Intermediary	$1.0T
Institutional	$2.5T
Geography	
Americas	$1.3T
APAC	$0.4T
EMEA	$0.4T
Other*	$1.4T

* Other includes Securities Lending Pools, State Street Global Advisors Funds, Mutual Funds, ETFs, and other investment vehicles where underlying client data is unavailable. This includes funds for which State Street Global Advisors only serves as a marketing agent.
Source: State Street Global Advisors, 31 December 2022.

We partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. The majority of our investments lie across our intermediary, defined contribution, and defined benefit businesses. Below is a brief description of our most common client types and how we work with them.

Pension Schemes We serve defined benefit and defined contribution pension plans and other pension providers around the world, working with employers to help pension plan participants seek financial security.

Investment Consultants We partner with consultants to share investment insights and expertise to help their clients achieve their investment goals.

Endowments and Foundations We help endowments and foundations fund educational, scientific, and environmental breakthroughs by offering a wide range of solutions and products across various time horizons.

Governmental Entities We partner with central banks, governmental investors, and sovereign wealth funds and provide investment solutions to meet their investment objectives.

Financial Advisors and Other Intermediaries We work with financial advisors and other intermediaries — from registered investment advisors in the US to discretionary wealth managers and private banks in Europe — to help them and their clients manage their financial futures by offering a variety of ETFs and model portfolios.

Corporate Treasurers and Chief Financial Officers (CFOs) We work with corporate treasurers and CFOs to help their companies meet their financial commitments and fiduciary obligations as well as reinvest in their businesses through a variety of cash management solutions.

Asset Managers We partner with asset managers to solve complex needs, such as solutions for liquidity within an asset class.

Our ESG Investing Strategy

Our ESG strategy is anchored in our fiduciary duty: the obligation to put our clients' interests first. Whether clients are focused on risk management, responding to new regulations, or making investments that align with their values, our ESG capabilities can support clients in achieving their ESG investment objectives.

ESG investing involves the assessment of material environmental, social, and governance opportunities or risks (together "ESG factors") during the investment process. For actively managed mandates, we believe that the consideration of ESG factors can aid investment decision making, help manage investment risk, and facilitate the generation of long-term value. As such, where appropriate and consistent with a portfolio's disclosed objectives, we integrate ESG factors into our investment decision-making alongside traditional investment analysis.

ESG factors can cause either a negative or positive impact on the value of an investment. We believe companies should address material ESG factors relevant to their business and that doing so is both good business practice and relevant to long-term shareholder value. We believe that considering relevant material ESG factors improves companies' potential to withstand emerging risks and capitalize on new opportunities.

Our Stewardship Program — Philosophy and Objectives

State Street Global Advisors' Asset Stewardship philosophy is an extension of our mission and values to protect and promote the long-term economic value of client investments.

- Clearly communicate how we carry out our commitment to responsible investing on behalf of our clients through quarterly and annual reports, voting and engagement guidelines, bulletins explaining our decisions, thought leadership, and other public communications.
- Fulfill our fiduciary responsibilities by engaging with companies about material risk factors and exercising our shareholder rights.
- Report on the impact of our stewardship activities.

Our objective is to execute asset stewardship with accountability, consistency, and transparency. Our approach is disciplined, inclusive, and evidence-based. Our program is rooted in research supporting the principle that companies can improve risk management, enhance performance, and generate long-term value by adopting robust governance and sustainability practices where the issue is financially material (examples of such research include Deloitte, Bebchuk et al., McKinsey).

Our primary focus as an asset manager is to create value for our clients. We believe it is consistent with our fiduciary duty to clients to ensure that companies are considering material long-term risks and opportunities, including those relating to ESG factors.

Below, we provide an overview of the principles that guide our stewardship program. For more details about how we implement our program, please see Chapter 4, Engagement and Voting.

Our Approach

To fulfill our asset stewardship responsibility, we rely on two main tools: voting at shareholder meetings and engaging with companies. We leverage these tools to promote robust governance, including board oversight, and disclosures. In addition, we regularly conduct research on areas of material risk that we think are important for our investee companies to consider, and we publish thought leadership (e.g., articles and papers) in those areas.

The board of directors is accountable for overseeing a company's material risks and opportunities and providing adequate disclosure of such. Therefore, the board is the main focus of our engagement and voting activities. We focus on electing capable directors and holding them accountable for disclosure and effective oversight of a company's long-term strategy.

We have a rigorous process for deciding the priority areas for our stewardship efforts. We target Stewardship Priorities — areas that, in our analysis, are important for our investee companies to consider. We review our Stewardship Priorities annually based on our selection criteria. (For more information on our Stewardship Priorities, see Chapter 5, Stewardship Priorities.)

Voting

As a large, global asset manager with US $3.48 trillion in assets under management as of 31 December 2022, we hold equities and other constituents of the world's investment indices on behalf of our clients on a near-perpetual basis.

On behalf of our clients, we have the right and responsibility to vote at more than 20,000 shareholder meetings annually, including more than 200,000 proposals in 2022. To execute our voting responsibility with accountability, consistency, and transparency, we have developed voting guidelines, which we publish on our website. Our various guidelines have been developed to provide both companies and our clients with a clear view of where we stand on important ESG issues that are frequently included in the proxy voting process. We stress that our goal is to elect and hold directors accountable for effective disclosures and oversight of financially material risks and opportunities — and we endeavor to create transparent proxy voting guidelines to give visibility into the factors we consider when taking voting action and holding boards and companies accountable.

The majority of our voting decisions tend to be routine — clearly conforming to, or conflicting with, our published expectations for investee companies. When a voting decision is more nuanced, we will manually review the proposal. We rely on publicly available information provided by investee companies and other stakeholders to inform our analysis.

We pride ourselves on a consistent voting record. We provide full transparency into our voting record online and in certain cases publish bulletins describing the reasoning behind voting decisions.

Engagement

In addition to voting, engagement is an important pillar in our asset stewardship program. Like voting, our engagements focus on issues that may affect long-term value. We believe proxy voting and engagement with investee companies are often the most direct and productive ways for asset managers like ourselves to promote client value.

As an asset manager with a long-term investment horizon, we view our engagements with investee companies as ongoing conversations intended to help bridge the financial objectives of both our investee companies and our clients. The dialogue is intended to be interactive and evidence based, with all sides having a chance to share challenges and opportunities.

Our engagements may be initiated by a company, or us directly. Prior to annual shareholder meetings, many companies approach us to discuss how we intend to vote. We strive to prioritize our asset stewardship resources on engagements that we believe have the greatest material risk or opportunity at stake, in line with clients' expectations for our stewardship of their assets.

We also initiate engagements with one of two main goals: to gather information to inform our guidance on emerging issues, or — in an established area — to understand and seek to improve a company's alignment with our expectations, particularly within a market, industry, or company that presents a significant material risk or opportunity. For example, we leveraged many years of speaking with companies on climate, as well as our 2017 endorsement of the TCFD recommendations, to inform our 2022 voting policy, where we began voting against companies that did not align with our published guidance.

Thought Leadership

To ensure transparency and maximize our ability to promote long-term value creation, we publish thought leadership that educates market participants and companies about how we view ESG risks and opportunities. Our engagements with companies inform our thought leadership, enabling us to provide relevant and useful analyses, such as Human Capital Management Insights and Board Gender Diversity Global Insights published in 2022. We believe that our thought leadership provides a constructive perspective on ESG issues that are material to the companies that we invest in on behalf of our clients.

For examples of our asset stewardship thought leadership, please see Chapter 8, Other Efforts Related to Stewardship.

Measuring Outcomes

To measure and demonstrate outcomes, we monitor companies' performance and follow up with those that we previously engaged with to evaluate their responsiveness to our feedback. This requires a multi-year approach to stewardship, which we believe is necessary and reflects the anticipated long-term nature of our investments in investee companies.

For more information on how we measure and report results, please see Chapter 4, Engagement and Voting.

3 ESG Investing at State Street Global Advisors

In this section, we discuss the ways in which State Street Global Advisors integrates stewardship and investment, including material environmental, social, and governance issues, and climate change, within our investment processes.

1. **Negative Screening/Exclusion** A negative ESG screen, also known as an exclusionary screen, is an investment screen that is intended to eliminate securities from the portfolio that fail to satisfy specific ESG criteria. The exclusionary approach offers clients a thoughtful way to express their values or risk mitigation preferences in their portfolios. We use a variety of externally provided screening data sets to implement clients' preferences.

2. **Positive Screening** A positive ESG screen is a screen incorporated into the investment strategy that intentionally includes securities of issuers identified as having positive ESG performance (including positive performance of sub-components of ESG such as environmental, climate, or social characteristics) relative to the issuer's industry or sector peers. Utilizing R-Factor as well as other ESG data sources, we have the capability to invest in sectors and companies selected for such relative superior performance.

3. **Third Party ESG Indices** An ESG index incorporates ESG factors or characteristics to determine which securities are included as index constituents.

Our investment teams are given a variety of tools to support them in the implementation of these approaches, which we discuss later in this chapter. Below, we also address how we integrate responsible investing into our investment strategies across the asset classes in which we invest.

Most of our ESG assets are within Equity Index and Smart Beta strategies, and our Global Equity Beta Solutions team integrates ESG either through the index itself (e.g., an index that either incorporates ESG characteristics or has sustainable investment as its objective) or as a custom solution, constructed through our beta solutions capability.

Our Approach to ESG Negative Screening/ Exclusions

At State Street Global Advisors, exclusionary screening can be applied to portfolios as a standalone ESG approach or in combination with other investing styles. Other styles include thematic investing, such as a focus on climate or gender diversity, or integrating ESG into the investment process, such as an active portfolio manager considering ESG signals and factors, where appropriate, in efforts to mitigate risk and seek opportunities for long-term performance potential. Screening may sound simple, but the process can involve a significant amount of judgment on the part of asset managers or the third-party data providers with whom they partner to conduct exclusionary screens.

It is the choice of our clients if or how exclusionary screens are applied with respect to their portfolios. Still, we believe it is important, where appropriate, to offer our clients our own perspective on how to conduct exclusionary screening. This perspective, which we have named Point of View (POV), is guided by the same rigor that steers all of our work.

POV Guiding Principles

Four guiding principles inform our exclusionary screening POV:

1. **Systematic and Transparent Approach** We follow a well-defined methodology that can be flexibly applied to different use cases.

2. **Leverage Best-in-Class Available Data** We typically use inputs from multiple data providers where accessible to us. This broadens our overall coverage universe and reduces the potential biases of a single data provider.

3. **Awareness of Impact on Risk and Return Objectives** Our point of view is attentive to the impact of excluded securities on a broader set of investment considerations.

4. **Strive for Firm-Wide Consistency While Accommodating Differences** We deviate where appropriate to adapt to investment styles, legal requirements, and/or market-specific norms prevalent in certain regions. This allows us to offer our clients a defined perspective as well as investment solutions most appropriate to their contexts.

POV Screening Approach

Our standard POV screens employ, where possible, a 10% revenue threshold (i.e., the screens focus on companies that derive at least 10% of their revenue from a specific factor included in the screen) and focus specifically on companies with direct involvement in a specific factor included in the screen (rather than involvement through ownership exclusively).

In addition, our POV screens leverage ESG data provided by Sustainalytics and, whenever available, MSCI, and are updated on a quarterly basis. We apply focused lists and 10% revenue-based metrics with the intention of concentrating our restricted securities on those issuers with meaningful involvement in the product, issue, or topic in question. Our intention is not to screen every issuer that touches the topic in question, but rather to screen those with significant involvement. This allows us to balance screening preferences with other investment considerations.

Our Approach to Positive Screening

Under our positive screening approach, we determine which investments should be included within our ESG-focused funds and portfolios based on the positive ESG characteristics they exhibit. We invest in companies, sectors, and countries selected for superior ESG performance relative to their peers.

To facilitate this approach, we have developed ESG indices in partnership with Bloomberg and Sustainability Accounting Standards Board (SASB) powered by R-Factor (explained in greater detail later in this chapter), where we seek to achieve an investment objective by incorporating ESG data into research and security-selection processes. This family of indices — known as the Bloomberg SASB ESG Indices — includes equity and fixed income securities and focuses on the ESG factors most likely to be financially material in a given industry. This is accomplished by aligning with the SASB Materiality Map, which identifies the ESG factors most relevant to financial performance in a given industry.

Another style may include thematic investing, where we support our clients' desire to invest in a particular theme, such as climate or gender diversity. For investors seeking to align their portfolios with their climate ambitions and/or align with climate aware industry frameworks, we offer climate-related investment products and solutions that are designed to meet specific climate related objectives. Those solutions may consider climate change mitigation, which addresses how to reduce the level of greenhouse gas emissions and/or climate change adaptation, which addresses how to adapt to the climate change taking place and how to build resilience into portfolios.

Our range of climate products and solutions includes proprietary investment models, such as our sustainable climate equity strategies, sustainable climate bond strategies, a low-carbon equity framework, and a low-carbon bond framework, as well as strategies for which we partner with third-party index providers to build solutions for our clients.

Our Approach to ESG Integration

We may also integrate ESG factors into other investment approaches, where appropriate and consistent with a fund or strategy's disclosed objectives. For example, an active portfolio manager may consider ESG signals and factors in an effort to mitigate risk and seek opportunities for long-term performance potential. Each asset class chief investment officer (CIO) oversees the implementation of ESG investment strategies by portfolio managers. We also have recurring cross-divisional and functional ESG meetings that bring various teams together to update each other and share best practices.

Tools Available to Our Investment Teams

Our investment teams utilize a variety of data and analytical tools in their various approaches to ESG investing. Our ESG data platform includes more than 50 data sets from 12 data providers, leveraging thematic information from leading third-party vendors like MSCI, Sustainalytics, Moody's, FTSE, Refinitiv, ISS, and S&P Global Trucost. These data cover a range of matters including ESG ratings and scores, thematic ESG topics like climate (e.g., carbon emissions, fossil fuel reserves, brown and green revenues, physical and transition risk, carbon value at risk), corporate governance, controversies, product involvement, and impact.

Below, we provide additional information about State Street Global Advisors' use of ESG data in relation to R-Factor.

What Is R-Factor?

Responsible investing requires a tool to measure a company's effectiveness in managing and disclosing the financially material ESG challenges and opportunities facing the company's industry. We have developed a proprietary scoring mechanism, which we refer to as the Responsibility Factor or R-Factor.[13] R-Factor scores draw on multiple data sources and leverage widely accepted, transparent materiality frameworks from SASB and corporate governance codes to generate a unique score for listed companies.

How We Use R-Factor

We currently score more than 11,500 issuers using R-Factor, and we aim to continue expanding our coverage universe. This level of scoring provides us with an effective prism through which we can assess sustainability risks and ESG opportunities in our clients' portfolios.

R-Factor is used by State Street Global Advisors for stewardship purposes and in the management and reporting of portfolios that incorporate R-Factor. For example, we have developed in-house sustainability screens to help identify companies for proactive engagement. These screens leverage R-Factor scores to identify sector and industry outliers for engagement and voting on sustainability issues. We also use R-Factor to help clients understand their portfolio exposure to financially material ESG issues.

For more information see: R-Factor — A Roadmap to Build Sustainable Companies. Please also see Chapter 5, Stewardship Priorities, for additional information on how we use R-Factor to support and enhance our engagements with investee companies.

Index Equity

Within our equity index strategies, ESG factors can be incorporated in multiple ways. An equity index itself may either incorporate ESG characteristics or seek to increase target exposure to sustainable investment opportunities. Alternatively, we may integrate ESG as a custom solution in response to a client request via our beta solutions capabilities. Indexing strategies with the sole objective of replicating the return of a non-ESG benchmark do not consider ESG factors in investment selection, as the primary driver of investment decisions is the objective of replicating the performance of the relevant index.

Climate change is one area where we have been developing specific products to help our clients address specific ESG risks. Our investment capabilities are designed to help investors meet their carbon and climate goals while achieving benchmark returns. We manage a wide range of climate-oriented portfolios, ranging from portfolios that track third-party indices to in-house solutions customized for specific client needs. Examples of the climate-aware portfolios we manage include:

Sustainable Climate Strategy The State Street Sustainable Climate Strategy is a long-only investment approach that uses a mitigation and adaptation methodology to build climate change thematically into equity portfolios. Designed from the ground up to be flexible, the customizable framework allows us to create client portfolios that target reductions in current and future carbon emissions, increase exposure to green revenues, and increase resiliency to the physical risks posed by climate change. The strategy is designed for investors who wish to prepare their portfolios for the transition to a low-carbon economy in a scalable and risk-aware way.

Low Carbon Equity Solutions Our Low Carbon Equity Solution is designed to help investors make informed decisions about the trade-off between carbon reduction and tracking error — and determine their optimal positioning.

Managing against an ESG Index We have the capability to manage against a wide range of ESG/climate indices including but not limited to:

- MSCI ACWI Climate Paris Aligned Index
- MSCI Europe Climate Paris Aligned Index
- MSCI USA Climate Paris Aligned Index
- MSCI Emerging Markets Climate Paris Aligned Index
- MSCI World Climate Paris Aligned Index
- MSCI Japan Climate Paris Aligned Index
- FTSE TPI Climate Transition Index
- Various custom third-party climate indices

Active Quantitative Equity

The Active Quantitative Equity team has incorporated signals derived from ESG metrics into its forecasts of stock returns, where available, and uses these for all strategies managed by the team. The ESG signals are included in their model of expected return forecasts alongside measures representing other themes such as value, company quality, and investor sentiment. The team also has the capability to manage exposure to other measures of ESG on behalf of clients when requested.

Active Fundamental Growth and Core Equity

In their investment decision-making processes, the Active Fundamental Growth and Core Equity team uses R-Factor scores and other ESG data metrics to help isolate specific issues and assess the quality of companies and the sustainability of their growth. The Active Fundamental Growth and Core Equity team may invest in companies where the team has a positive view of company fundamentals despite a lack of ESG data and/or low ESG scores.

The Active Fundamental Growth and Core Equity team also has developed a climate-related strategy which will aim to generate long-term capital growth through investment in equity securities issued by leaders in their respective industries regarding climate change preparedness and transition planning. This strategy is based on the belief that a determined effort by both the public and private sectors to bring about a significant reduction in greenhouse gas emissions in the next decade will offer the potential for significant capital growth in equities. The Active Fundamental Growth and Core Equity team believes that this new era of climate transition, when paired with discerning and forward-looking equity investment, presents opportunities for generating alpha and may also contribute towards climate change mitigation.

Active Fundamental Value Equity

Our Active Fundamental Value team seeks to identify and incorporate material ESG issues into their investment decision-making processes. Analysts do not typically exclude companies on the basis of a low or challenged ESG assessment. Instead, they seek to understand the underlying ESG factors and their potential impact on earnings power, balance sheet strength, and the value of the business. Their priority is long-term return, and they seek to focus on the price paid compared to the risk taken.

In cases where, after its analysis, the team has a positive view of both the fundamentals and valuation of a company, the team may still invest despite a challenged ESG assessment. The Active Fundamental Value team coordinates with our Asset Stewardship team to engage with investee companies' management teams on a regular basis, encouraging these firms to examine financially material ESG issues and improve disclosures.

Fixed Income Investments

We manage both fixed income index strategies, including those seeking to minimize tracking error generally through a stratified sampling approach, as well as active strategies, some of which utilize credit research assessments as a part of an investment process.

In credit research processes, ESG factors may play a role in helping to better assess an issuer's creditworthiness. In particular, corporate governance can play a role in fixed income credit assessments. Governance structures drive risk policies and can safeguard proper checks and balances. Depending on a given security's sector and/or the underlying investment strategy, creditworthiness assessments may also consider environmental and social factors.

Integrating ESG factors into fixed income investing can be complex given the wide spectrum of available security types. Entity-level ESG data now exist for a range of fixed income securities issued by public corporations, but it can become more challenging to assess the ESG factors in relation to other fixed income security types, such as sovereign bonds and securitized products.

Within our fixed income indexing capabilities, ESG factors can be taken into account in a number of ways. Similar to equity, this could be through the index itself (such as a third-party index) or by deploying screens, tilts, or stratified sampling techniques using R-Factor scores and/or other ESG data. Fixed income mandates with the sole objective of replicating the return of a non-ESG fixed income benchmark do not consider ESG factors in investment selection, because the primary driver of investment decisions is the risk profile of the relevant index.

Where appropriate, and consistent with a strategy's disclosed investment objective and guidelines our active fixed income teams may consider ESG factors in their credit research process by utilizing R-Factor and/or other ESG data to consider the impact of those ESG factors on an issuer's creditworthiness. In addition, State Street Global Advisor's Counterparty Risk Management team may consider ESG factors in the onboarding and oversight process to the extent that such factors materially affect the trading counterparty's creditworthiness.

Examples of Fixed Income investments in the ESG space include:

Green Bonds We have been an active investor in green bond issues globally since April 2015. We believe green bonds are an effective financial vehicle for companies and countries to finance their transition to a more sustainable economy. We continue to develop our expertise in the green bond space as well as the fixed income stewardship space more broadly.

We are a close partner with the Climate Bonds Initiative, with whom we coordinate research on this important topic and are working with International Capital Markets Association (ICMA), where we are part of their bond governance council.

Sustainable Climate Bond Strategy Our Sustainable Climate Bond Strategy invests in the bonds of companies which exhibit lower carbon emissions in the way of current emissions and future emissions (measured by fossil fuel reserves), green-labeled and climate-aligned bonds, and corporate bonds issued by companies that are better positioned for the physical risks posed by climate change. The strategy screens out securities based on an assessment of their adherence to ESG criteria such as international norms in relation to environmental protection, human rights, labor standards, anti-corruption, controversial weapons, and tobacco.

Fixed Income Stewardship

Without an annual vote, creditors have limited ability to engage with and influence management behavior. Instead, their relationship with issuers is largely contractual. Consequently, debt issuers have typically focused their engagement efforts on matters that directly influence their returns, such as strategy, cash flow generation and utilization, and financial leverage. We believe ESG risks can also impact returns on fixed income assets, and we work to manage these risks through our fixed income stewardship program.

The two core elements of our fixed income stewardship program are Proxy Voting and Issuer Engagement.

Proxy Voting While matters that arise for voting at bondholder meetings vary by jurisdiction, examples of common proxy voting resolutions at bondholder meetings include:

- Approving amendments to debt covenants and/or terms of issuance
- Authorizing procedural matters, such as the filing of required documents
- Approving debt-restructuring plans
- Abstaining from challenging the bankruptcy trustees
- Authorizing the repurchase of issued debt securities
- Approving the placement of unissued debt securities under the control of directors
- Approving spin-off/absorption proposals

Given the nature of the items that arise for voting at bondholder meetings, we take a case-by-case approach to voting on bondholder resolutions. Where necessary, we seek to engage with issuers on voting matters prior to arriving at voting decisions. In addition, when evaluating a debt issuance request, we adopt a nuanced, market-based approach that takes into account the gearing ratio, capital intensity, cash flow, and volatility of a company within a sector.

Issuer Engagement We recognize that debt holders have limited leverage with companies on a day-to-day basis. However, we believe that given the size of our holdings in corporate debt, we have the opportunity to influence investee companies through issuer engagement. Our approach to engagement with fixed income issuers conforms with our Global Proxy Voting and Engagement Principles.

As part of our annual planning process, we identify thematic sustainability priorities for that year's asset stewardship program. We develop our priorities based upon several factors, including developing macroeconomic conditions and evolving regulations. Our engagements with investee companies on these priorities not only inform our voting decisions, but also allow us to monitor improvements over time and to contribute to our evolving perspectives on priority areas.

We continue to develop our approach to fixed income stewardship, and we seek to enhance the tools we have available to engage and seek improved outcomes from companies with which we hold fixed income instruments.

Cash

The Cash Management investment process utilizes short duration, high-quality securities to achieve the dual objectives of principal preservation and access to liquidity. The R-Factor score has been incorporated into our Global Cash systems and, as a result, our investment professionals have access to issuers approved for use in the Cash Management strategies along with their corresponding R-Factor score, when available. Similar to issuer ratings, the R-Factor score is an input to the cash credit research process but is not the primary driver of the overall investment decision.

Currency

Currency hedging mandates are typically focused on removing the currency exposure in an underlying portfolio and thus do not take a view on the sustainability of the economies underlying the currencies. However, within certain active and enhanced strategies where the mandates allow State Street Global Advisors to take into account the longer-term growth potential of economies, we include a measure of the quality of different countries' governance. In addition, an important part of currency management is the management of counterparty risk. Our Counterparty Risk Management team may consider ESG Factors in the onboarding and oversight process to the extent that such factors materially affect the trading counterparty creditworthiness.

Multi-Asset, Customized Solutions, and Alternatives

Our Investment Solutions Group (ISG) is responsible for building multi-asset and custom solutions to meet our clients' specific investment objectives. ISG is composed of different teams that perform the following complementary functions:

- Quantitative research, model development, and monitoring and strategy development
- Portfolio construction and management with a specific focus on the design of investment strategy and the management of multi-asset products, tactical asset allocation, flexible asset allocation, exposure management, and execution of Outsourced Chief Investment Officer (OCIO) mandates
- Management of alternative investment asset classes with a focus on illiquid assets such as property investments, private equity, and alternatives-only mandates
- Investment manager selection and oversight, which evaluates internal strategies and investment teams of State Street Global Advisors as well as external managers whose investment solutions are chosen to fulfill specific investment objectives and requirements. The team has developed an ESG rating process aiming to identify best practice ESG integration to effectively capture ESG materiality within portfolios. The team is currently working towards establishing ratings for all existing managers being used across State Street Global Advisors.

- Client engagement with specific and dedicated teams on business strategy and development, operational support, and reporting.

ISG is responsible for the design and construction of capital markets assumptions on a large number of asset classes — including equity, fixed income and liquid and private alternatives — that are used to build strategic asset allocation recommendations for clients. These rely on long-term assumptions that ISG makes about future risks and returns on these asset classes. In Q3 2020, ISG decided to incorporate R-Factor within the equity asset class forecasts, ascertaining the R-Factor score of the different equity markets and modifying the risk forecasts accordingly.

As part of its broad mission, ISG engages directly with clients to create portfolios that meet the relevant client's specific objectives including, where relevant, ESG objectives. For portfolios where the client is pursuing an ESG objective, the portfolio construction process will include a review and an assessment of the ESG characteristics of the different underlying investment strategies and corresponding building blocks that will be selected.

ISG will then incorporate these findings into the overall portfolio construction process, balancing the client's ESG goals with other considerations including risk constraints and return considerations to construct a portfolio solution with the goal of addressing the client's overall investment objectives.

Investments with Other Managers

Where we invest in strategies operated by third-party asset managers, we conduct a rigorous evaluation process covering initial screening and due diligence as well as ongoing monitoring.

Our evaluation process has been developed to include various ESG considerations. For example, when we screen asset managers and the funds they operate for us, part of our assessment may include their approach to ESG implementation in addition to traditional factors such as assets under management and the investment team's years of experience. Similarly, the due diligence phase of our evaluation, which we conduct on the highest-potential candidates, involves a more detailed review and typically includes more detailed ESG due diligence.

We monitor the performance of third-party asset managers across a range of factors, including adherence to mandate, which includes any ESG-specific requirements or guidelines we may have put in place. Where we have significant and prolonged concerns about any area of manager performance, we may choose to terminate our relationship with the manager in question. Termination of a manager can be driven by a range of factors, including prolonged underperformance. However, termination may also result from changes in client needs, the identification of better opportunities elsewhere, breach of guidelines, investment-professional turnover, deviation of style, failing to achieve expectations, or changes in firm ownership. The termination could also be driven by a change in direction by the investment team.

Direct Real Estate Investments

Our Real Estate team manages various real estate assets including office buildings, rental apartments, retail stores, and warehouse properties. Typically prior to acquisition, as part of wider due diligence, potential real estate assets are assessed to not only evaluate whether there is existing environmental contamination on site, but also to underwrite opportunities to improve energy efficiency in buildings which, once identified and costed, feed through pricing models and cashflow projections.

Integration of Asset Stewardship and Investment Teams

State Street Global Advisors' Asset Stewardship team routinely seeks feedback from our investment teams regarding material issues relevant to our investee companies. The objective of this dialogue is to discuss risk management practices and disclosure standards around financially material risks and opportunities.

This integration approach has been applied globally across North America, Europe, and Asia Pacific, covering primarily the equity asset class. Further expansion of these efforts, particularly in the fixed income asset class, is an area for potential development. For example, across regions, we have found it useful to jointly discuss investee companies' disclosure, oversight, and risk management processes relating to financially material environmental, social, and governance issues. Subjects have included companies' ambitions relating to the global climate transition, adapting to elevated corporate governance practices in their local markets, and navigating geopolitical risk.

Figure 5
ESG Manager Rating Framework

ESG Manager Rating	Criteria
ESG-R (Responsible/Impact) Manager fully embeds applicable ESG criteria, and is congruent with "RI/ Responsible Investment", "Green" and/or "Impact Investment" considerations	• Investment charter/objective directly states, or by virtue can be identified as one which actively addresses, at least one socially responsible cause (e.g., environment, society, etc.) • Manager shows commitment to various ESG issues through participation in industry groups, as well as being a signatory to global initiatives. • Managers can clearly define and measure positive impact and can measure and report on all relevant metrics. • R-Factor: Holdings-based analysis of the portfolio using R-Factor confirms the strategy exhibits ESG characteristics that are in-line with the strategy's stated ESG approach.
ESG-1 (Embedded) Manager fully embeds applicable ESG criteria, incorporating ESG into the investment process for risk mitigation and/ or alpha generation purposes	• Manager shows commitment to some ESG issues through participation in industry groups and/or being a signatory to global initiatives such as UN PRI and the U.K. stewardship code. • Manager has a clear and documented ESG statement. • Manager fully incorporates ESG criteria in the investment process and due diligence. • Manager demonstrates acute awareness of the potential risk and return of ESG issues on individual holdings and the overall portfolio. • Manager can clearly demonstrate how portfolio positioning reflects the management of relevant ESG risks and/or how ESG exposures can add value. • Individual(s) responsible for ESG due diligence and oversight can be identified (does not need to be their sole responsibility). • Training on ESG topics is provided on a consistent basis to investment teams. • R-Factor: Holdings-based analysis of the portfolio using R-Factor confirms the strategy exhibits ESG characteristics that are in-line with the strategy's stated ESG approach.
ESG-2 (Partial) Manager embeds some applicable ESG criteria into the investment process for risk mitigation and/or alpha generation purposes or has acceptable plans to further incorporate applicable ESG criteria	• While some criteria are missing versus ESG-1 rating, there is tangible commitment by the organization to ESG improvements. • Major difference from ESG-1 is the extent of ESG integration at the firm and product level, as well as the conviction level of the manager research team on ESG integration, capabilities, and reporting. • Manager has an ESG statement, but it is not necessarily clear or well documented. • Manager incorporates some ESG criteria in the investment process and due diligence. • Manager demonstrates some awareness of the potential risk and return of ESG issues on individual holdings and the portfolio structure. • R-Factor: Holdings-based analysis using R-Factor shows that the strategy exhibits ESG characteristics that are somewhat in-line with the strategy's stated ESG approach.

ESG Manager Rating	Criteria
ESG-3 (Low) Manager embeds little-to-no applicable ESG criteria into the investment process and has unclear plans to further incorporate ESG criteria.	• By definition, investments with several elements missing versus ESG-1 or ESG-2 would be ESG-3. • Manager demonstrates no or unclear commitments to ESG issues through participation in industry groups or global initiatives, with no plans to join. • More likely than not, there would be no ESG statement and/or responsible individuals for an ESG program. • Manager scarcely incorporate ESG criteria in the investment process and due diligence efforts. • Manager demonstrates low or no awareness of the potential risk and return of ESG issues on individual holdings and the overall portfolio. • Manager perspective and analytical inputs are below average relative to industry peers. • Manager tends to rely more on negative screens and exclusions rather than in depth research and analysis. • R-Factor: Holdings-based analysis using R-Factor shows that the strategy exhibits ESG characteristics that are not in-line with the strategy's stated ESG approach, if there is one.

Source: State Street Global Advisors, March 2023.

4 Engagement and Voting

In this section, we summarize our approach to engagement and provide a general overview of our engagements and voting activity in 2022. For more information about the specific stewardship priorities that we address and how we choose them, please see Chapter 5, Stewardship Priorities.

How We Engage

Our Asset Stewardship team has developed our Global Issuer and Stakeholder Engagement Guidelines to increase the transparency of our engagement philosophy, approach, and processes. This protocol is designed to communicate the objectives of our engagement activities and to facilitate a better understanding of our preferred terms of engagement with our investee companies. The protocol explains key engagement processes including:

- Methodology for developing our annual engagement strategy
- Information to include in engagement request emails
- Information on how to request R-Factor scores
- Our guidelines for engaging with investee companies
- Our guidelines for engaging with activist investors or investors directly connected to Vote-No campaigns or shareholder proposals
- Investor engagement protocol guidance

We review our Global Issuer and Stakeholder Engagement Guidelines annually as part of our strategic review process to ensure that our interactions with companies remain effective and meaningful. This includes reviewing indicators in our screening models and assessing emerging issues and trends.

Additionally, we take into account individual market nuances when evaluating practices or engaging on certain issues, as well as market practices and norms for engagement.

Escalation

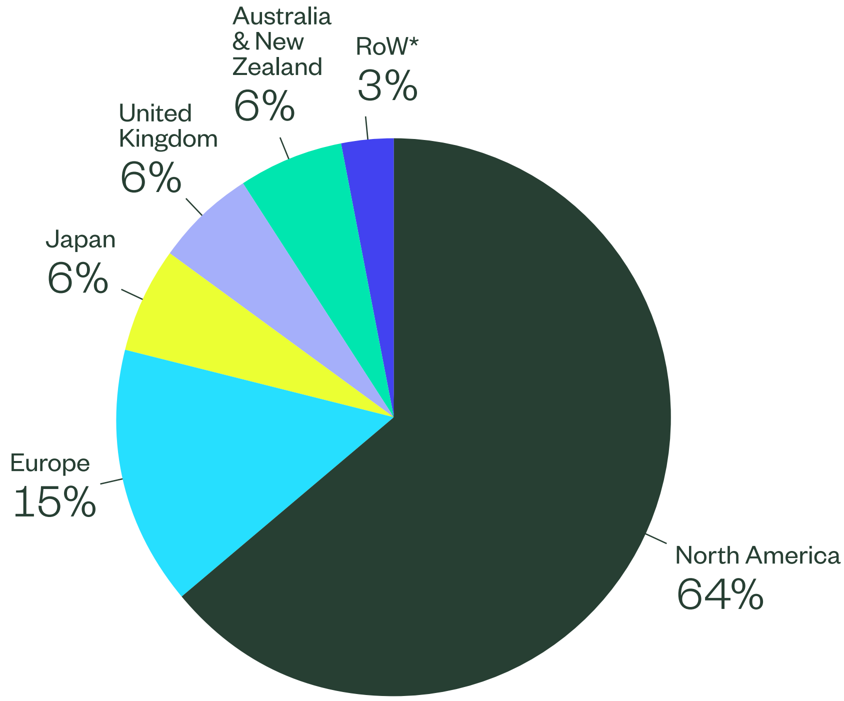
The overall objectives of our stewardship approach are to identify financially material risks, and to encourage investee companies to adopt best practice disclosures and oversight to enhance long-term value for our clients. We use engagement as an opportunity to find alignment with our best practice expectations. Where engagement does not achieve the desired outcome, our escalation strategies may include:

- Writing to the board of the company to formalize our concerns and requests
- Supporting relevant shareholder resolutions that further our expectations
- In certain instances, voting against relevant board members

Our escalation process has been designed to promote governance, sustainability disclosure, and oversight of material risks at investee companies, taking into account individual market nuances.

Our escalation approach is adjusted for fixed income engagements where there is no ability to vote. Fixed income escalation may take the form of letter writing or direct engagement. While we believe our approach to equities is mature, we are continuing to develop our fixed income approach to ensure we engage across all asset classes we hold in the funds and mandates we manage.

Figure 6
Breakdown of Engagements by Region in 2022



Source: State Street Global Advisors 2022 Stewardship Platform. *Rest of the World.

2022 Comprehensive Engagements	Portion of Equity AUM Engaged (%)
956	49%

Environmental	Countries
331	31

Social
386

Governance
631

Source: State Street Global Advisors, 31 December 2022.

Figure 7
Engagement Across Stewardship Priorities

Stewardship Priorities	771
Climate-related Reporting	182
Compensation	229
Human Capital	205
Racial Equity	155
Other	587

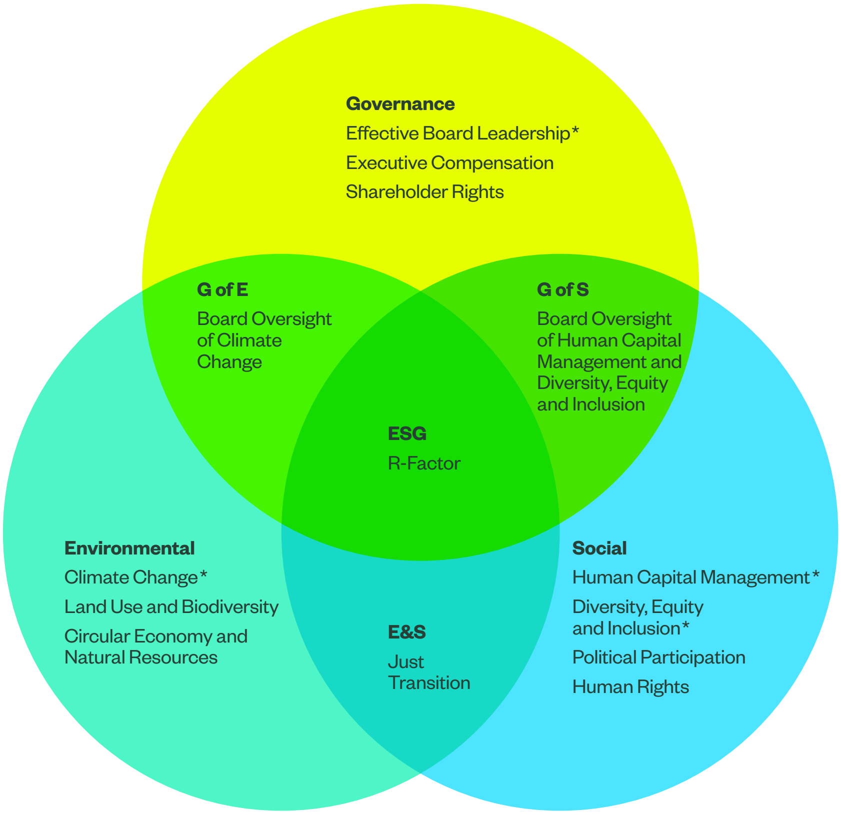
Source: State Street Global Advisors, as of 31 December 2022.

Measuring Engagement Success

Our stewardship activities are designed to have an impact on the availability and quality of company-specific and market-level disclosures and oversight of financially material risks. While measuring outcomes, which are often qualitative, can be difficult, we track our impact in a number of ways:

- Disclosure alignment (e.g., how many companies are aligned with our disclosure expectations)
- Company-specific successes (e.g., whether a particular company responded to our request to disclose information or improve specific oversight practices)
- Voting impact (e.g., how many companies met our disclosure and/or oversight expectations after we voted against management, including trends over time)
- Market impact (e.g., academic research on the impact of our Fearless Girl campaign)

Figure 8
Engagement Screening Process



Source: State Street Global Advisors.
* 2022 Stewardship Priority

Types of Engagement

In 2022, our team conducted more than 950 comprehensive engagements across more than 30 markets, with companies representing 49% of our AUM. We define a comprehensive engagement as a discussion between a company and the Asset Stewardship team; we report letter writing and other less formal engagements separately. We speak to company representatives and directors in three contexts:

Pre-General Meeting: Dialogues in advance of a company's shareholder meeting where we seek more information about details of the proxy statement to inform our vote, often encouraging the company to improve a particular disclosure or oversight practice. These meetings are primarily initiated by the company, and the agenda is typically driven by the company focused on the resolutions up for shareholder vote.

Off-Season: Dialogues outside of the proxy season where we converse with companies about various other risks/opportunities. We prioritize companies with some outsized risk, e.g., a significant holding, a company exposed to controversy, a company that recently completed an initial public offering (IPO), or a company with which we have not engaged the past several years. These meetings are primarily initiated by the company, and the agenda is driven by both the company and State Street Global Advisors.

Engagement Campaigns: Dialogues in the off-season as part of our targeted engagement campaigns, focused on a particular topic and outcome. The intended outcomes are to either establish best practices or enhance the quality of disclosure on a particular topic. These meetings are initiated by State Street Global Advisors, and we drive the agenda consistently according to the relevant campaign.

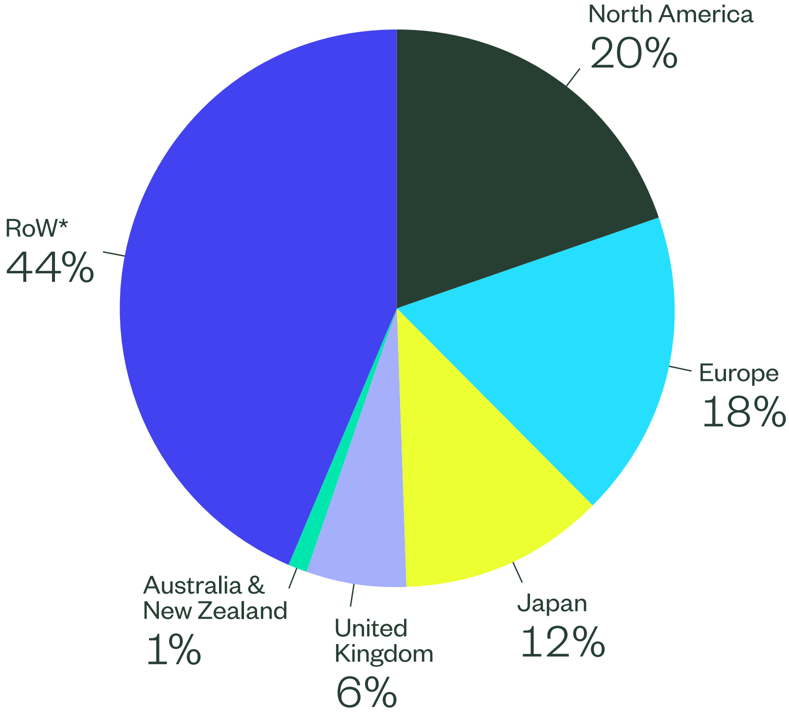
Figure 9
Summary of 2022 Engagement Campaigns

Theme	Objective
Plastics	Engage with container and packaging companies globally to understand how they manage the risks and opportunities related to plastics, helping to inform our own expectations on the topic.
Human Capital Management (HCM) and Diversity, Equity, & Inclusion (DEI)	Engage 35 of the largest US- and UK-based employers in our portfolio to encourage greater alignment with our HCM and DEI disclosure expectations.
Methane Emissions	Encourage companies to improve disclosure on: • methane detection and monitoring, • methane and flaring targets, • methane measurement and data quality, and • overall methane strategy as part of a climate transition plan.
Just Transition (JT)	Understand how leading companies in relevant sectors are addressing just transition — transition to a low carbon economy that considers potential adverse social impacts — risks and opportunities in order to develop our position on JT disclosure.
Climate Transition Plans — Net Zero Asset Managers initiative (NZAM)	Engage significant emitters in our portfolio in an effort to encourage enhanced disclosure in line with our expectations.
Financing Deforestation Risk	Understand risks/opportunities for banks relating to financing deforestation in order to establish our position on risk disclosure expectations.
UNGC (United Nations Global Compact) Principles Request for Engagement	Understand the steps companies are taking to manage and disclose UNGC-aligned risks and opportunities; encourage companies to provide disclosure on their progress towards managing these risks.
Russia-Ukraine Stewardship (Geopolitical Risk)	Understand how investee companies with material exposure to the Russia-Ukraine war navigate geopolitical risk in order to manage and oversee risks to the company.
R-Factor	Identify companies with certain R-Factor scores to encourage improved disclosure and risk management practices.
Japan Cross-Shareholdings	Engage with material company holdings in our portfolio which hold significant cross-shareholdings to understand market trends and inform our own expectations on the topic.

How We Vote

Leveraging the exercise of a key shareholder right, proxy voting provides a meaningful investor tool that we believe protects and enhances the long-term economic value of the holdings in our clients' accounts. Our proxy voting decisions are made with the goal of maximizing shareholder value.

Figure 10
Breakdown of Proxy Voting by Region in 2022



Number of Meetings Voted	Number of Countries
22,522	**74**

Management Proposals	Shareholder Proposals
200,456	**4,490**

Votes For	With Management
83%	90%

Votes Against†	Against Management
17%	10%

Source: State Street Global Advisors, 31 December 2022. Location characterized by country in which a company is traded.
* Rest of the World.
† Includes abstains and withholds

Figure 11
Votes on Management Resolutions by Category

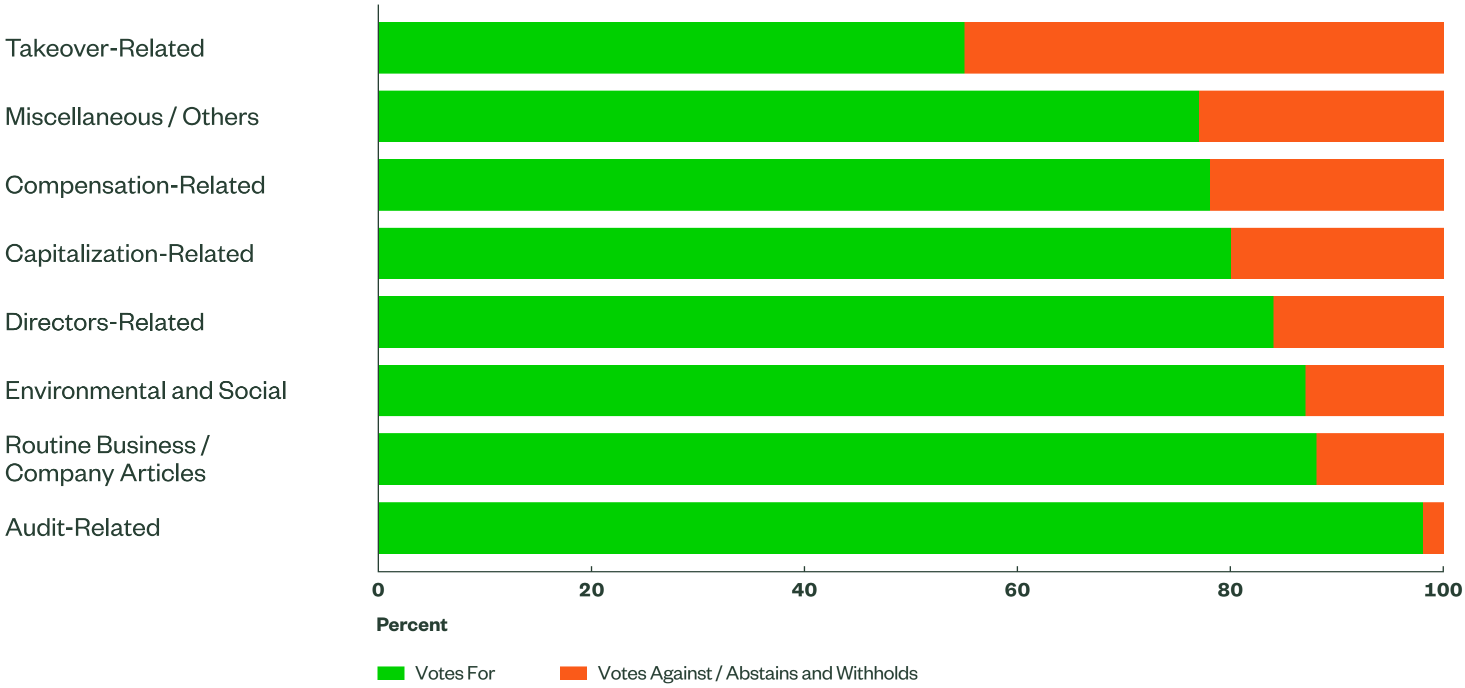
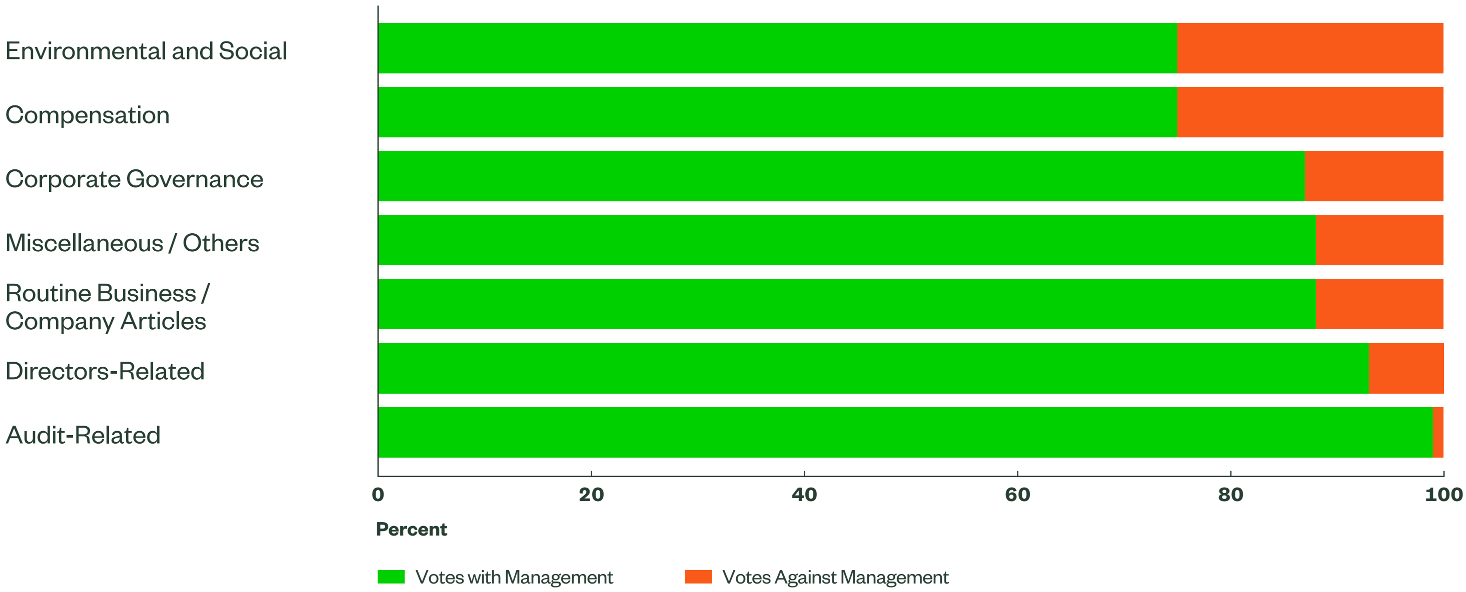
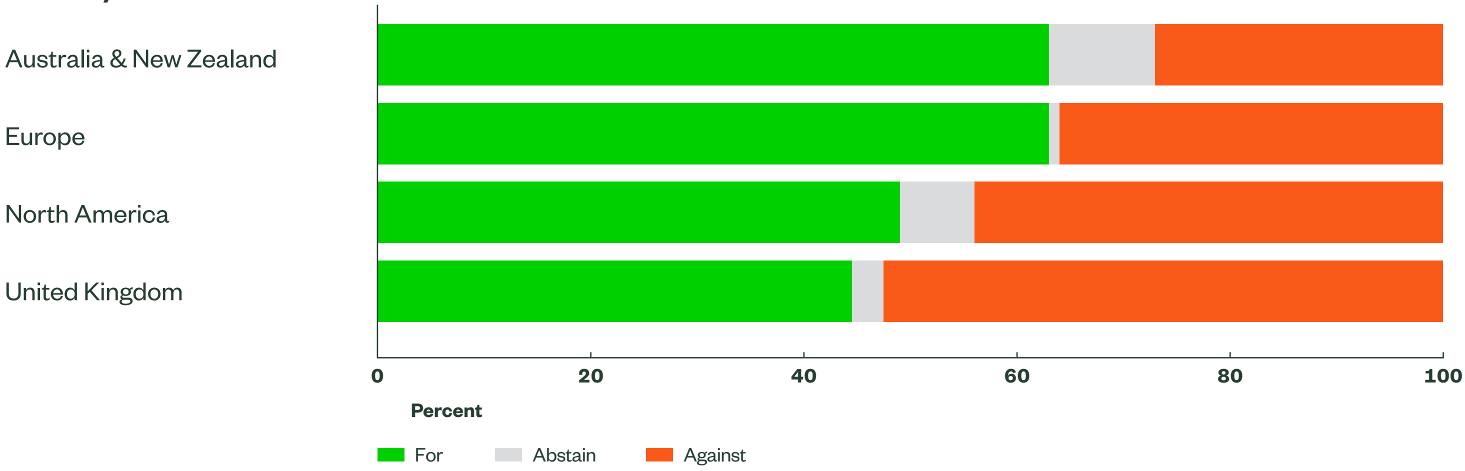


Figure 12
Votes on Shareholder Proposals by Category



Source: State Street Global Advisors, 31 December 2022.

Figure 13
Compensation Votes Manually Reviewed



Source: State Street Global Advisors, 31 December 2022.

In 2022, there were 22,216 proposals on compensation practices or policies across our global investment portfolios. This represented 11% of all proposals that we voted on in 2022. In 2022, State Street Global Advisors supported approximately 78% of pay-related proposals, compared to 79% in the previous year.

We rely on propriety, region-specific compensation screens to help identify and prioritize pay related proposals for further review. Consequently, we reviewed 3,674, or 17% of compensation proposals, up for a vote. Figure 13 provides a regional breakdown of pay proposals reviewed in 2022. State Street Global Advisors supported the compensation practices/policies at the screened companies 60% of the time. Our voting was complemented by 229 engagements on compensation in 2022.

Proxy Voting Choice

In 2022, we announced our proxy voting choice program, which offers eligible investors in certain pooled investment funds in the US and UK a range of voting policies that can be applied to the voting of shares held in those funds. Voting policies offered as part of this program are made available to investors through Institutional Shareholder Services (ISS).

Our clients in separately managed accounts also have the ability to either vote their own shares directly or delegate proxy voting of their shares to our Asset Stewardship team. With the addition of the proxy voting program, investors in more than 40% of the index equity assets managed by State Street Global Advisors (as of September 30, 2022) now have the ability to make choices regarding how shares held in the funds and separately managed accounts they own are voted. Similar to separately managed accounts, shareholders of pooled investment funds that are eligible for the new program can still choose to apply State Street Global Advisors' proxy voting policy to their share of the fund.

In 2022, we voted at approximately 22,500 shareholder meetings on about 205,000 management and shareholder proposals. We vote in accordance with the program's "Global Proxy Voting and Engagement Principles" and regional "Voting and Engagement Guidelines." We publish these voting policies online and regularly update them with oversight provided by State Street Global Advisors' ESG Committee.

There is an intentional window of one or two years between changes in many of our voting policies and changes in our vote execution to encourage companies to align with disclosure and oversight expectations during this period. We believe that this approach gives companies the needed time to react to our changes.

In advance of general meetings, companies and shareholder proponents often contact us to request engagements. If we believe a proxy proposal warrants discussion, we may accept the request. We may also reach out to companies, proponents, and/or opponents to ask for clarification prior to voting.

We typically leverage our pre-voting engagements to:

- Seek additional information about an issue on a proxy statement
- Give a company the opportunity to correct any misinformation
- Learn how a board oversees an issue, and/or
- Offer feedback to companies as appropriate about our perspective on the issue

About 70% of proposals are routine and voted automatically. The rest require manual review by our team. In the latter case, we assign an analyst who reviews the proxy statement, engages interested parties as needed, and seeks to arrive at a decision in accordance with our voting policy.

When We Refrain From Voting

When we deem appropriate, we may refrain from voting at meetings when:

1. Power of attorney documentation is required
2. Voting will have a material impact on our ability to trade the security
3. Voting is not permissible due to sanctions affecting a company or individual
4. Issuer-specific special documentation is required, or various market or issuer certifications are required
5. Unless a client in a Separately Managed Account directs otherwise, State Street Global Advisors will not vote proxies in so-called “share blocking” markets (markets where proxy voters have their securities blocked from trading during the period of the annual meeting).

Additionally, we outsource any voting decision related to the State Street Corporation shareholder meeting, and other situations where we believe we may be conflicted from voting (for example, due to an outside business interest), to an independent fiduciary. When engaging the independent fiduciary, the team confirms that it has published proxy voting guidelines that describe how it will vote in clients’ best interests and is appropriately resourced to do so.

In 2022, we voted at 98.2% of the meetings where our clients had given us their authority to vote their shares. Our voting positions are monitored daily by our Asset Stewardship team via the ISS electronic voting platform. Using the same platform, we also track the progress of the vote submissions through to the relevant custodian bank or other intermediary responsible for the final submission of the vote to the issuing company.

Exercising Voting Rights

Pooled Fund Structure

Where a pooled fund fiduciary has delegated the responsibility to vote the fund's securities to State Street Global Advisors, we vote those fund-owned securities in accordance with our voting policy and in a unified manner. Exceptions to this unified voting policy are:

1. Where State Street Global Advisors has made proxy voting choices available to investors within a pooled fund, described in further detail above, in which case a pro rata portion of shares held by the fund attributable to investors who choose to participate in the proxy voting program would be voted consistent with the third-party proxy voting policies selected by the investors; and

2. In the limited circumstances where a pooled investment vehicle managed by State Street Global Advisors utilizes a third party proxy voting guideline as set forth in that fund's organizational and/or offering documents.

Segregated Accounts

Our separately managed account (SMA) clients can retain the right to vote their own shares or to delegate the voting authority to us, in which case we will vote in accordance with our voting policy. Where clients retain the right to vote their own shares, we do not apply our voting policies.

Stock Lending Policy

As a responsible investor and fiduciary, we recognize the importance of balancing the benefits of voting shares and the incremental lending revenue for the pooled funds that participate in State Street Global Advisors' securities lending program (the "Lending Funds"). Our objective is to recall securities on loan and restrict future lending until after the record date for the respective vote in instances where we believe that a particular vote could have a material impact on the Lending Funds' long-term financial performance, and the benefit of voting shares will outweigh the forgone lending income.

Accordingly, we have set systematic recall and lending restriction criteria for shareholder meetings involving situations with the highest potential financial implications (such as proxy contests and strategic transactions including mergers and acquisitions, going dark transactions, change of corporate form, bankruptcy and liquidation). Generally, these criteria for recall and restriction for lending only apply to certain large cap indices in developed markets.

State Street Global Advisors monitors the forgone lending revenue associated with each recall to determine if the impact on the Lending Funds' long-term financial performance and the benefit of voting shares will outweigh the forgone lending income.

Although our objective is to systematically recall securities based on the aforementioned criteria, we must receive notice of the vote in sufficient time to recall the shares on or before the record date. In cases in which we do not receive timely notice, we may be unable to recall the shares on or before the record date.

Our Securities Lending for Proxy Voting Procedure is reviewed annually by the State Street Global Advisors Asset Stewardship team, Proxy Operations Group, and Securities Lending Group to determine whether any changes are necessary and whether it is working as intended.

How We Communicate Vote Decisions

We communicate our vote decisions in three primary ways:

Vote View: State Street Global Advisors' final votes are published on our public Vote View platform in the quarter following the quarter when the shareholder meeting occurred.

Vote Bulletins: In some cases, including contentious or high-profile votes, our team may publish a "Vote Bulletin" to offer insight into our rationale. These are available under the "How We Vote" tab of our Report & Guideline Library.

Client Engagements: We regularly address clients' requests to explain our rationale for votes on certain issues.

Proxy Voting Ballot Proposals

The ballots of public companies carried more than 450 different types of proposals in 2022, presented by management and shareholders. Below, we review the most common voting proposals and provide an overview of how we handled them.

Shareholder Proposals

We support shareholder proposals when our analysis finds them to be in furtherance of our expectations for an investee company's disclosure and oversight practices likely to promote long-term shareholder value for clients, and consistent with our approach of not attempting to dictate or micromanage business strategy.

We carefully review most shareholder proposals, including all environmental and social proposals. These proposals accounted for approximately 0.2% of the proposals we voted on in 2022.

Figure 14
Breakdown of Shareholder Voting Proposals in 2022

Categories	Number of Meetings Voted	% of Total
Director elections	1,954	44%
Routine business items (e.g., ratifying auditors, approving income and dividend allocation)	106	2%
Compensation-related	155	3%
Audit-related	614	14%
Other	1,661	37%
Total Shareholder Proposals	**4,490**	**100%**

Source: State Street Global Advisors, 31 December 2022.

Voting on Environmental and Social Shareholder Proposals

We developed our Proxy Voting and Engagement Guidelines for Environmental and Social Issues with the goal of achieving a thoughtful approach to voting on complex proposals and to make our expectations transparent. We apply overarching guidance relevant to all environmental and social shareholder proposals and more granular guidance for categories where we anticipate a large volume of proposals. For environmental and social shareholder proposals, analysts consider:

- Materiality, as determined by SASB, our Stewardship Priorities, and/or our own analysis.
- Alignment with our published guidance for investee companies, which includes frameworks for evaluating proposals on the topics of climate disclosure, diversity disclosure, civil rights disclosure, pay equity disclosure, human rights disclosure, political contributions, lobbying and trade association alignment, human capital management disclosure, and environmental management disclosure.

- Whether the proposal is prescriptive, given that we avoid asking companies to change their operations or strategy.
- Board oversight effectiveness, as determined by engagements and disclosures.

Management Proposals

Management mainly presents proxy proposals to elect directors, handle routine business, and seek approval for compensation. In general, when we vote against a director, we target the individual most relevant to the issue, such as the committee chair responsible for the area. We also have procedures for what to do when the relevant director is not up for election and for handling escalation. Below we provide a brief overview of how we handle common votes.

Director Elections accounted for 41% of total proposals in 2022. There are several scenarios in which we may take voting action against a director. They include:

- As outlined in our guidelines, there are a variety of governance-related reasons why we may vote against directors. These include lack of independence excessive average board tenure, directors attending less than 75% of board meetings, multiple problematic governance practices (such as a classified board or limited shareholder rights), and inadequate responsiveness to proposals supported by more than 50% of shareholders.
- As outlined in our applicable regional guidelines, scenarios in which we may vote against directors include inadequate board diversity and lack of disclosure in alignment with our expectations, including our published guidance on climate and diversity-related disclosures.

Proxy Contest insights are outlined on our website. In proxy contests, our analysts generally attempt to speak with the incumbent management and board as well as dissident shareholders.

Routine Items, such as approving dividends and financial statements, accounted for 15% of total proposals in 2022.

Compensation-Related Matters accounted for 11% of total proposals in 2022.

Figure 15
Breakdown of Management Voting Proposals in 2022

Categories	Number of Meetings Voted	% of Total
Director elections	81,795	41%
Routine business items (e.g., ratifying auditors, approving income and dividend allocation)	29,396	15%
Compensation-related	22,061	11%
Capitalization-related	18,143	9%
Audit-related	11,917	6%
Other	37,144	18%
Total Management Proposals	**200,456**	**100%**

Source: State Street Global Advisors, 31 December 2022.

Measuring and Reporting Outcomes

Our team tracks several metrics to measure and report on the effectiveness of our program including voting impact, disclosure alignment, and company-specific successes. We report our outcomes and activities in our quarterly stewardship activity reports, vote bulletins, and Vote View. Our stewardship reporting is designed to fulfill our client and regulatory commitments.

5 Stewardship Priorities

Our team's efforts are anchored in stewardship priorities — broad topics that we focus on over multiple years to create long-term value for our clients. We regularly review our stewardship priorities to ensure that our interactions with companies remain effective and meaningful.

We focus on priorities that we believe are relevant to the investee companies in which we invest our clients' assets. Our engagements help us to establish disclosure expectations and to more fully understand the nuanced challenges that companies seek to address, including those related to environmental, social, and governance factors.

We prioritize conversations with companies with respect to certain factors that we believe are important and/or that have triggered our environmental, social, and governance-related voting guidelines or received a shareholder proposal on their proxy that warrants discussion.

Stewardship Priorities

In 2022, our Stewardship Priorities were:

1. Effective board oversight
2. Climate risk management
3. Human capital management
4. Diversity, equity, and inclusion

We aim to promote alignment with our expectations for effective disclosure and governance practices in each of these thematic areas. Below we provide more detailed background on our stewardship priorities and offer case examples of how we implement them.

Effective Board Oversight

History

Effective board oversight has been central to our stewardship efforts since the inception of our program in 2008. We have been a leader in encouraging stronger corporate governance practices, and we published our updated guidance on effective board oversight in 2023.

Engagement and Voting

We conducted more than 600 engagements on governance in 2022 in which we discussed concerns regarding board practices, shareholder rights, and executive compensation, among other topics. Many of these engagements occurred before company shareholder meetings. We also discussed governance topics in our off-season engagements, including an ongoing engagement campaign where we seek to understand best practices for executive compensation plans. This campaign is intended to inform our expectations on the topic and help us develop thoughtful objectives for our engagements with investee companies.

At the outset of our Asset Stewardship program, we codified in our voting guidelines our expectations for robust governance practices. These reflect market-specific expectations, informed by local codes and market-wide established best practices. We update these guidelines as needed. For example, in 2023, we are updating our guidelines on director time commitments to hold chairs of nominating and governance committees accountable for limiting directors' board seats, rather than voting against individual directors who have excessive board commitments.

We stress that our focus is on disclosure and oversight, in accordance with research tying these factors to long-term value. After engagement, if disclosures and oversight remain inadequate and the company is not making efforts to improve, we may vote against select directors. We do not seek to micromanage investee companies or dictate corporate strategy.

Integrating R-Factor into Proxy Voting and Engagement

In 2019, we created an engagement and voting screen that leverages R-Factor, our proprietary ESG scoring system. We believe that by aligning R-Factor with SASB's leading materiality framework and national corporate governance standards, we can play an important role in promoting long-term sustainable value creation and higher-quality reporting standards. See Chapter 6, Identifying and Managing Systemic Risks, for more information.

Since 2020, we have taken voting action against board members at companies in the S&P 500, FTSE 350, ASX 100, TOPIX 100, DAX 30 and CAC 40 indices that were "laggards" (i.e., in the lowest 10% in their industries) based on their R-Factor scores and could not effectively articulate how they planned to improve their scores. In 2022, we expanded the company universe and replaced the DAX 30 and CAC 40 indices with the STOXX 600. Additionally, we expanded our R-Factor proxy voting screen to include those companies that have consistently underperformed their peers on their R-Factor scores for multiple years and considered taking voting action unless we saw meaningful change. We continued to apply the same expectations to all selected indices.

Using R-Factor in Our Engagements

We have long believed that ESG issues can pose long term risks and opportunities to investee companies and should be managed as such, including through oversight by a company's board of directors. State Street Global Advisors may also engage with a company regarding its R-Factor score at the request of the company. In 2022, we engaged with identified investee companies to discuss ways to enhance disclosure relating to material sustainability-related risks and opportunities. Our aim was to better understand how investee companies plan to enhance their management and disclosure of material ESG risks and opportunities and learn how their boards are working to incorporate sustainability into the company's long-term strategy.

We continue to find that companies we engage with find the transparent nature of the SASB framework as positive, and they are open to further exploring the integration of SASB into their reporting efforts. Our company engagements continue to be enhanced by the use of our R-Factor score to demonstrate how investors are using the SASB framework to measure the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry. The R-Factor score provides companies with tangible feedback on how well they were meeting our need for material ESG information, and the SASB framework creates clarity on what that information is.

Engagement on Executive Compensation

In an effort to develop well-informed objectives for us to focus on best practices for executive compensation plans, we prioritized conversations with a number of experts in the field, as well as companies with leading compensation practices. Our goal was to align on a concise set of principles to inform our compensation-related votes.

We are currently in the process of synthesizing our learnings in an effort to update our voting guidelines on this important dimension of effective governance. We intend to publish guidance on this topic for the market.

Figure 16 **Board Oversight Case Studies**

Company	**Bloomin' Brands, Inc.**
Geography and Industry	United States SICS Sector: Food & Beverage SICS Industry: Restaurants
Key Topics	Governance
Asset Class	Equity
Key Resolutions	Director Elections and Governance Practices
Background	We hold the view that board members should be re-elected annually as best practice. The annual election structure maximizes director accountability to investors and provides shareholders with regular opportunities to evaluate the board's performance. Philosophically, many investors are aligned as reflected by the first principle of the Investor Stewardship Group's "Corporate Governance Principles for US Listed Companies" which emphasizes that effective board accountability necessitates annual director elections.
Activity	At the company's 2020 annual meeting, the board and management of Bloomin' Brands, Inc. recommended that investors vote against a shareholder resolution asking the company to declassify the board. We supported the resolution and prior to the following annual meeting in 2021, engaged with both independent board members and senior management of Bloomin' Brands. During the conversation, we shared our views on governance best practices highlighting the importance of investors' ability to vote for members of the board on an annual basis.
Outcome	At the May 2021 annual meeting, Bloomin' Brands filed a management resolution to declassify the board of directors and the board directed investors to vote in favor of the proposal. The management resolution calling for annual elections for the board of directors received 77% support from investors and allowed the board to amend the corporate bylaws to eliminate the classified board structure. In the company's 2022 proxy statement, Bloomin' Brands disclosed the phasing out of the staggered board structure and that the class of directors elected at the current year's annual meeting will have a one-year term.
Company	**Cardinal Health, Inc.**
Geography and Industry	United States SICS Sector: Health Care SICS Industry: Health Care Distributors
Key Topics	Director Time Commitments
Asset Class	Equity
Key Resolutions	Director Elections
Background	Under our regional proxy voting and engagement guidelines on director time commitments, one of Cardinal Health's directors was classified as "overcommitted" prior to the company's November 2022 annual general meeting.
Activity	In Q1 2022, we updated our voting policy and guidelines on directors' commitments to ensure Nominating Committees evaluate directors' time commitments, regularly assess director effectiveness, and provide public disclosure on policies and efforts to investors. As part of this change, we may consider waiving our policy and vote in support of a director if the company does the following: • Disclose its director commitment policy in a publicly available manner (e.g., corporate governance guidelines, proxy statement, company website) This policy or associated disclosure must include: • A numerical limit on public company board seats on which a director can serve — This limit cannot exceed our policy by more than one seat • Consideration of public company board leadership positions (e.g., Committee Chair) • Affirmation that all directors are currently compliant with the company policy • Description of an annual policy review process undertaken by the Nominating Committee to evaluate outside director time commitments Through our recurring engagement with the company, we notified it of this updated policy and offered this disclosure-driven waiver prior to the November 2022 annual general meeting.
Outcome	Cardinal Health updated its corporate governance guidelines and enhanced its disclosure in its proxy statement to provide shareholders with more transparency on the role played by the Nominating Committee in overseeing director time commitments. This disclosure was fully consistent with the four criteria outlined in our policy expectations. As a result, we waived our withhold vote, supporting the individual director at the AGM and signaling our appreciation for the enhanced disclosure the company has delivered on this topic.

Company	**Chevron Corporation**
Geography and Industry	United States SICS Sector: Extractives & Minerals Processing SICS Industry: Oil & Gas — Exploration and Production
Key Topics	Director Time Commitments
Asset Class	Equity
Key Resolutions	Director Elections
Background	At Chevron's 2021 annual meeting, State Street Global Advisors withheld support from the company's lead independent director as his service on three public company boards was misaligned with our director time commitment expectations
Activity	In 2022, State Street Global Advisors clarified our director time commitment policy as outlined in the "Summary of Material Changes to State Street Global Advisors' 2022 Proxy Voting and Engagement Guidelines" document. While our time commitment expectations have not changed, we provide more flexibility for companies that disclose their director commitment policy in a publicly available manner (e.g., corporate governance guidelines, proxy statement, company website). This policy or associated disclosure must include: • A numerical limit on public company board seats a director can serve on. This limit cannot exceed our policy by more than one seat • Consideration of public company board leadership positions (e.g., Committee Chair) • Affirmation that all directors are currently compliant with the company policy • Description of an annual policy review process undertaken by the Nominating Committee to evaluate outside director time commitments
Outcome	Chevron responded to State Street Global Advisors' vote and feedback during engagement and strengthened their disclosure across the governance area highlighted above. In the company's 2022 proxy, the "Director qualifications and nomination processes" section was enhanced and now includes both explicit descriptions of the Governance Committee's regular review of director time commitments as well as a more restrictive carve out for external board service of Chevron's Chair and Lead Director. These enhancements were made as a direct result of our feedback, and as a result we supported the election of all members of Chevron's board.

Company	**Nomura Holdings**
Geography and Industry	Japan SICS Sector: Financials SICS Industry: Investment Banking and Brokerage
Key Topics	Board Oversight, Independence and Governance
Asset Class	Equity
Key Resolutions	Director Elections
Background	We spoke to Nomura Holdings in February 2022 on the company's risk management enhancement program in response to an incident in U.S. in 2021 that resulted in material losses to the firm. In our engagement with management, we sought to understand board oversight on material governance issues and how the board oversees risk culture at the company. In June 2022, we continued our dialogue with the company, engaging with the Chairperson of the newly-established Board Risk Committee, an independent board member.
Activity	In terms of board oversight on material governance issues, the independent director highlighted that conversations around governance, transparency, and accountability are being actively discussed at the board level. After the incident, the board established a Board Risk Committee to further strengthen the oversight function of the Board including 1) oversight of risk appetite, 2) strategic risks, 3) risk remediation plan, and 4) risk culture. Furthermore, as part of its oversight responsibilities, the Committee meets with the executive team responsible for risk management and have stand-alone executive sessions to provide input as the company seeks to strengthen risk management, including building a stronger risk culture.
Outcome	As a result of the company's responsiveness and in the absence of further concerns, we supported the election of all of the independent directors to the board. We will maintain our ongoing dialogue with the company, seek to engage again in the following year, and monitor progress on its enhanced risk management commitments. This engagement highlighted the first time an independent director at the company engaged in a one-on-one meeting with an investor. As such, we encourage Japanese firms to emulate Nomura Holdings' leadership in providing independent director access where requested, as we consider this a best governance practice in terms of transparency and board accountability to investors. Investors would benefit from this greater access in understanding board oversight and the independent director voice.

Company	**Toshiba Corp.**
Geography and Industry	Japan SICS Sector: Resource Transformation SICS Industry: Electrical and Electronic Equipment
Key Topics	Board Accountability & Oversight, Shareholder Voice
Asset Class	Equity
Key Resolutions	Director Elections
Background	In light of the continued high-profile and material governance failures, and high board and management turnover Toshiba has experienced in recent years, two shareholders each nominated a director to the company's board at the 2022 AGM.
Activity	In both 2021 and 2022, our team held multiple engagements with the incumbent management team and board of Toshiba to evaluate their ability to navigate the company through various challenges including conflicts of interest and shareholder transparency concerns. These engagements led to us withholding support of the previous board chair and audit committee members in 2021. Prior to the 2022 AGM, we engaged with the incumbent board and management, and the two nominees put forward by the two shareholders who entered into an agreement with the company. Through the course of discussions, we evaluated the vision of the nominees and their ability to: • foster a robust strategic review process • instill a culture of enhanced risk management • ensure long-term shareholder interests are represented
Outcome	We, along with a majority of shareholders, voted to add the two new shareholder-nominated directors to the board at the 2022 AGM. We look forward to maintaining a close dialogue with the Toshiba board and management teams, including the newly elected directors. We expect that a rigorous strategic review process will be conducted, considering all alternatives, and that the board will also effectively oversee management's execution of the short to mid-term plan to rectify the recent governance issues.

Company	**Skyworks Solutions, Inc.**
Geography and Industry	United States SICS Sector: Technology & Communications SICS Industry: Semiconductors
Key Topics	Executive Compensation
Asset Class	Equity
Key Resolutions	Annual Advisory "Say on Pay" Executive Compensation Vote
Background	At Skyworks' 2021 AGM, only 22% of shareholders voted to support the company's executive compensation plan. Concerns from shareholders included a pay for performance misalignment, significant performance awards granted to executives which were purely time-based, and large portions of long-term incentive awards based on annual performance periods rather than multi-year.
Activity	After the result of the company's 2021 compensation vote, our team engaged multiple times with the Skyworks Compensation Committee Chair to share our concerns and suggested focus areas for improvement as they implemented changes to their executive compensation plan. Considering the significant level of shareholder opposition the company faced on "Say on Pay" at the 2021 AGM, we expected a high level of responsiveness from the compensation committee, and for material changes to be made to executive compensation practices at the company and the plan structure itself.
Outcome	As a result of the Compensation Committee's extensive shareholder outreach efforts and resulting changes made to the plan structure, Skyworks received our support for compensation at the 2022 AGM with 86% of shares outstanding supporting the new compensation structure. This significant swing in support was facilitated by material improvements including right-sizing their peer group, increasing the length of long-term incentive vesting periods, and a firm written commitment to not overutilize one-time awards as part of the long-term incentives moving forward.

Company	Berkeley Group Holdings Plc
Geography and Industry	United Kingdom SICS Sector: Infrastructure SICS Industry: Home Builders
Key Topics	Executive Compensation
Asset Class	Equity
Key Resolutions	Remuneration Policy, Restricted Share Plan, Long-term Option Plan
Background	Berkeley sought shareholder approval for a new executive remuneration policy in 2022. The Remuneration Committee proposed that the following elements be introduced to the remuneration packages of executive directors: • Annual restricted share awards, vesting after four years, with a further 1-year holding requirement, with underpins based on long-term return on equity (ROE) and strategic performance. • A one-off option award, vesting in equal tranches between four years and eight years from grant. The exercise price would be set at the higher of GBP 48.50 and the share price at grant. Annual upward ratchets would apply to the exercise price for the tranches vesting five years from grant onwards. • Increases to shareholding requirements for executive directors, from 400% of salary for CEO and 200% of salary for other executive directors, to 1,000% of salary to be achieved within a ten-year period. An interim target equal to 400% of salary should be achieved within five years.
Activity	We first engaged with the Chairman of Berkeley's Remuneration Committee in early July, when we communicated the following concerns: • Lack of a compelling rationale for the introduction of both the restricted share plan (RSP) and the stock option plan • High overall pay opportunity under the stock option plan • Necessity to implement an RSP, i.e. quasi-guaranteed pay, alongside a stock option plan under which significant awards would be granted to plan participants • Vague disclosure on the ESG underpin in the RSP When the meeting materials were published ahead of the AGM, we also noted a provision in both the stock option plan and the RSP that in the event of a change in control, outstanding awards will vest in full immediately and the Remuneration Committee would have no discretion to determine otherwise. We requested a second engagement with the Chairman of the Remuneration Committee and communicated that, in our view, there should be no automatic waiving of performance conditions in the event of a change of control and that the pro-rating mechanism should be applied to all awards.
Outcome	Berkeley issued an announcement to inform shareholders that it had amended the change of control provision in respect to both plans. The Remuneration Committee decided to "incorporate a default position on a change of control of time apportionment for both plans." The Remuneration Committee retained "discretion to disapply this pro-rating depending on the circumstances of the change of control to ensure fair outcomes." While the amendment was a positive outcome, we ultimately voted against the new remuneration policy and the two plans in light of the persisting concerns discussed above. The engagement and subsequent responsiveness was a partial success and we will continue to work with the company to address the other elements of concern in the remuneration structure.

Company	**China International Capital Corporation Limited (CICC)**
Geography and Industry	Hong Kong SICS Sector: Financials SICS Industry: Investment Banking and Brokerage
Key Topics	Capital Issuance
Asset Class	Equity
Key Resolutions	Rights Issuance Proposal
Background	The company held an extraordinary general meeting ("EGM") in the fourth quarter of 2022 seeking shareholder approval for rights issuance to provide the company with additional capital. One of the agenda items pertains to approving a whitewash waiver in relation to waiving the obligation of a significant stakeholder to make a mandatory general offer. State Street Global Advisors analyzes strategic transaction-related proposals on a case-by-case basis. In analyzing transactions where controlling shareholders are involved, our focus is on the economic rationale of the transaction, structure of the issuance, fairness, and risks around preemptive rights and alignment to the protection of minority shareholder interests.
Activity	Leading up to the company's annual general meeting, the Asset Stewardship team alongside the Fundamental Value team engaged with the company's Chief Financial Officer to understand the rationale for the share issuance, request for a whitewash waiver, and parties involved in the transaction. During our engagement with CICC, the company highlighted its long-term strategy where the issuance will be used to support capital needs for business development and replenish other working capital across different business segments of equity, fixed income trading, and wealth management. With a focus on growth and expansion in demand, the proceeds will be utilized to strengthen the company's position in the market. Furthermore, discussions were centered around capital and share class structure, target subscriber for the rights issue, and the whitewash waiver.
Outcome	Ultimately, we voted for the proposal in the absence of further concerns. On balance, the structure and nature of the transaction appears reasonable for shareholders to support. In addition, shareholders would be provided equal opportunity to maintain proportionate interest in the company. At the time, the differential in pricing and premium in the trading price of the A relative to H-shares class would mean a low probability for H-share shareholders to subscribe to the rights offer, and therefore likely that the majority shareholder would increase their stake. However, we viewed the risks of adverse impact to H-share shareholders as low, given material advantages of the majority shareholder providing capital at a much higher valuation relative to where the H-shares were trading. We will continue monitoring the outcome and will remain engaged with the company on this topic. We encourage firms in the Asia-Pacific region especially where structures involve significant or controlling shareholders, to continue engaging with other shareholders in providing transparency and in the consideration and protection of minority shareholder interests.

Company	**BHP Group Plc & BHP Group Ltd**
Geography and Industry	Dual listed in the United Kingdom (Plc) & Australia (Ltd) SICS Sector: Extractives & Minerals Processing SICS Industry: Metals and Mining
Key Topics	Corporate Structure
Asset Class	Equity
Key Resolutions	Approve Scheme of Arrangement — Unification Plan
Background	On August 17th 2021, BHP Group announced its intention to collapse its 20 year-old dual listed company structure ("DLC"). The proposed unification plan will see the two parent companies BHP Group Plc, listed on the London Stock Exchange (LSE) and BHP Group Limited, listed on the Australian Stock Exchange (ASX), combined into a single company incorporated in Australia with a primary listing on the ASX. The unification will involve an exchange of Plc shares for Limited shares on a one-for-one basis resulting in Limited becoming the sole parent company of the BHP Group. The company will have a standard listing on the LSE and will drop out of the FTSE100 index.
Activity	In January 2022, our Asset Stewardship team met with the Chief Executive Officer to further understand the company's rationale for unification and advocate for a corporate structure that provided the most long term value to investors.
Outcome	On January 20th 2022, both BHP Group Plc & BHP Group Ltd held shareholder meetings to approve the unification. State Street along with around 96% of both UK and Australian shareholders voted in support of the unification.

Climate Risk Management

History

At State Street Global Advisors, we believe that managing climate-related risks and opportunities is a key element in maximizing long-term risk-adjusted returns for our clients. We have been engaging with companies on climate-related topics since 2011 and formalized the issue as a core stewardship priority in 2014. We have a longstanding commitment to enhance decision-useful disclosure on climate-related risk and have encouraged our investee companies to report in accordance with the recommendations of the TCFD since we first endorsed the framework in 2017.

Engagement

In 2022, we had over 265 engagements on the topic of climate risk management with investee companies. The objectives of our engagements focus on understanding how companies are both managing climate risk and addressing climate as an opportunity. Through our thought leadership, we provide both transparency to the market on our views and guidance for companies on appropriate climate-related disclosure. We have held more than 1,100 climate-related engagements since 2014 and have been successful in driving improved disclosure in line with our guidance. Through our conversations with company management and boards, we aim to understand whether and how companies are incorporating climate into relevant strategy setting and financial planning processes. As part of these engagements, we discuss our expectations for companies in high emissions sectors and disclosures for companies that have adopted climate transition plans and may take voting action for directors that are not appropriately overseeing these risks.

We expect all companies in our portfolios to offer public disclosures in accordance with the four pillars of the TCFD framework:

1. Governance
2. Strategy
3. Risk management
4. Metrics and targets

Additionally, we expect companies in carbon-intensive sectors to disclose:

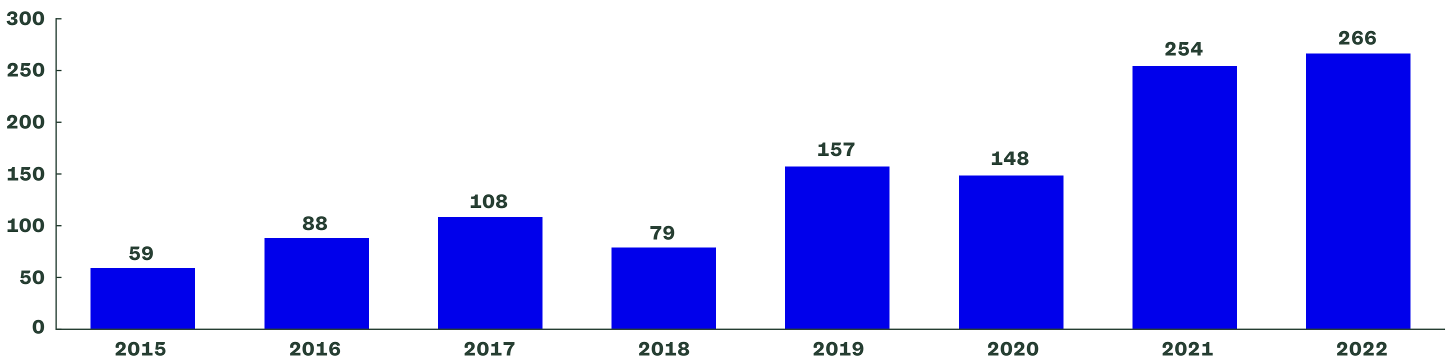
- Interim greenhouse gas emissions reduction targets to accompany long-term climate ambitions
- Discussion of impacts of scenario-planning on strategy and financial planning
- Incorporation of climate considerations in capital allocation decisions
- Scope 1, 2, and material categories of Scope 3 greenhouse gas emissions

Figure 17
Climate Engagement Statistics

Climate-related Engagements Since 2014	1,110+
Climate-related Engagements in 2022	265+
In-depth Engagements on Disclosure of Climate Transition Plans in 2022	90

Source: State Street Global Advisors, 31 December 2022.

Figure 18
Number of Annual Climate Engagements



Source: State Street Global Advisors, 31 December 2022.

Engagement Campaigns: Disclosure of Climate Transition Plans

We believe it is our responsibility to provide investee companies that have adopted a climate transition plan with clarity on our expectations for effective climate transition plan disclosure.

In order to develop well-informed objectives regarding our climate transition plan disclosure expectations, our Asset Stewardship team conducted an in-depth assessment of existing disclosure frameworks and standards for relevant disclosures. We considered several factors (e.g., market adoption, usefulness for decision-making, applicability across sectors) and selected a core set of disclosure expectations for companies that have adopted climate transition plans.

We recognize that there is no one-size-fits-all approach to reaching net-zero and that climate-related risks and opportunities can be highly nuanced across and within industries. The expectations set out below serve to provide transparency on the core criteria we expect companies that have adopted a climate transition plan to address in their related disclosures.

Figure 19
Disclosure Expectations for Companies that Have Adopted a Climate Transition Plan

Ambition	Disclose what long-term climate ambition has been adopted by the company
Targets	Disclose any interim GHG emissions reduction targets Disclose any commitment to align with temperature goals
TCFD Disclosure	Provide TCFD-aligned disclosure Disclose any scenario analysis performed by the company Provide emissions reporting and assurance
Decarbonization Strategy	Disclose how the company's transition plan integrates into the company's long-term strategy Discuss decarbonization actions Disclose carbon offsets utilization Discuss decarbonization across the value chain
Capital Allocation Alignment	Disclose any integration of climate considerations into capital allocation decisions Disclose what capital expenditure is made on low carbon strategies Disclose the company's approach to carbon pricing Disclose any investments in decarbonization
Climate Policy Engagement	Disclose any climate change policies and positions Disclose any trade association review
Climate Governance	Disclose board oversight of the climate transition plan Disclose management oversight of the climate transition plan
Physical Risk	Disclose any physical risk assessment performed by the company Disclose the company's physical risk management for identified risks
Stakeholder Engagement	Disclose the company's: • Industry collaboration • Investor engagement • Climate expert engagement • Internal engagement

Source: State Street Global Advisors, 31 December 2022.

As an outcome of these engagements, a number of companies have improved disclosure in line with our expectations. In 2022, we engaged JFE Steel Corporation, a large Japanese steel manufacturer, to discuss the company's disclosure of its climate transition plan. JFE Steel has since enhanced disclosure on its decarbonization strategy and outlined the capital investment planned to support achieving the company's medium-term GHG targets. We conducted several engagements with AGL Energy Limited and shared feedback on improving disclosure in line with our expectations. The company published its updated Climate Transition Action Plan in September 2022 and enhanced disclosure on its decarbonization strategy, planned asset closures, GHG targets, and efforts to increase green revenues.

Managing Social Risks in Low-carbon Transition

The Asset Stewardship team is increasingly interested in understanding how companies are addressing the potential social risks associated with their climate transition plans and how those risks affect shareholder value. In Q3 and Q4 2022, we conducted a series of targeted engagements with companies in key sectors including Energy, Materials, and Utilities to understand best practices and disclosure trends on managing risks and opportunities associated with workforce transformation, customer affordability, stakeholder engagement, and supply chain management, among others. These topics are often considered in supporting a "just transition," transition to a low carbon economy that considers potential adverse social impacts. It is a concept that has been increasingly prioritized in local and national regulations, public and private sector climate transition financing mechanisms, and in global policy agendas.

Methane Emissions in the Oil and Gas Value Chain

In 2022, we initiated a series of targeted engagements with more than 20 global companies across the oil and gas value chain to better understand efforts related to managing methane emissions. Through our engagements, we aimed to better understand each company's strategy and encourage best practice disclosure. Since conducting these engagements, several companies have enhanced methane-related disclosure or commitments. For example, ConocoPhillips, Williams, APA Corp, and EOG Resources joined the Oil and Gas Methane Partnership 2.0 (OGMP), committing to improve the transparency and quality of methane emissions disclosure in line with OGMP's best practice reporting framework.

Deforestation Risks in Supply Chains

Addressing nature-related risk is an emerging topic under our Asset Stewardship program. Deforestation presents a risk to companies with material links to this practice in their supply chains and investments, and it should be disclosed and managed like any other business risk. In 2021, we initiated a series of targeted engagements to learn more about how our investee companies manage deforestation risk stemming from their supply chains, and we shared insights about our expectations in our Guidance on Environmental Disclosures: Addressing Deforestation Risk in Supply Chains. In 2022, we focused our engagement efforts on global banks that finance deforestation-related activities.

Voting

State Street Global Advisors finds that the TCFD recommendations provide the most effective framework for disclosure of climate-related risks. As such, consistent with our proxy voting and engagement guidelines, we may take voting action against companies that fail to provide sufficient disclosure regarding climate-related risks and opportunities related to that company, or board oversight of climate related risks and opportunities, in accordance with the TCFD framework. In 2023, we expanded the list of markets where we ask companies to report against the recommendations of the TCFD to Japan, Hong Kong, and Singapore.

In addition to our director voting policy, we also consider climate related shareholder proposals. The total number of climate-related proposals State Street Global Advisors voted (including shareholder and management Say on Climate proposals) rose from 105 in 2021 to 155 in 2022. Our support decreased slightly by 5% (from 49% in 2021 to 44% in 2022) given the overall targeting and the prescriptive nature of certain climate-related proposals.

Figure 20
Climate-Related Votes in 2022

Climate-related Proposals Voted in 2022	155
Climate-related Proposals Supported in 2022	44%
Number of Companies for Which We Voted Against Directors for Lack of Disclosure in Line With TCFD Recommendations	151

Source: State Street Global Advisors, 31 December 2022.

Below is the approach when voting on climate-related shareholder proposals:

For: We will consider voting for shareholder proposals that we believe will lead to increased alignment with our expectations for climate-related disclosures

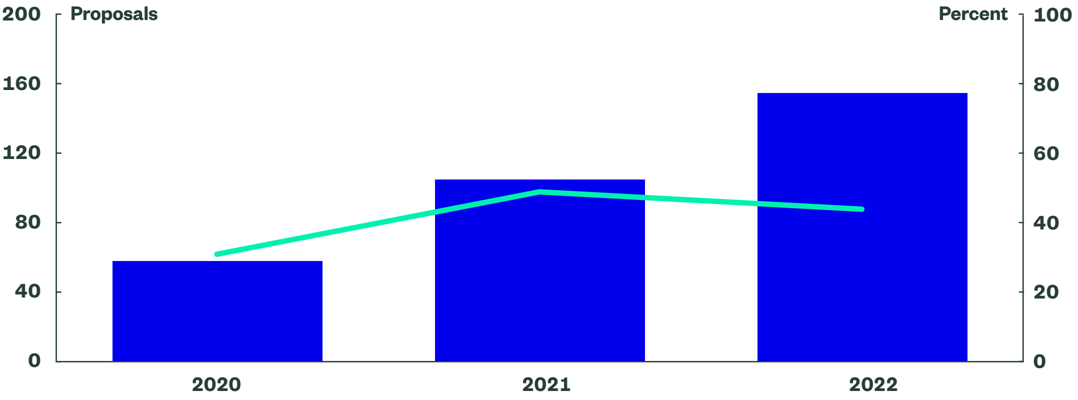
Abstain: We will consider voting abstain when we support some elements of a proposal's request, or recognize a company's commitment to implement related disclosure and/or oversight practices

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

Our approach to voting these proposals has remained consistent over the past few years as demonstrated by our voting record in Figure 21.

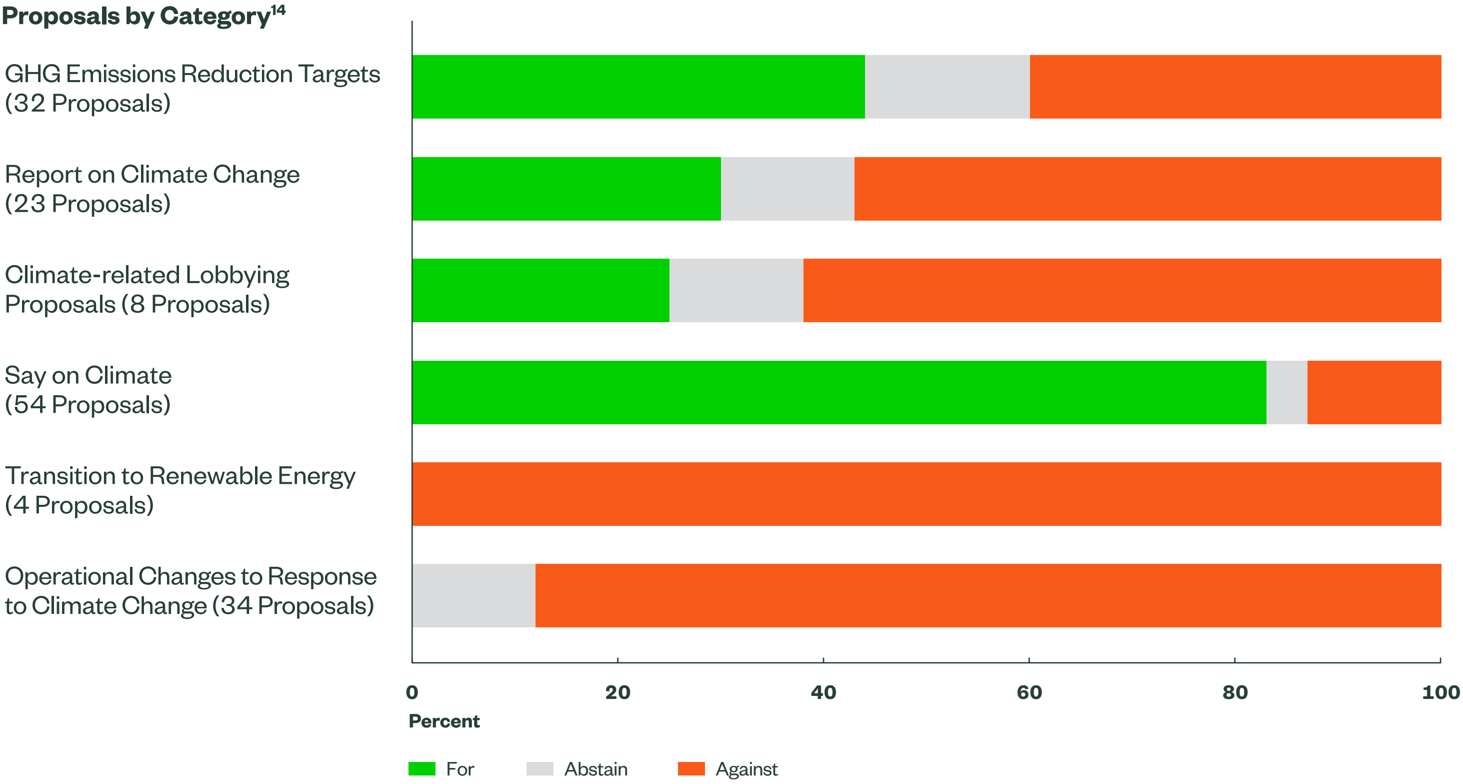
Figure 21
Support for Climate-Related Proposals*

Number of Proposals
% Supported by State Street Global Advisors



Source: State Street Global Advisors as of 31 December 2022.
* Includes shareholder and management Say on Climate proposals.

Figure 22
Climate-Related Proposals by Category[14]



Source: State Street Global Advisors. As of 31 December 2022.
* Includes both shareholder and management "Say on Climate" proposals.

Figure 23 **Climate Risk Management Case Studies**

Company	**ConocoPhillips**
Geography and Industry	United States SICS Sector: Extractives & Minerals Processing SICS Industry: Oil and Gas — Exploration and Production
Key Topics	Climate change, methane emissions
Asset Class	Equity
Background	In 2022, we initiated a series of targeted engagements with investee companies in the North American oil and gas industry on the topic of methane. The oil and gas industry represents one of the largest contributors to global methane emissions, and investors are increasingly focused on understanding how companies are responding to heightened regulatory, reputational, and financial risks related to methane.
Activity	We engaged with ConocoPhillips in Q2 2021 ahead of its AGM on the company's approach to managing GHG emissions, including Scope 3 and methane emissions. We discussed opportunities to enhance methane data quality and measurement-based reporting including joining the Oil and Gas Methane Partnership (OGMP) 2.0, a multi-stakeholder initiative launched by UNEP and the Climate and Clean Air Coalition. OGMP 2.0 provides a comprehensive reporting framework to improve the transparency and quality of methane emissions disclosure in the oil and gas industry. In Q3 2022, we conducted a second engagement with the company to learn about its methane detection, monitoring, and reduction efforts in further detail.
Outcome	In Q3 2022, ConocoPhillips formally joined OGMP 2.0. The company committed to report methane emissions from both operated and non-operated assets and to incorporate source-level and site-level measurements in line with the OGMP's guidance. The company also set a new medium-term target to achieve a near-zero methane emissions intensity by 2030. We value the constructive dialogue and responsiveness from ConocoPhillips and intend to continue to engage with the company on its methane emissions management and reporting efforts.
Company	**Mitsubishi Corp**
Geography and Industry	Japan SICS Sector: Food & Beverage SICS Industry: Food Retailers and Distributors
Key Topics	Climate change
Asset Class	Equity
Key Resolutions	Climate-related Shareholder Proposal
Background	Mitsubishi Corp faced two shareholder resolutions requesting the 1) company adopt and disclose a business plan with short and mid-term GHG emission reduction targets aligned with the goals of the Paris Agreement; and 2) capital expenditure disclosures including annual reporting around assumptions, costs, estimates, and valuations in the development of new upstream, midstream, and downstream oil and gas assets. We analyze climate-related shareholder proposals on a case-by-case basis. Leading up to the company's annual general meeting, we examined the company's disclosures on environmental, social, and governance issues most relevant to this year's proxy. This analysis was largely complemented by our framework around assessing Fossil Fuel Financing Shareholder Proposals in the North American Banking Sector which includes our expectations in the following areas: • Interim portfolio targets and stated alignment with temperature pathways • Disclosure of financed (Scope 3) emissions • Integration of climate risk assessment into transaction due diligence • Application of scenario analysis and portfolio stress testing • Approach to client engagement and financing low carbon solutions
Activity	In June 2022, we engaged with the company as well as the shareholder proponent regarding the climate-related shareholder proposals on the ballot. Our engagement with the company included a member of the board, senior management, as well as subject matter experts. During our engagement with Mitsubishi Corp, we highlighted opportunities to enhance certain areas of disclosure in line with peers in the global market including adopting short-term GHG emission reduction targets, strengthening disclosure on current and planned capital investments to achieve interim and long-term climate goals, and providing more detail on the integration of climate risk assessment into transaction due diligence, such as IRRs, carbon pricing, and/or quantitative scenario analysis. We recognize that the company recently announced mid- and long-term targets, largely aligning with the proponent's ask. Furthermore, we learned during our engagement that the company is in the initial stage of developing roadmaps to its 2030 and 2050 targets. As such, the company is looking to provide enhanced disclosure around the strategy, including the mechanism to achieve its targets and incorporate quantitative disclosures.
Outcome	Ultimately, we voted for the first proposal as the company currently does not meet our disclosure expectations and supporting the proposal will help encourage the company to continue to advance its efforts. Regarding Scope 3 emissions, we see an opportunity for Mitsubishi Corp to provide enhanced disclosure on opportunities for incremental Scope 3 reductions in line with our guidance. While we recognize the challenges around Scope 3 calculation and reduction efforts, investor demand for Scope 3 GHG targets is growing, and it is becoming market practice among carbon intensive industries in European and North American markets to adopt such goals. In terms of the second proposal around capital expenditures disclosures, we did not support the proposal given the responsiveness of the company and the prescriptive nature of the proposal. We are optimistic that our advocacy of enhanced disclosure around the decarbonization strategy, which includes expectations around capital expenditure and investment planning has resonated with the company and we will continue to engage the company on this topic.

Human Capital Management

History

We published our guidance on human capital management (HCM) disclosures and practices in 2022. Since then, we have been clear on the importance of managing HCM-related risks and opportunities, especially in the context of the pandemic and ensuing labor market dynamics.

Engagement

Common topics across our HCM engagements include oversight of recruitment and retention efforts, innovations in the context of a tight labor market and challenging economic conditions, progress toward DEI goals, and the KPIs tracked by boards to gauge the effectiveness of their human capital management and DEI strategies.

Overall, UK companies have intensified their efforts in the attraction, recruitment, promotion, and retention of talent, with a strong focus on front-line workers. Recruiting talent from around the world and allowing hybrid and remote work exemplify how companies have incorporated agility into their human capital management strategies. Employee pay strategies have also changed. Wage increases, which have occurred more frequently in recent quarters, have been used as a key attraction and retention tool, alongside new or enhanced non-financial elements, e.g., parental leave, financial planning benefits, providing meals, employee discounts, as well as shortened eligibility periods for these benefits. Priority in the recruitment of part-time workers for new fulltime positions as well as associate multiskilling have also been utilized by some UK companies.

Several of our US engagements included discussions of how companies are responding to increased union activity. While we are agnostic as to whether workforces are unionized, we do expect boards to manage potential legal, regulatory, reputational, and human capital management risks associated with undermining an employee's right to freedom of association. We asked impacted companies about how they respect this right in practice, how organized labor affects their human capital management strategies (if at all), how existing employee voice mechanisms allow employees to share feedback with management and the board, and how that feedback is acted on, when appropriate.

Two investee companies received shareholder proposals related to freedom of association in 2022. At Amazon.com, Inc., we supported a shareholder proposal requesting additional information on the company's approach to employees' right to unionize. At Tesla, Inc., we abstained on a proposal that asked the company to adopt a relevant policy, as we agreed with the materiality of the topic but felt the ask was too prescriptive.

Given the increase in union activity and the persistent labor market challenges in many regions, we continue to prioritize the topic of human capital management in our engagements, with a particular focus on employee voice. We also partnered with the Ford Foundation and Russell Reynolds Associates to write a report on effective board oversight of employee voice, which we published in 2023.

Engagement Campaigns

In 2021, we began reaching out to 35 of the largest employers in our portfolio in the US and UK across a variety of industries. We prioritized these engagements with the belief that risks and opportunities related to HCM and DEI are most material to companies with the largest workforces. The first phase of this campaign was to signal the importance of these topics to our team and to understand more about effective HCM and DEI strategies and publishing relevant disclosures. This first year of our campaign led us to publish updated Guidance on HCM and DEI disclosure expectations for the market, as well as insights on these topics. In 2022, we pursued a second round of engagements with these companies, focused on encouraging alignment with our disclosure expectations and understanding companies' oversight of their HCM and DEI strategies, especially given the unique labor market dynamics as the economy emerged from the depths of the pandemic.

We aim to support more robust HCM disclosure by publishing our HCM disclosure expectations and encouraging disclosure through engagements, and we have observed increased alignment with our expectations among the 35 companies we targeted. Absent regulatory or other widely accepted frameworks for HCM disclosure, publishing our expectations may help promote the availability of information on an area of material risk and opportunity to companies across industries. Such efforts may contribute to the recent market-level increase in the number of related topics disclosed and depth of coverage, with improvements seen among surveyed companies (see Greene, Kritz, and Barrera and Gibson Dunn).

We intend to continue engaging with companies on these topics in the coming year and further refining our perspectives on these topics.

2022 Proxy Season Spotlight: Technology Sector

The largest technology companies are a central focus for our stewardship team, especially given the weight of these firms in our portfolio and in the economy overall. Technology companies also provide interesting case studies from the proxy season due to their unique and at times challenging governance structures as well as the high volume of shareholder proposals filed relative to large companies in other sectors. Recent areas of focus in the technology sector include:

Director Accountability: We are increasingly leveraging votes against directors across our portfolio to drive accountability on ESG disclosures and oversight. For example, at Amazon's recent shareholder meeting, we withheld support from the Chair of the Compensation Committee given our concerns with the company's approach to oversight of human capital management. Given the breadth of material ESG risks that impact diversified technology companies like Amazon, we expect companies to articulate their approach to effective oversight of these risks and opportunities.

Social Risks: As stewards, we focus on managing financially material risks to our portfolio. As such, social topics including human capital management, DEI, and human rights are priorities for us in engagements with the technology sector. While we have seen some progress on these issues — for example, Apple committed to undergoing a civil rights audit in response to shareholder support for a relevant proposal — we continue to have concerns with many technology companies' approaches to the social dimension of ESG. We have published thought leadership on social issues at tech companies in the past and will continue to do so.

Case Study: First Living Wage Shareholder Proposal at UK Company

At J Sainsbury Plc's July 2022 Annual General Meeting, we voted on a proposal requesting the company become a "Living Wage"-accredited employer. The proposal, submitted by a collection of ten investors and coordinated by an advocacy group, represented the first time a publicly listed company in the United Kingdom was formally requested via a shareholder proposal to become a "Living Wage"-accredited employer.

With this unique situation in mind, we engaged with the proponent to better understand the rationale behind the decision to submit this resolution to a shareholder vote, as well as with the Chairman and the CEO of Sainsbury's to get a better overview of how the company manages employee pay and to ensure proper board oversight of employee pay strategies.

The proposal received the support of 16.7% of investors. We voted against the proposal due to the company's strong track record of managing employee wages in comparison to its peers.

Diversity, Equity, and Inclusion

History

Since at least 2017, we have focused on the materiality of diverse perspectives, particularly gender, racial, and ethnic identities, through our voting policies and engagements, as embodied in our Fearless Girl campaign. In 2022, we published a report with the Ford Foundation and Russell Reynolds Associates titled The Board's Oversight of Racial and Ethnic Diversity, Equity and Inclusion. Academic research has highlighted the role our firm has played in advancing the representation of women on boards across the market.

Engagement and Voting

We conducted approximately 300 engagements on the topics of racial, ethnic, and gender diversity in 2022. We also have an ongoing targeted engagement campaign focused on DEI practices and disclosures at 35 of the largest US- and UK-based employers in our portfolio. Our goal is to increase our understanding of DEI best practices, monitor the state of DEI risk management at our investee companies, and drive greater adoption of our suggested disclosures across the market.

In 2017, we established our position on the importance of board diversity and found the lack of gender diversity across our investee companies to be a long-term risk. As a result, we implemented a voting policy aimed at increasing the representation of women on boards. We prioritized our efforts on indices where we believed a voting policy was appropriate due to emerging progress toward greater gender diversity. In indices where there was less alignment, we initially relied more heavily on thought leadership and engagements.

In 2022, we expanded our voting policy into every market around the globe. We also expanded our policy to include racial and ethnic diversity, starting with the US and UK given considerations such as the availability of data and the materiality of racial and ethnic identity in those markets. In 2023, we will be increasing our expectation regarding gender diversity to 30% representation in indices where we have seen broad alignment with our previous policy of having at least one woman on boards. These indices include the Russell 3000, TSX, FTSE 350, STOXX 600, and ASX 300.

Regarding DEI, we expect all companies in our portfolio to offer public disclosures in five key areas:

1 **Strategy:** Articulate the role diversity (of race, ethnicity, and gender, at minimum) plays in the firm's broader human capital management practices and long-term strategy.

2 **Goals:** Describe what time-bound and specific diversity goals (related to race, ethnicity, and gender, at a minimum) the company has established, including how these goals contribute to the firm's overall strategy, and how they are managed and progressing.

3 **Metrics:** Provide measures of the diversity of the firm's global employee base and board, including:

- Workforce: Employee diversity by race, ethnicity, and gender (at a minimum). We expect to see this information 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 US 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.

- Board Diversity: Characteristics of the board of directors including racial, ethnic, and gender makeup (at minimum).

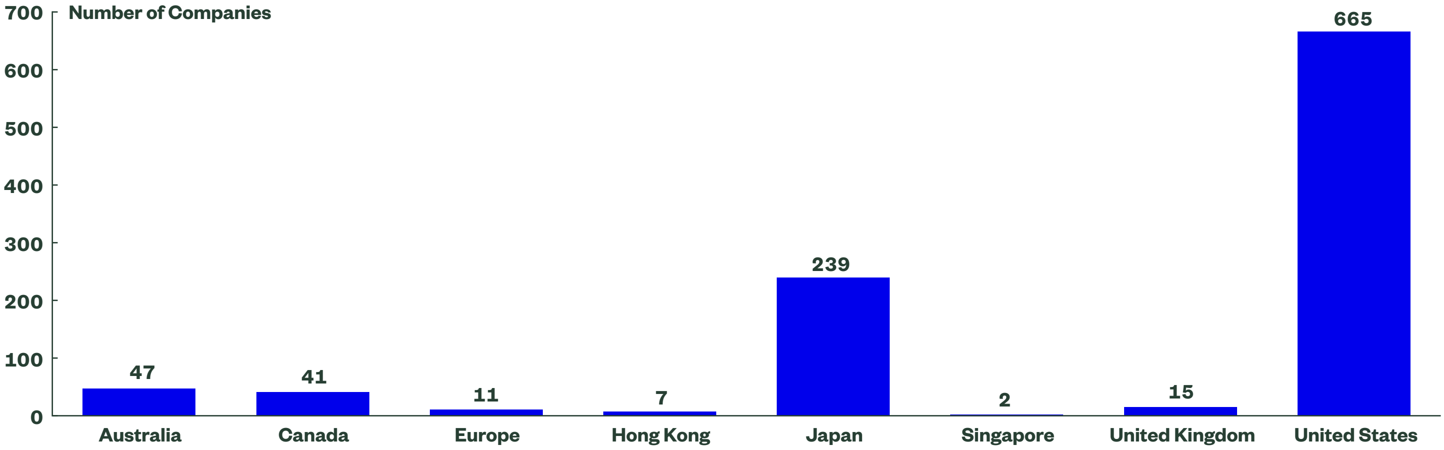
4 **Board Diversity:** Articulate goals and strategy related to diverse representation at the board level (including race, ethnicity, and gender, at minimum), including how the board reflects the diversity of the company's workforce, community, customers, and other key stakeholders.

5 **Board Oversight:** Describe how the board executes its oversight role in diversity and inclusion.

Our voting policies related to diversity, equity, and inclusion continue to make an impact in the market. We introduced our voting policy expecting at least one director from an underrepresented racial/ethnic background on corporate boards in the S&P 500 and FTSE 100 indices in January 2022. At the time, eight companies in the S&P 500 did not meet our expectation, and by the end of the year, that number decreased to two.[15] Our voting policy on board demographic disclosure, introduced at the beginning of 2022, has also contributed to a broader impact in the market. For example, relevant disclosure among the S&P 500 increased from 148 companies in 2020 to 427 companies at the end of 2022.[16] Additionally, full EEO-1 disclosure among the S&P 500 increased from 50 companies in January 2021 to 351 at the end of 2022.[17]

A company's alignment with these disclosure expectations will help inform our vote on shareholder proposals that we believe would meaningfully advance diversity-related disclosures. In certain circumstances, we use an abstain option for companies committed to improving their practices. Our guidance on DEI informs our votes on relevant shareholder proposals as well.

Figure 24
Companies that Added a Female Board Director to a Previously All-Male Board*



Source: State Street Global Advisors. As of 28 February 2023.
* Cumulatively since 2017 in the Russell 3000, ASX 300, FTSE 350, STOXX 600, TOPIX 500, Straits Times, Hang Seng, and Toronto Stock Exchange.

Figure 25
Diversity, Equity, and Inclusion Case Studies

Company	**Union Pacific Corporation**
Geography and Industry	United States SICS Sector: Transportation SICS Industry: Rail Transportation
Key Topics	Racial Equity and Workforce Diversity Disclosure
Asset Class	Equity
Key Resolutions	Report on EEO-1 Publish Annually a Report Assessing Diversity and Inclusion Efforts
Background	In August 2020, State Street Global Advisors identified the investor need for better workforce diversity information and formally began calling on our investee companies in the United States to publicly disclose their Equal Employment Opportunity (EEO-1) data. Further, we published our "Guidance on Diversity Disclosures and Practices" which outlines our expectations for effective reporting on inclusion and diversity issues more broadly. At Union Pacific Corporation's 2021 annual meeting, the company received two shareholder resolutions which were relevant to our views of diversity disclosure best practice, 1) Report on EEO-1 & 2) Publish Annually a Report Assessing Diversity and Inclusion Efforts.

Company	Union Pacific Corporation
Activity	Prior to the annual meeting, we engaged with senior management and board members of Union Pacific to discuss diversity and inclusion. During the call we explained the need for EEO-1 data and that we would be supporting the proposal in advance of our forthcoming proxy voting policy which would take effect during the 2022 proxy season. Under this policy, if a company in the S&P 500 does not disclose its EEO-1 data, we will vote against the Chair of the Compensation Committee. Due to the lack of EEO-1 data and to emphasize that disclosure was especially needed before we began to take action against board members, we voted 'For' the Report on EEO-1 shareholder resolution. We also discussed that while the company met most of the expectations with in our diversity guidance, one area that we would like to see disclosed was with regards to the board's role in oversight of inclusion and diversity. The company made a firm commitment to enhance its diversity disclosure which resulted in us voting 'Against' the shareholder proposal to "Publish Annually a Report Assessing Diversity and Inclusion Efforts".
Outcome	As a result of our engagement and proxy voting, Union Pacific made a number of changes to its diversity disclosure, all which addressed our recommendations: • Union Pacific published its first EEO-1 Report in August 2021. • They now provide quarterly workforce reports which are published on their public website. • The company's 2022 proxy now includes new language around diversity and explicit oversight at the board level; the Compensation and Benefits Committee "reviews and discusses with management the Company's human capital management activities and diversity and inclusion initiatives". Our thoughtful engagement and measured use of proxy voting also resonated with the company. In Q3 2021, we were invited to attend and present at a portion of Union Pacific's quarterly board meeting to build upon meaningful engagement discussions we had with the company in the past. As a result of our multi-year engagement efforts, at the 2022 annual meeting, we were fully aligned with the recommendations of management and did not have to apply our EEO-1 director voting policy. The diversity enhancements were also appreciated by the greater investor community as the company did not have any shareholder resolutions go to vote in 2022.

Company	Regions Financial Corporation
Geography and Industry	United States SICS Sector: Financials SICS Industry: Commercial Banks
Key Topics	Racial Equity and Workforce Diversity Disclosure
Asset Class	Equity
Key Resolutions	Director Elections
Background	In August 2020, State Street Global Advisors identified the investor need for better workforce diversity information and formally began calling on our investee companies in the United States to publicly disclose their Equal Employment Opportunity (EEO-1) data. This request was backed by a proxy voting policy which took effect during the 2022 proxy season. Under this policy, if a company in the S&P 500 does not disclose its EEO-1 data, we will vote against the Chair of the Compensation Committee.
Activity	Following the letter that was sent to company boards in August 2020 regarding the need for EEO-1 disclosure, we held over 200 engagements with companies on the topic of racial equity. We also engaged with a number of corporate issuers at the Society Investor Forum in July 2020, including Regions Financial Corporation, where we stressed the importance of effective diversity disclosure.
Outcome	In March 2022, Regions Financial Corporation reached out to advise us that they had published their EEO-1 data. While the company's initial disclosure was not aligned with our expectations, the company was very receptive to our feedback, and worked with us to enhance their reporting such that it met our expectations. The company now publishes an overview of the data in a format that they believe best articulates the diversity of their workforce, as well as the full EEO-1 report.

Company	Honeywell International Inc.
Geography and Industry	United States SICS Sector: Resource Transformation SICS Industry: Electrical and Electronic Equipment
Key Topics	Workforce Diversity
Asset Class	Equity
Background	In 2022, we adopted a proxy voting policy to vote against the Chair of the Compensation Committee if a company in the S&P 500 does not disclose its EEO-1 report.
Activity	We met with Honeywell International Inc. twice in Q4 2021 to discuss the company's Diversity, Equity and Inclusion (DEI) and human rights disclosure and practices. During the engagements, we shared our perspectives and disclosure expectations regarding EEO-1 data. In Q2 2022, the company informed us of its public commitment to disclose their EEO-1 report. Given this commitment, we waived our voting policy and supported the Chair of the Compensation Committee at the 2022 AGM.
Outcome	In Q3 2022, Honeywell International Inc. published its 2022 ESG Report which included enhanced disclosure on the company's DEI efforts, including a link to the EEO-1 report.

Other Engagement Campaigns

In 2022, we also made progress on the following engagement campaigns.

Environmental Risk: Plastics

As part of our plastics campaign, we spoke to twenty of the largest containers and packaging companies in our global portfolio to understand the risks and opportunities posed by plastics to their business and their reporting practices.

We chose to focus on containers and packaging companies because they are central in their positioning in the plastics value chain, which allows them to both impact the demand for polymers and affect the supply of end plastics products. In addition, product innovation by containers and packaging companies can influence consumer demand for end plastic products, thus playing a key role in addressing plastic waste and pollution. Finally, the central positioning of the containers and packaging companies creates opportunities for them to collaborate with different stakeholders across the plastics value chain on the development of solutions and pathways out of plastic pollution.

Key challenges raised by the companies we engaged with include an inability to incorporate recycled content into certain plastic packaging products due to the low supply of recycled content in the market, which also contributes to the increased use of virgin plastic in the production of packaging. It is also important to note recycled plastics at this time do not meet the regulator-determined food-grade label, and often require the addition of virgin plastics to make products more structurally sound. Food needs to be safe for consumption and virgin plastic is usually approved for this specific task across regions. Consistency in the regulated environment is vital. It becomes challenging when there is uneven application of regulation across geographies especially for multinational customers because it is difficult to produce products to meet specific requirements that differ by country. However, even where recycled plastic could be used, the demand for recycled material significantly exceeds the supply, impacting companies' ability to achieve certain circularity targets around incorporating recycled material into their packaging products. This imbalance is a direct result of a lack of robust infrastructure to increase recycling efforts. The need to harmonize and improve waste collection, sorting, and recycling systems is key to improving the supply of recycled content. Through our engagements, we were able to determine that collaboration is essential between stakeholders for informing legislation through a collective voice, developing infrastructure and practices to tackle plastic waste and pollution, and evolving innovative ideas to make products more recyclable.

Innovation in the plastics space, with design and traceability leading the way, is widely perceived as a competitive advantage and a path to more sustainable packaging products. Companies can use design as a way to incorporate less plastic in the packaging of their products, often referred to as "light-weighting," while others are exploring ways to communicate with customers through the use of digitization and watermarks. Design can also be used to ensure all parts of the product are made from one plastic material or even shift to more fiber-based products, all of which can make packaging more recyclable in the regular curb stream recycling process. Traceability entails adding a watermark to packaging products to enable them to be more easily located in recycling facilities, increasing recycling efforts. Barcodes such a QR codes can also be used to interact with customers by allowing access to competitions or discounts or provide sustainability information on the product and recycling process.

The companies we engaged with recognize the need for multiple solutions to tackle the issue of plastic pollution, including innovation, collaboration, better infrastructure, targets, and education all working together. We plan to expand our campaign to other industries in the plastics value chain to enhance our understanding of best practice in the industry and ultimately develop a framework for assessing future shareholder proposals.

United Nations Global Compact ("UNGC") Principles

The Asset Stewardship team identified investee companies with material exposure to the environmental and social risks associated with the UNGC principles, with the expectation that boards and management teams of these companies will take meaningful action to mitigate relevant risks, provide robust board oversight of these efforts, and publicly disclose relevant information. We endeavored to encourage investee companies to manage and disclose UNGC-aligned risks and opportunities, thereby reducing investment risk across our portfolio.

The Asset Stewardship team is in the process of assessing the insights learned from this engagement campaign and developing high-level findings of observed best practices for disclosure and oversight of risk management practices related to UNGC-aligned risks and opportunities.

Geopolitical Risk

The Asset Stewardship team identified investee companies with material exposure to either Russia or Ukraine and engaged with such companies to understand how they are disclosing and managing relevant sanctions, regulatory, reputational, human rights-related, and financial risks stemming from the Russia-Ukraine war, as well as how boards and management teams navigate geopolitical risks and opportunities.

The Asset Stewardship team published "Framework for Stewardship in the Context of Geopolitical Risk Arising from Unexpected Conflict Between or Among Nations," outlining our expectations for impacted companies:

- Manage and mitigate risks related to operating in impacted markets, which may include financial, sanctions, regulatory and/or reputational risks, among others;
- Strengthen board oversight of these efforts; and
- Describe these efforts in public disclosures

Japan Cross-Shareholdings

Cross-shareholdings arise when one publicly-listed company owns a significant number of shares in another publicly-traded company. The Asset Stewardship team engaged with investee companies in the TOPIX 500 which hold significant cross-shareholdings to better understand their rationale for maintaining and/or reducing these holdings over the long-term, as well as to receive feedback on our proposed proxy voting approach.

The Asset Stewardship team established a new proxy voting policy, effective 2023, marking our first formal establishment of numerical threshold expectation for investee companies. State Street Global Advisors may vote against the board leader at those TOPIX 500 companies where the cross-shareholdings (strategic listed shares) held by a company exceed 30% of the company's net assets. We may waive the guideline if a company engages with State Street Global Advisors and provides a specific, timebound, and publicly available plan for reducing its exposure to cross-shareholdings to less than 30% by 2025 or by 50% of the current level by 2025.

6 Identifying and Managing Systemic Risks

Identifying and managing material risks is a critical part of our role as investment fiduciaries and stewards of client capital. In this section, we provide an overview of our risk management framework and explain how we generally identify and respond to market-wide, systemic, and operational risks. We also provide information on the risks we identified and responded to in 2022.

Structure and Approach to Risk Management

State Street Global Advisors leverages principles of the "Three Lines of Defense" model in designing our overall risk framework to drive strong risk accountability, identification, monitoring, and control improvement activities. The first line of defense comprises the business and support teams, such as portfolio managers and research analysts, which have direct risk and control ownership and risk management responsibilities. These teams are supported by an embedded and dedicated Business Risk Management Executive (BRME) team with dual reporting lines to the Chief Operating Officer of State Street Global Advisors and the Chief Administrative Officer of State Street Corporation. The second line of defense comprises the Risk and Compliance teams, which establish and monitor adherence to the risk and control framework and create an additional layer of independence. The third line of defense comprises the Audit team, which provides final assurance that the first and second lines of defense are designed and operating effectively in carrying out these responsibilities.

The second line of defense risk approach is driven by our Enterprise Risk Management Group, led by the Chief Risk Officer. This group includes our Investment, Liquidity, Counterparty, Model, Operational, and Superstructure Risk teams. The group is tasked with monitoring, supporting, and ensuring the management of business risks throughout the organization. The Enterprise Risk Management Group's mission is to protect both our firm and our clients from unintended risks by providing an independent assessment framework to evaluate risk exposures and process controls across asset classes.

ESG Integration in Risk Management

In recent years we have focused on integrating ESG considerations into our risk management processes. In 2022, we continued to build out our climate risk management framework to ensure we are appropriately measuring the climate change risks impacting State Street Global Advisors and our products. We continued to take steps to embed ESG into our processes to ensure ESG is incorporated into the risk team's daily operations.

In July 2022, we designed and ran the first annual State Street Global Advisors Climate Risk Identification Workshop with the purpose of identifying the ways in which climate risks could impact the firm's financial performance, operations, and franchise value. In 2023, we look forward to conducting the second iteration of the Climate Risk Identification workshop and enhancing our processes where needed. We also plan to improve our ESG data infrastructure to ensure completeness and accuracy across teams.

Identifying Systemic Risks

Emerging Risk Review Framework

We have established an emerging risk review framework that allows the Risk team to proactively identify and respond to market-wide and systemic risks in the global financial system and global economies. The framework is intended to help manage and mitigate uncertainties in investment strategies and funds by proactively measuring and quantifying associated risk, thereby enabling a preventive approach to risk management. We have built out our risk management framework to include systemic risks that we believe cut across all traditional risk types.

In 2022, several emerging risks were identified through the framework and reviewed, including:

- Cyberattacks that can inject false price quotes in data feeds, publish fake news through a reliable news organization, or generate an avalanche of non-existent sell orders which would send stock prices tumbling and potentially trigger a market crash.
- Business risk posed by underperformance of ESG products leading to a slowdown in flows or outflows.
- Quantitative tightening by central banks' impact on asset valuations.
- Economic risk posed by the increasing possibility of a recession.
- Geopolitical risks: Decoupling of global markets and the heightening of political or economic instability or conflict that could lead to sovereign default, currency devaluations, or economic contagion.

Investment Risk

The Investment Risk team is responsible for independently monitoring investment risk exposures to ensure that risk contributions are consistent with return expectations and to highlight intentional and unintentional exposures. Attention is focused on where we have risk, how much risk we have, and whether it is consistent with our views and client objectives. Furthermore, the team is in the process of developing an associated framework and risk processes to monitor ESG-related risks. In addition, the team provides portfolio level risk reporting to investment managers — inclusive of climate data reporting when appropriate — to help ensure that they are taking the appropriate levels of risk in their area of expertise.

Liquidity Risk

The Liquidity Risk Management team is responsible for independently monitoring and reporting on asset and funding redemption liquidity risk to ensure appropriate levels of liquidity across portfolios and to ensure adherence to regulatory liquidity requirements. Furthermore, periodic table-top exercises are held with the business to ensure awareness of roles and responsibilities and preparedness of the business and its operations through simulated stress events. These steps, along with regular monitoring and governance, ensure that liquidity risk is well-understood and prudently managed.

Counterparty Risk

The Counterparty Risk Management team strives to prudently manage counterparty risk while enabling traders to achieve best execution for clients. Our objective is to be comprehensive, capturing all elements that materially impact counterparty creditworthiness including asset quality, earnings, funding and liquidity, capitalization, and management. ESG considerations have always been incorporated into our credit views to the extent they materially affect counterparty credit quality. ESG is an evolving topic and in the future, the Counterparty Risk Management team plans to incorporate ESG scores into select reporting to provide integrated data to internal stakeholders. We do not expect ESG scores to impact our credit decisions.

Operational Risk

The role of the Operational Risk Management team is to assist the organization in effectively managing the risk of errors in people, processes, technology, and external events in conjunction with achieving business objectives. The Operational Risk Management team oversees this process by executing a framework to identify, measure, control, monitor, and report on operational risks. In partnership with the business, the team is responsible for delivering a risk governance structure that facilitates risk discovery, prioritization, and management in order to inform business discussions and decision-making. The team is an independent risk function with responsibility for the capability of the firm's people and processes to reliably deliver their business activities, and acts as an operational risk industry liaison, continuously tracking, monitoring, and furthering best practices.

Model Risk

State Street Corporation has company-wide requirements for model risk management to which our models adhere. The Model Risk team administers State Street's Model Risk Management framework to ensure that model risk is identified, assessed, mitigated, and monitored over time. In addition, at State Street Global Advisors, the Technical Committee (a sub-committee of the Investment Committee consisting of a first-line team of investment professionals) is focused on model risk within the Investment Division (which includes all models used to manage and value funds).

Independent model validation is a formally structured process intended to determine whether a model has been developed and implemented consistently with its design objectives and business uses and has an ongoing monitoring plan in place. Validation is performed in accordance with State Street corporate guidelines by independent model risk management validators or by independent first-line reviewers who specialize in the model's asset class and investment style, depending on the model risk tier. The validation conclusions determine if the model is approved for implementation and use.

Model validation is conducted prior to model use and on a periodic basis with a frequency commensurate with the assessed risk and whenever model changes are made, in addition to annual model reviews. These guidelines apply to both internally-developed models and to all third-party models (vendor models).

Superstructure Team

The Superstructure team manages the risk infrastructure at State Street Global Advisors and is responsible for ensuring the firm meets its risk management regulatory requirements. The team oversees project management of key technology and platform initiatives as well as the development and execution of our risk strategy, leading coordination across all risk disciplines and ensuring that client and enterprise risks are identified, measured, and monitored in an effective manner. To support this enterprise risk identification process, the Enterprise Risk Management team prepares an annual overview of the top emerging risks at State Street Global Advisors, with the objective of facilitating an open business discussion on the prioritization and management of evolving risk trends.

Managing Systemic Risks

State Street's risk management framework ("RMF") is an important mechanism in ensuring risks are understood, owned, and managed appropriately. The RMF consists of an integrated set of programs that complement each other, and each of which maintains policies, processes, and tools to assist in controlling and measuring risk, and withstanding the financial impact from both expected and unexpected events. These programs include Material Risk Identification ("MRI"), Risk Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRI"), and Targeted Risk Assessments.

The effectiveness of risk management is assessed through the results of the various programs using the below criteria:

- Their usefulness for senior management and Board decision making;
- Accuracy of risk identification in assessing the materiality of the risks firm is exposed to;
- Appropriateness of risk limits in providing warning early enough for the firm to take effective action so as to prevent a risk appetite breach;
- The time taken to remediate a breach;
- Effectiveness of controls to reduce the severity of a risk, or combination of risks, which have an adverse impact (financial or reputational) on the firm; and
- Firm performance compared to prior years, as well as that of peers within the industry.

Managing Industry Risk and Liquidity Risk

In the past decade, crises have demonstrated that liquidity risk has often been the cause of fund failures and contagion risks across asset classes. We have sought to manage systemic risks from a lack of liquidity by building out a liquidity risk management framework based on measurement and monitoring, contingency planning, and disclosures, transparency, and governance.

Clear and transparent disclosures have resulted in a set of liquidity risk management tools designed to minimize and mitigate liquidity risks for funds. Furthermore, regular table-top exercises are held within each investment and product team to ensure that the teams are aware of the steps to follow and that processes are well-documented and understood. These steps, along with regular monitoring and governance, have ensured that systemic risk arising from liquidity is well understood and appropriately managed.

Given the size of our assets under management, our engagement and voting practices play a key role in managing systemic risks. We consider key systemic risks when developing our stewardship priorities. Please refer to Chapter 5, Stewardship Priorities, for more information.

Effectiveness of Our Risk Management Approach

We are comfortable that our approach to risk management — including the identification of, and response to, market-wide and systemic risks — helps to promote well-functioning markets. In recent years, we have recognized that we need to focus on improving our governance and oversight of ESG risks. Although establishing an ESG Committee demonstrates significant progress in this area, we will continue to develop our ESG risk governance. Risk team membership of the ESG Committee and attendance at the Global Product Committee and Investment Committee will continue to enhance our broader oversight of ESG risks across the business.

7 Stewardship Enablement

We believe an effective stewardship approach is underpinned by strong governance, resourcing, and robust processes and must follow a deliberate and well-considered approach. In this section, we describe the governance structure of State Street Global Advisors, how we align our remuneration and incentives program to our core values, and our model for managing conflicts of interest.

Our Approach to Governance

State Street Global Advisors sits within State Street Corporation's wider corporate governance framework, led by its Board of Directors. Within State Street Global Advisors, our governance structure is designed to support effective and efficient decision-making and provide oversight of business functions. The structure consists of an Executive Management Group (EMG), which is composed of the firm's most senior leadership serving as a consultative body for the benefit of the firm's President and Chief Executive Officer (CEO).

The EMG is responsible for strategic planning, business goal and financial tracking, overall firm governance, and talent management. It also oversees the activities of the six senior committees: the Risk Committee, the Global Investment Committee, the Global Fiduciary and Conduct Committee, the Global Product Committee, the Global Operations and Compliance Committee, and the ESG Committee. These six senior committees, and the subcommittees underlying them, govern the establishment and implementation of firm-wide policies and procedures and provide broad oversight of the business functions. This governance structure is administered by an Internal Governance Oversight team, which focuses on promoting efficiency, clarity, and accountability with respect to decision rights and firmwide oversight.

In 2022, State Street Global Advisors' first-line ESG team established a dedicated ESG Operations team to support our ESG governance framework. This team's remit includes facilitating the work of the State Street Global Advisors ESG Committee, providing support around ESG policies, procedures, and controls, and advancing the firm's efforts to meet regulatory requirements and public commitments related to ESG and stewardship matters.

Figure 26

Governance Structure

Executive Management Group (EMG)

Consultative body responsible for strategic planning, business goal and financial tracking, overall firm Governance and talent management.

↑ Reporting

Risk Committee

Responsible for ensuring the alignment of strategy, risk appetite, and risk management standards (corporate-wide).

Subcommittees

- EMEA Risk
- Liquidity
- Model Risk

↑ Escalation of Material Risk Breaches

Reporting

Environmental, Social & Governance (ESG) Committee

Responsible for overseeing the firm's ESG and proxy voting framework and philosophy.

Global Investment Committee

Responsible for the firm's investment philosophy and processes, investment strategies, approach to new markets and instruments, and relationships with counterparties.

Subcommittees

- Technical
- Trade Management Oversight
- Investment Strategy Review
- Securities Lending

Global Product Committee

Responsible for the creation of products based on the firm's investment strategies.

Subcommittees

- North America Product
- EMEA Product
- APAC Product
- Sub-Advisory Oversight

Global Fiduciary & Conduct Committee

Responsible for addressing fiduciary and business conduct matters across the firm and oversight of the firm's collective investment funds.

Subcommittees

- EMEA Fiduciary
- APAC Fiduciary
- Independent Fiduciary
- Class Action Litigation
- Sales Practices

Global Operations & Compliance Committee

Responsible for the firm's operating infrastructure & compliance functions.

Subcommittees

- North American Valuation
- EMEA Valuation
- APAC Valuation
- Global Operational Risk
- Business Technology Investment

Source: State Street Global Advisors. As of 31 December 2022.

Launch of the ESG Committee

To strengthen governance of stewardship and ESG investing, we established an ESG Committee in January 2022. The ESG Committee is responsible for overseeing the firm's ESG and proxy voting framework and philosophy, including the responsibilities formerly overseen by the Proxy Review Committee. The ESG Committee is a sub-committee of the Global Investment Committee and is chaired by Karen Wong, our Global Head of ESG and Sustainable Investing. The ESG Committee's purpose is:

- To oversee State Street Global Advisors' ongoing commitments to ESG and sustainable investing, related business practices, and public policy matters relevant to the firm, both with respect to the firm itself and in its capacity as an asset manager (collectively "ESG Matters"), and
- To oversee the Asset Stewardship team's proxy voting and issuer engagements on behalf of the Firm's discretionary portfolios (collectively, "Asset Stewardship Matters") and to review and approve the policies, guidelines, and guidance that pertain to State Street Global Advisors' proxy voting and engagement activities "the Voting and Engagement Policy").

The ESG Committee is composed of senior staff across our Investment, Client-facing, Legal, Compliance, Risk Management, and Operations teams.

In 2022, the ESG Committee monitored and oversaw the implementation of ESG regulatory obligations and expectations across jurisdictions, including the US, Europe, Hong Kong, Singapore, and the UK, as well as ESG public commitments globally, including participation in the Net Zero Asset Manager initiative. Additionally, the ESG Committee adopted oversight of the firm's ESG Investment Statement and reviewed ESG integration processes across all active asset classes. Specifically for asset stewardship matters, the ESG Committee reviewed and approved the Voting Policy. In addition, the Committee reviewed and approved the asset stewardship priorities and the Voting Policy changes related to State Street Global Advisors' proxy voting choice program.

Our Approach and Oversight of Proxy Voting Policies

The Asset Stewardship team publishes both a set of Global Voting and Engagement Principles and six market-specific Voting and Engagement Guidelines (collectively, the "Voting and Engagement Policy"). We have also published Global Proxy Voting and Engagement Guidelines for Environmental and Social Factors to offer further information to investee companies. The ESG Committee is responsible for reviewing and approving, at least annually, the Proxy Voting and Engagement Policy and any amendments thereto and overseeing the application of and compliance with the Proxy Voting and Engagement Policy, including approval of any material exceptions to the Proxy Voting and Engagement Policy.

As mentioned previously, the firm's Securities Lending for Proxy Voting Procedure is reviewed annually by relevant teams.

Team Structure and Resourcing

We have a team of dedicated ESG and Asset Stewardship staff who devote 100% of their time to ESG and Asset Stewardship. In addition, we have a number of other ESG resources across the business within individual Investment, Legal, Compliance, Marketing, Operations, and Reporting teams, who devote a significant portion of their time to ESG-related matters. Biographies of the senior leaders of our Asset Stewardship team are provided in Appendix C.

Our Asset Stewardship team is based around the globe — operating out of the US, the UK, Poland, Australia, and India. The team has extensive industry experience and varied backgrounds and encourages diversity of thought. Team members have professional expertise in the fields of governance, corporate strategy, environmental management, and economics. This expertise was developed in corporate, advisory, and financial roles.

We aim to continue to invest in resourcing our stewardship activities. In 2021, State Street Global Advisors sought to strengthen our ESG and asset stewardship programs by hiring a new Global Head of ESG and Sustainable Investing and by adding team members to cover our Asia-Pacific engagement activities to further enhance the process and control environment in our Asset Stewardship Program. Additional hires grew the team by one third from year-end 2021 to year-end 2022, and we will continue to evaluate the staffing level of the Asset Stewardship team to assess needs over time. During 2021 and 2022, we enhanced oversight of key asset stewardship metrics as represented in external disclosures by developing procedures for consistent processes and controls.

In addition to assessing and developing our resourcing, we also aim to effectively leverage technology and use a robust prioritization approach to achieve our stewardship objectives. For example, through R-Factor, we use technology to help us identify companies with which we may consider prioritizing engagement. Beyond this, a continued key focus is on developing key performance indicators to manage and track our engagement and proxy voting activities in a more systematic way. In 2022, the data generated through these key performance indicators, complemented by R-Factor, helped us better understand how our engagement with a company encourages their improved public disclosure practices of financially material ESG-related risks and opportunities, and how this enhanced disclosure impacted their R-Factor score.

Training and Knowledge Sharing

Our ESG and Asset Stewardship teams provide ESG training internally to key stakeholders on an ongoing basis and across firm functions in global locations, including portfolio management, sales, relationship management, portfolio strategy, and research teams. Training covers a variety of ESG topics and developments, including voting policies and engagement, investment strategies and products, taxonomy, as well as portfolio assessment on ESG score, climate and business involvement, and controversy. Members of the ESG and Asset Stewardship teams regularly meet with internal colleagues to discuss industry trends, client needs, research priorities, ESG metrics and analytics, and new ESG strategies, among other topics. For example, the ESG Investment Forum, which is facilitated by the ESG Investment Strategy team, is designed to provide colleagues with insights about the latest ESG trends. In addition, our Climate Club, a forum with over 200 members across multiple functions at State Street Global Advisors and other parts of State Street, allows our internal stakeholders to share information about the evolving climate and ESG landscape. We see this as a useful and informal tool to connect teams from across the business with regard to climate updates on various topics.

Third-Party Service Providers

We enhance the services provided by our in-house resources through third-party service providers. The most notable of these are third-party data providers, which are employed to generate R-Factor scores and ISS, which assists us with managing the voting process at shareholder meetings. In the voting process, we use ISS to help monitor our voting rights across the asset classes in which we invest.

In situations in which we use third-party providers, they are expected to deliver the same standard that we have set for our internal resources. We employ robust processes and governance oversight to monitor service providers and engage with them when expectations are not being met.

Monitoring R-Factor Data Providers: We designed and built R-Factor, which is an ESG scoring system that leverages multiple data sources and aligns them to widely accepted, transparent materiality frameworks, to generate a unique score for listed companies. It draws on our systematic investment management expertise and offers deeper insights and stronger solutions to our clients. We have incorporated the SASB materiality map into the R-Factor framework because of SASB's consultative approach and the strong academic evidence that supports the implementation of such standards. By aligning this approach to the SASB frameworks, we aim to support and facilitate the development of a market infrastructure that makes material ESG data available to investors. R-Factor relies on third-party data and is a key tool in our ESG integration approach. Regular meetings with providers allow us to provide clear and actionable criteria to those third-party providers, where data governance issues can be flagged, to ensure R-Factor continues to be fit for purpose in driving ESG integration. See here for more information on R-Factor.

Monitoring Proxy Voting Activities: As set out above, we use ISS to support our proxy voting processes and proxy voting program. As part of this relationship, ISS assists us with managing the voting process at shareholder meetings. We employ ISS to:

- Act as our proxy voting agent (providing us with vote execution and administration services)
- Assist in applying our voting guidelines
- Provide research and analysis relating to general corporate governance issues and specific proxy items
- Provide proxy voting guidelines in limited circumstances
- Provide proxy voting policies for our proxy voting choice program, which offers more investors to direct how shares held in certain funds they own are voted

All of State Street Global Advisors' voting decisions and engagement activities are undertaken in accordance with our in-house policies and views, ensuring that the interests of our clients remain the sole consideration when discharging our stewardship responsibilities.

During the first half of the year, the Asset Stewardship team performs a daily audit of the implementation of our Voting Policy by our proxy voting agent. As part of this process, a meeting under review is assigned as an audit meeting through a random process and assigned to an analyst on the Asset Stewardship team. The analyst reviews the vote decisions by the proxy agent for each item on the ballot to ensure that our Voting Policy is implemented appropriately.

Additionally, the Stewardship team selects a set of meetings (25 in Q1, Q3, and Q4, and 50 in Q2) to audit in order to ensure our proxy voting guideline implementation by ISS is accurate. From the time the Asset Stewardship team signs off on the meeting list, ISS has 30 days to complete the audit and provide results to the Asset Stewardship team. A memo explaining any errors identified in the audit accompanies the audit results.

Periodically, we undertake a due diligence exercise with ISS with respect to their support of our firm proxy voting policy as well as their support of our proxy voting choice program. Our team consists of governance, compliance, and operational specialists. The team undertakes a review of ISS staff resources and competencies, systems, processes, and controls. As committed to in our 2021 Report, we reviewed our use of ISS in 2022 to ensure that the quality and timeliness of the service remain high. As part of our 2022 review, we performed due diligence on the extension of ISS services to their support of our proxy voting choice program. We did not identify any material concerns from this review.

In addition, we also have access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items.

We do not automatically follow vote recommendations of ISS or other proxy advisors; instead, we have put in place our own voting policy with specific voting instructions. All final voting decisions are based on our proxy voting policies and operational guidelines.

In 2022, our voting stance differed from ISS recommendations by approximately 9% of votes. When our stance differs, the majority of our votes cast are usually against management — particularly around issues of board elections, as we have specific custom policies on issues, such as gender diversity and board refreshment and independence that reflect our consideration of acting in the best interests of our clients. Our proprietary R-Factor ESG scoring system, among other factors, may also help inform our voting decisions.

Linking Remuneration to Our Stewardship Activities: Performance and Incentives

Each year, our Global Human Resources team participates in compensation surveys to provide State Street Global Advisors with critical, market-based compensation information that helps support our compensation design, structure, and pay decisions. Subject to State Street's and State Street Global Advisors' business results, we allocate an incentive pool to reward our employees. Since the size of the incentive pool is based on the firm's overall profitability and performance against risk-related goals, each staff member is motivated to contribute both as an individual and as a team member.

The incentive pool is allocated to various functions within State Street Global Advisors. The discretionary determination of the allocation amounts to business units is influenced by market-based compensation data as well as by the overall performance of the whole of State Street. Individual compensation decisions are made by each employee's manager in conjunction with the senior management of the employee's business unit. While investment performance is an important component of individual compensation awards, it is not the only factor. Performance against risk-related goals is an important component of the overall funding of the incentive compensation pool and an important consideration of the discretionary compensation decisions at the individual level.

For our investment teams, we recognize and reward performance by linking annual incentive decisions for investment professionals to investment performance over a multi-year period. This includes ESG strategies where they support the strategies' risk profile, achievement of mandates, or investment outcomes. As part of our "Total Rewards" strategy, we continuously review compensation and benefit offerings to ensure strong alignment with best practices in the marketplace. To seek to align the performance of senior personnel to the performance of the firm, we incentivize senior personnel with significant deferred compensation in the form of State Street stock awards. These incentives vest over a four-year period. In addition, active management equity teams have a portion of their deferred compensation tied to product performance.

The CEO and executive vice presidents receive incentive compensation awards that may be impacted by goal behaviors that include serving as an ethical role model and ensuring that management practices such as diversity, inclusion, and employee engagement initiatives are in place to deliver the required talent pipeline. These goals and behaviors are tracked and measured using targeted scorecards. Those in senior management functions, including our chief risk officer and chief financial officer, have included climate change objectives in their statements of responsibilities that may impact incentive compensation if those objectives are not met.

Our approach to performance management involves a collaborative planning process and ongoing assessments, enabling flexibility to account for evolving business priorities, more opportunities for professional challenge, and discussions on risk excellence and better performance differentiation across the workforce. In terms of our performance management system, we focus on individual performance priorities as well as demonstrated behaviors, so the core evaluation focuses on how goals are achieved — not just what is achieved.

Risk excellence and leadership qualities are also evaluated. Additionally, our performance management system requires each manager to list a specific goal related to diversity and inclusion. This goal is reviewed and measured throughout the year, which could impact performance assessments and incentive compensation outcomes.

Assurance of Our Asset Stewardship Program

Our Stewardship Program is subject to periodic internal independent assurances and reviews conducted by State Street's Internal Audit department. Internal Audit's scope encompasses, but is not limited to, the assessment of the design and effectiveness of controls used to support State Street Global Advisors' Asset Stewardship program. Specific areas of coverage have included issuer engagement, proxy voting, as well as governance and reporting.

Within daily operations, each stewardship analyst has access to a handbook document that serves as a reference point for analysts on various stewardship topics including, but not limited to, proxy voting procedures, guidelines for engagement, advisor oversight, conflicts of interest, and information sharing. Our handbook document is intended to be a living, centralized, helpful resource that is refreshed and enhanced on ongoing basis.

We did not seek any external assurance of our Asset Stewardship Program in 2022. Instead, we utilized internal assurance resources because we believe they allow us to allocate resources appropriately and leverage existing teams and processes to ensure that our activities are robust. In the future, we may seek external assurance over our stewardship activities and related disclosures. Examples of the processes and oversight that support our stewardship activities include:

- **Internal Audit Reviews:** Our Internal Audit function periodically conducts independent reviews of our internal controls, such as the processes and controls followed in our stewardship activities.

- **Committee Oversight:** The ESG Committee oversees all ESG and Asset Stewardship matters. In addition, both the Model Risk Committee and the Technical Committee have reviewed, validated, and approved our R-Factor methodology and scoring system, which supports our stewardship activities. The Model Risk committee is responsible for validating R-Factor models, specifically data governance and controls.

- **Stress-testing Client Portfolios Against Climate Change Scenarios:** Our Investment Risk team is running scenario analyses relevant to each strategy, where climate scenarios might be used in the context of climate strategies.

- **Risk Reviews:** Investment and Liquidity Risk teams consider ESG factors in their risk reviews with portfolio managers, if relevant.

Our goal is to ensure that our stewardship reporting is fair, balanced, understandable, and serves our clients' best interests. For example, when we publish company engagement case studies, we select examples that are balanced among different sectors and regions and based on a wide range of topics, challenges, and successes. Some examples of these case studies can be found in Chapter 5, such as engagement case studies on Board Oversight, Climate Risk Management, and Diversity, Equity and Inclusion. All stewardship publications, including activity reports, guidance, thought leadership, and vote bulletin pieces, are reviewed by relevant senior leaders within the Asset Stewardship and ESG team. They are also reviewed as part of our broader marketing compliance process before publication.

Our Conflicts of Interest Policy

State Street Corporation has a comprehensive standalone Conflicts of Interest Policy and other policies that address a range of identified conflicts of interest that may apply to State Street Global Advisors. Under the Conflicts of Interest Policy, State Street Corporation defines a conflict of interest as "a circumstance where State Street or its employees have interests or relationships that could raise questions about State Street's objectivity, judgment, or ability to perform services for a particular client or group of clients." The Conflicts of Interest Policy sets forth State Street's approach to identify and appropriately manage all conflicts of interest in connection with the provision of State Street's services. When a potential conflict is identified, State Street responds with a combination of disclosure, mitigating controls, or conflict avoidance. The Conduct Risk Management Office serves as an escalation point. The Conflicts of Interest Policy is reviewed periodically and was last updated in 2022.

In addition, State Street Global Advisors maintains a conflicts register that identifies key conflicts and describes systems in place to mitigate the conflicts (the "Conflicts Register"). Further, State Street Global Advisors' Managing Conflicts of Interest Arising From State Street Global Advisors' Proxy Voting and Engagement Activity Guidelines (the "Conflicts Guidelines") are designed to act in conjunction with related policies and practices employed by other groups within the organization and complement those policies and practices by providing information about managing the conflicts of interests that may arise through State Street Global Advisors' proxy voting and engagement activities.

The combination of the Conflicts of Interest Policy, Conflict Register, and guidelines detailed above enable us to identify, manage, and mitigate conflicts of interest that may arise through our business activities.

Conflicts Arising From Our Stewardship Activities

A number of potential conflicts of interest may arise in our role as an asset steward. We have therefore identified mitigants and a process for governance oversight of such potential conflicts. For example, State Street Global Advisors assigns sole responsibility for the implementation of proxy voting guidelines to members of its Asset Stewardship team, a team that is independent from other functions within the organization, such as sales and marketing, investment, or client-facing teams. Proxy voting is undertaken in accordance with our Voting Policy, which is overseen by the ESG Committee and reviewed at least annually. In rare circumstances where nuances within specific proxy proposals fall outside of the scope of the Voting Policy, requiring case by case analysis, such proposals are escalated to the head of Asset Stewardship and reported to the ESG Committee. Voting consistently with the Voting Policy helps mitigate potential conflicts of interest, as the Voting Policy is determined without reference to any specific entities or relationship.

Typical conflicts of interest that we manage and the protocols designed to help mitigate potential conflicts of interest include those covered in Figure 27 below:

Figure 27
Examples of Potential Conflicts of Interest and Mitigation Protocols

	Stewardship Conflict of Interest Description	Typical Conflict Mitigation Protocols That We Employ
Business Relationships	A conflict of interest may arise where, for example, we hold investments in companies with which we, or our affiliates, have material business relationships.	Assigning sole responsibility for the implementation of proxy voting guidelines to members of Asset Stewardship team and voting in accordance with the Voting Policy are our primary conflict mitigation protocols. Furthermore, the voting rationale is recorded to provide transparency. Additional mitigation steps may be implemented on a case-by-case basis. This may include, for example, blackout periods for communications with issuers/clients.
Equity Investments	A conflict of interest may arise where client accounts and/or State Street Global Advisors pooled funds, where State Street Global Advisors acts as trustee, may hold shares in State Street Corporation or other State Street Global Advisors affiliated entities, such as mutual funds affiliated with SSGA Funds Management, Inc.	Mitigants may include, for example, outsourcing voting decisions relating to a shareholder meeting of State Street Corporation or other State Street Global Advisors affiliated entities to independent outside third parties. In such cases, delegated third parties exercise voting decisions based upon State Street Global Advisors' Voting Policy.
Outside business interest	A conflict of interest may arise where an Asset Stewardship Team employee or a key employee in the firm has an outside business interest (such as a director role in a company we invest in, or in the same industry as we invest).	State Street Global Advisors maintains an Outside Activities Policy and employees must submit a request requiring approval before undertaking any outside activities that are captured by the Outside Activities Policy. The request will be reviewed by the employee's manager and the Conduct Risk Management Office to ensure compliance with applicable policies and procedures (such as the Global Anti-Corruption Policy and the Standard of Conduct) and ensure potential conflicts are mitigated. Additional mitigation steps may be implemented on a case-by-case basis. This may include, for example, retaining an independent fiduciary to make a voting decision where State Street Global Advisors believes it may be conflicted from voting due to an employee's outside business interest.

	Stewardship Conflict of Interest Description	Typical Conflict Mitigation Protocols That We Employ
Other Personal Conflicts	A conflict of interest may arise where a family member or other personal contact of an employee is employed by a company in which we invest.	Mitigation steps may be implemented for personal conflicts on a case-by-case basis. This may include, for example, filing a Personal Conflicts declaration with a mitigation strategy to document how the conflict will be avoided. Such strategies may include, for example, a member of the Asset Stewardship Team with a conflict recusing him/herself from voting and participating in engagement activities at the relevant company, and implementing blackout periods for communications with issuers/clients.
Securities Lending	We may lend securities that we hold in one of our portfolios to another financial counterparty. This may create a conflict of interest regarding whether to recall those securities to enable us to vote on behalf of the portfolio in a shareholder resolution, which may impact the intended securities lending income.	Our approach to securities lending recall, and any potential conflicts that may be created through our securities lending recall activity, is governed by the Securities Lending Recall for Proxy Voting Procedure, which is co-owned by the Asset Stewardship team, Securities Lending team, and Proxy Operations Group. The conflict mitigation protocols include predefining criteria to systematically recall shares, periodic review of the recall procedure by relevant stakeholders, and periodic reporting of recall activities and associated forgone lending income to the relevant internal governance bodies.

Source: State Street Global Advisors, as of 31 March 2023.

Conflicts of Interest Identified in 2022

Conflicts of interest that arise are captured within our Conflicts Register. In 2022 we added one new conflict of interest to our Conflicts Register that was unrelated to asset stewardship. We also amended an existing conflict on the Conflicts Register to reference potential conflicts related to greenwashing. Our Conflicts team also collaborated with the Asset Stewardship team during the year to review the conflicts related to stewardship and confirm their inclusion on our Conflicts Register, as well as the associated controls and mitigants in place.

We believe the approach we have outlined above sets out the robustness of the internal policies and procedures we follow for managing conflicts of interest. In 2022, we further developed our Conflicts Guidelines to better capture the processes we already follow internally. We look forward to reporting again in next year's report on how this has impacted our management of conflicts of interest. Examples of how we managed specific conflicts of interest during the reporting period include:

- Outsourced voting decisions relating to shareholder meetings of State Street Corporation and another company where State Street Corporation's CEO, Ron O'Hanley, serves as a board member to an independent third party. These conflicts were categorized as outside business interests and were mitigated by outsourcing voting decisions.

- Required recusal of an employee from participating in voting and engagement activities with a specific issuer due to a personal relationship. This conflict was categorized as a personal conflict and was mitigated by recusal of an individual from specific activities.

8 Other Efforts Related to Stewardship

State Street Global Advisors recognizes our responsibility to support well-functioning markets. We do this through a multi-targeted approach focused on engagement with the market. We engage with regulators, policymakers, our clients, our company, and our investee companies on key systemic risks, and we take action where necessary. This section will review each of these dimensions of our holistic approach toward fulfilling this responsibility.

Engagement With the Market

In the following sections, we discuss how we engage with and communicate to the market.

Thought Leadership

We promote awareness of our stewardship priorities in various ways, one of which is through the publication of quarterly reports and thought leadership content on our website. Examples of thought leadership that we issued in 2022 across a range of topics include:

Climate Change

- Climate Stewardship
- Addressing Deforestation Risk in Supply Chains
- Guidance on Climate-related Disclosures
- Disclosure Expectations for Effective Climate Transition Plans

Diversity

- Board Gender Diversity: Global Insights
- Gender Diversity on Boards in Gulf Cooperation Council Countries
- Guidance on Diversity Disclosures and Practices

Other Thought Leadership Samples

- The Role of Long-Term Shareholder Voice
- Making It Plain: Our Asset Stewardship Approach
- Our Stewardship Approach to the Russian Invasion of Ukraine
- Human Capital Management Insights
- Framework for Stewardship in the Context of Geopolitical Risk
- Guidance on Human Rights Disclosures and Practices
- Guidance on Human Capital Management Disclosures & Practices

Public Speaking and Press Coverage

In addition to our thought leadership, we also seek to provide our perspectives by participating in industry and stakeholder gatherings as panelists and keynote speakers. We use the speaking opportunities to amplify our message on stewardship or share our views on developing issues. A list of events that we have participated in can be found in Appendix B. Similarly, we utilize opportunities to engage with the press to promote aspects of stewardship and ESG topics that we think are particularly important for our investors and the wider industry.

Collaboration With Other Market Participants

It is important to note at the outset that, in order to properly exercise the fiduciary duties that we owe to our asset management clients, State Street Global Advisors must always act independently when making decisions regarding how to invest our clients' assets and how to vote with respect to the equity securities in which we invest those assets. While we always make our own independent investment and voting decisions when managing our clients' assets, we have joined various industry groups, discussed in more detail below, so that we can participate in conversations, discussions, and information sharing with respect to issues that impact global and local markets and that impact the long-term value of our clients' assets. We believe that this approach, remaining independent but joining industry groups to participate in industry-wide efforts to drive long-term shareholder value creation, is consistent with the fiduciary duty that we owe to our clients, while also allowing us to remain in compliance with the variety of laws and regulations applicable to State Street Global Advisors across the globe.

The reasons that we participate in various multi-national organizations and industry initiatives are to expand our knowledge of certain thematic issues and share our views with other industry members, and to seek the best available information regarding sustainability and systemic risks that may help us serve our clients. The following is a non-exhaustive list of the industry organizations and initiatives that we have joined, which are designed to address and explore topics related to material sustainability risks and the development of more sustainable capital markets.

- 30% Club
- CDP
- Ceres Investor Network
- Climate Action 100+
- Climate Bonds Initiative
- Council of Institutional Investors
- International Financial Reporting Standards Foundation Sustainability Alliance
- Institutional Investors Group on Climate Change
- Investor Leadership Network
- Investor Stewardship Group
- International Sustainability Standards Board Investor Advisory Group
- Japan Stewardship Code
- Net Zero Asset Managers initiative
- One Planet Asset Managers initiative
- Responsible Investment Association Canada
- Sustainable Trading
- Task Force on Climate-related Financial Disclosures
- Transition Pathway Initiative
- United Nations Principles for Responsible Investment

Additionally, our parent corporation, State Street Corporation, is a member of various organizations and initiatives including UN Global Compact and Investment Leaders Group. State Street Global Advisors participates through certain of those parent company relationships, as described further below.

We provide here a summary of our participation in or support for various organizations and initiatives and the influence our activities have had on the public issuers in which we invest our clients' assets. Below we highlight what we believe are particular benefits to our clients and the broader capital markets with respect to standards-setting, improving material disclosures, contributions to research and knowledge-sharing, and supporting diverse market participation.

Supporting Standards-Setting

Climate Bonds Initiative (CBI) We are a close partner with the Climate Bonds Initiative, with whom we coordinate research on the topic of green bonds. Our role within this partnership allows us to support global development to mobilize the largest capital market of all, the US $100 trillion bond market, for transition to a low-carbon economy. The CBI helps develop a trusted standard for bonds to encourage issuers to certify that debt instruments, assets, or entities meet CBI's published criteria, as well as supports investors who want to use green bonds to improve the climate profile of their portfolios in a quantifiable way. We are also a significant investor in green bonds and a founding member of the Green Bond Principles, which are incorporated in the Climate Bonds Standard.

International Sustainability Standards Board Investor Advisory Group (ISSB IIAG) (formerly Sustainability Accounting Standards Board: Investor Advisory Group (SASB IAG)) Our membership on the IIAG allows us to participate in the ongoing monitoring and reviewing of the SASB standards, which are a widely accepted framework for assessing materiality used by the market. The IIAG provides a forum to discuss with asset owners and other asset managers the role of the SASB framework in the market, as well as ways to help our clients understand how the consolidation of the Value Reporting Foundation (VRF) under the International Financial Reporting Standards (IFRS) umbrella will help achieve better consolidation and standardization of sustainability reporting frameworks.

The IFRS Foundation, into which the VRF consolidated, is a not-for-profit, public interest organization established to develop high-quality, understandable, enforceable, and globally accepted accounting and sustainability disclosure standards. Their standard-setting framework follows a multi-year process that encompasses evidence-based research followed by consultation and engagement with investors and other industry experts. Through this framework, the SASB materiality map was developed, which ranks sustainability issues across 77 industries in 10 sectors and offers companies a clear disclosure framework that aligns with investor and market needs. This is consistent with our support for standardized disclosure by issuers of material risks and opportunities, particularly in alignment with their industry peers.

We are pleased that the SASB standard is gaining recognition as a disclosure framework among issuers. In turn, this is a core part of how we integrate ESG into certain equity and corporate debt portfolios and identify targets for engagement.

For years, we have been an active participant in quarterly IIAG meetings to share information about reporting frameworks that may benefit investors and help issuers with their disclosures. In 2022, we also contributed to an accountant-investor dialogue panel to promote shared understanding between investors and accounting professionals about sustainability-related financial disclosure and to help enhance market confidence in that disclosure.

International Financial Reporting Standards (IFRS) Sustainability Alliance In 2022, we participated in the IFRS Sustainability Alliance to learn about and share our views on the ISSB's multi-year plans to expand and improve on the SASB standards. We believe that consolidation and standardization of ESG reporting frameworks will provide investors with clearer insights that may inform their investment preferences.

Supporting Better Disclosure

Climate Action 100+ Since 2020, we have been a signatory to Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We are one of 700+ investors, responsible for over US $68 trillion in assets under management, who are engaging companies on improving climate change governance, reducing emissions, and strengthening climate-related financial disclosures. Broadly, the initiative aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. State Street Global Advisors also participated in the Climate Action 100+ Benchmark 2.0 consultation to share feedback on the proposed updates. Our Asset Stewardship team held an engagement with Climate Action 100+ after submitting our comments to discuss the alignment of the benchmark with our expectations for climate-related disclosure, as well as share perspectives on evolving investor and market expectations and disclosure trends.

In 2021, we began an engagement with Rolls-Royce Holdings as part of our participation in Climate Action 100+. Our engagement with Rolls-Royce focused on understanding the company's approach to developing its net zero strategy and related goals, as well as enhancing climate-related disclosure in line with TCFD. Since that time, we are pleased to share that Rolls-Royce has released a report outlining its strategy for transitioning to net zero and held a dedicated investor webcast to discuss its latest commitments. These include defining a science-based target to reduce the lifetime emissions of new sold products 35% by 2030, pivoting 75% of research and development expenditure towards lower carbon technologies by 2025, and making all commercial aero engines compatible with 100% sustainable aviation fuels by 2023, among others.

Net Zero Asset Managers initiative (NZAMI) In 2021, State Street Global Advisors joined the Net Zero Asset Managers initiative because we believe climate change is a systemic risk that may have impacts on our economy and society if those risks are not managed properly. As fiduciaries, we believe net zero initiatives are helpful tools in managing long-term investment risk from climate change for our clients. In 2022, we made initial progress toward our net zero goals, beginning with setting our interim targets and establishing baseline reporting. In addition, we have called on issuers in major indices in the US, Canada, UK, Europe, and Australia to align with the climate-related disclosures requested by the TCFD.

During the target setting process, we worked with NZAMI network partners (Institutional Investors Group on Climate Change, Ceres), as well as other asset managers through the Investment Company Institute and other affiliates, to understand different methodologies available for target setting. Understanding the methodologies and their limitations is critical in ensuring the selection of the most appropriate approach for the asset classes in which we invest. We also share our experience and knowledge with other investors and affiliations such as the Investor Leadership Network to help enhance the target setting process and develop industry best practices.

Task Force on Climate-related Financial Disclosures (TCFD) The premise of the TCFD is that climate change presents financial risk to the global economy. Accordingly, financial markets need information on the impacts of climate change, including risks and opportunities. TCFD relies on industry support to drive adoption, and because we share the view that financial markets benefit from the recommended disclosure, we have been a supporter since 2017. We have encouraged disclosure by issuers since we first endorsed the framework, and in 2022, we began voting against companies that did not align with our published guidance.

Taskforce on Nature-related Financial Disclosures (TNFD) State Street Corporation is a member of the TNFD Forum. The launch of the TNFD represents an important step in developing a consistent framework to support identification and disclosure of nature-related risks. The State Street Global Advisors Asset Stewardship team began participating in the TNFD Observer Group in 2022 to support our learning and capacity building, as well as seek opportunities to share input on the TNFD's initiatives.

United Nations Principles for Responsible Investment (UNPRI) State Street Global Advisors is a signatory member of UNPRI, supporting and participating in disclosure around the investment implications of ESG factors. While UNPRI did not hold a reporting cycle in 2022, we remained active in the initiative, including participating in the Signatory General Meeting and the PRI in Person and Online 2022 conference to support knowledge-sharing.

Supporting Research and Knowledge-Sharing

Ceres Investor Network State Street Global Advisors joins 220 institutional investors managing more than US $60 trillion in assets as part of the Ceres Investor Network. The Ceres Investor Network provides an opportunity and forum for investors like State Street Global Advisors to learn more about emerging sustainability related issues that are relevant to proxy voting and engagement. In 2022, we participated in a number of working groups within the Ceres Investor Network including the Land Use and Climate Working Group, as well as the Carbon Asset Risk Working Group. To support sustainable capital markets, we also participated in the Ceres Paris Aligned Investment Working Group, which assists investors who are considering making a net zero commitment or developing Investor Climate Action Plans. As a participant, we support institutional leadership in their transition to net zero.

Council of Institutional Investors (CII) State Street Global Advisors is an Associate Member of the Council of Institutional Investors. CII is an industry group that provides an opportunity for State Street Global Advisors to share our views on proxy voting issues and also hear directly from asset owners regarding their ESG priorities. In 2022, State Street Global Advisors served on CII's Corporate Governance Advisory Council.

Ford Foundation & Russell Reynolds Associates 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. In July 2021, State Street Global Advisors, Russell Reynolds Associates, and the Ford Foundation partnered to study best practices for effective board oversight of racial and ethnic diversity, equity, and inclusion (see The Board's Oversight of Racial and Ethnic Diversity, Equity and Inclusion). We reconvened in 2022 to research a topic of increasing importance: board oversight of human capital management, with a specific focus on employee voice. We define "employee voice" as the perspectives, interests, and needs of the workforce. This collaboration resulted in our 2023 publication, The Board's Oversight of Employee Voice.

Institutional Investors Group on Climate Change (IIGCC) The IIGCC is a membership body for investor collaboration on climate change with more than 350 members, mainly pension funds and asset managers, across 23 countries, with over €51 trillion in assets under management. State Street Global Advisors has been a member of the IIGCC since 2021 and is an active contributor to working groups related to stewardship and net zero benchmarks.

Investment Leaders Group, the Cambridge Institute for Sustainability Leadership (CISL) State Street Global Advisors' Asset Stewardship team participates in the Investment Leaders Group at the CISL and is an active contributor to the Nature-Related Finance Steering Committee. The global network of pension funds, insurers, and asset managers represents over US $9 trillion under management.

Investor Leadership Network (ILN) The ILN was launched at the 2018 G7 to facilitate and accelerate collaboration by leading global investors on key issues related to sustainability and long-term growth. As a leading network of investors, the CEO-led group is composed of 12 global institutional investors representative of six countries, with over US $10 trillion in assets under management. Yie-Hsin Hung, our President and Chief Executive Officer, is on the ILN CEO Council, and other members of our organization participate in workstreams related to climate change and diversity, equity, and inclusion. State Street Global Advisors also participated in the Sustainable Markets Initiative CEO Summit, convened by the then-Prince of Wales, to discuss financing the global transition to a sustainable economy and share ILN's work to improve the development finance ecosystem.

Investor Stewardship Group (ISG) The ISG is an investor-led effort that includes some of the largest US-based institutional investors and global asset managers, along with several of their international counterparts. Members include more than 70 US and international institutional investors with combined assets in excess of US $32 trillion in the US equity markets. The ISG was formed as a sustained initiative to establish a framework of basic investment stewardship and corporate governance standards for US institutional investor and boardroom conduct. State Street Global Advisors is a founding member of the ISG, and Michael Younis, Vice President of Asset Stewardship, serves on the ISG Board of Directors.

One Planet Asset Manager initiative (OPAM) The OPAM initiative was launched in 2019 to support the members of the One Planet Sovereign Wealth Funds (OPSWF) in their implementation of the OPSWF Framework. The OPSWF framework and its sovereign wealth funds (SWF)-led working group was established to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools. State Street Global Advisors is a founding member of the OPAM initiative and remains actively involved in various peer exchange sessions bringing together asset managers and SWFs. In 2022, these activities included the fifth annual One Planet Sovereign Wealth Funds Summit, at which our then-CEO Cyrus Taraporevala participated in CEO roundtable discussions on key climate-related issues and we contributed to a statement supporting TCFD-aligned disclosure for both public and private markets. President Macron of France and US President Biden's Special Envoy for Climate, John Kerry, participated in the summit, and State Street Global Advisors leveraged the opportunity to contribute to discussions around disclosure expectations for effective climate transition plans by issuers.

Transition Pathway Initiative (TPI) State Street Global Advisors is a member of the TPI, a global, asset-owner led initiative that assesses companies' preparedness for the transition to a low carbon economy. State Street Global Advisors offers clients an investment solution that integrates TPI research into the investment decision making process and seeks opportunities to make use of their research insights to enhance our product offerings.

Strengthening Capital Markets

Asia Securities Industry & Financial Markets Association (ASIFMA) State Street Global Advisors is a member of ASIFMA, an independent regional trade association whose mission is to promote the development of liquid, deep, and broad capital markets in Asia, which is fundamental to the region's economic growth. We participate in the Asset Management Group, which comprises some of the world's largest investment managers, an association that seeks to identify solutions to key industry issues. ASIFMA's 2022 publication, Investors' ESG Expectations — Gender Diversity: An Asian Perspective, references State Street Global Advisors' Guidance on Diversity Disclosures and Practices as a resource for directors.

Sustainable Trading In early 2022, State Street Global Advisors became a founding member of the Sustainable Trading membership network, which aims to set standards for ESG best practice in financial markets trading and brings firms together to discuss practical solutions to industry-specific ESG issues. Throughout 2022, representatives of State Street Global Advisors and State Street Corporation contributed to Sustainable Trading's six working groups, which consider technology infrastructure; environmental business practices; diversity, equity, and inclusion; community engagement; employee well-being; and governance desk practices. The working groups have representation from buy-side, sell-side, technology firms, and exchanges, with participants including traders, professional experts on the working group topic, senior leadership, and others, to promote diversity of thought. The working groups produced and distributed six questionnaires to understand current ESG initiatives across the trading industry, which informed the subsequent development of a measurement framework to help firms assess themselves on identified best practices. The working groups reviewed and edited metrics, determined how each metric would be assessed, and developed a weighting for each metric and practice based on positive industry impact and difficulty of implementation.

Complementing our participation in certain organizations and initiatives, in 2022, our global cash management team focused on expanding its use of minority-owned broker dealers. This effort resulted in a significant increase in the volume of trades conducted with minority-owned broker dealers, from US $41.0 billion in 2021 to $97.6 billion in 2022. The team maintained trading counterparties with a panel of 12 minority-owned broker dealers and sourced assets from six such counterparties in 2022.

Additionally, our Equity team has continued to seek to expand collaboration with Emerging Brokers, defined as minority, women, and/or veteran owned business enterprises. In 2022, US $34 billion in equity market value was traded with Emerging Brokers, with USD equity commissions up 17% over 2021, despite global market devaluation.

Regulators and Policymakers

In recent years, regulatory and supervisory agendas around the world have focused on climate and wider sustainability policy matters. At State Street, the Regulatory, Industry, and Government Affairs (RIGA) division is responsible for monitoring policy, legislative, or regulatory developments globally and for engaging regulators and policymakers on these issues. We publish letters to regulators and policymakers on State Street's and State Street Global Advisors' company websites, and details of our lobbying activities can be found here. With respect to trade organizations, we periodically assess their scope and purpose to identify where their positions may materially diverge from State Street's positions, including on ESG issues, and to evaluate the benefit of continued membership.

Our interactions with asset owners, asset managers, data providers, and other key stakeholders from across the globe give us unique insight to engage in evolving policy debates around sustainability issues. Below are some examples of our recent engagements with policymakers on sustainability-related issues.

- January 7, 2022: State Street Global Advisors response to FCA Discussion Paper on Sustainability Disclosure Requirements and investment labels
- July 29, 2022: State Street response to ISSB Exposure Drafts for general sustainability principles and climate-specific disclosures
- August 16, 2022: State Street Global Advisors response to SEC proposed rule on enhanced disclosures about ESG investment practices
- June 17, 2022: State Street response to SEC proposed rule on climate-related disclosures for investors

Our Clients

The Asset Stewardship team works closely with our global client relationship teams to maintain an open and constructive dialogue with clients on the delivery of our stewardship activities. Our client approach is centered on client engagement and reporting.

Client Engagement

We recognize the importance of being accountable to our clients on how we fulfill our duties as responsible fiduciaries on their behalf.

We meet with clients to discuss and answer questions about our stewardship activities. We believe that regularly engaging with our clients allows us to better understand their expectations in terms of their stewardship journey and investment objectives, and we incorporate their feedback into our stewardship program where appropriate.

We are continually looking for ways to develop our client engagement on these important topics. As such, we have introduced periodic client meetings specifically to discuss stewardship and ESG matters. These discussions are attended by subject matter experts from our Asset Stewardship and ESG teams alongside the Client Relationship team.

Outcomes From Client Feedback

We have been able to implement the following improvements to ensure that we continue to deliver increasing levels of support and value to our clients:

- **Enhanced Vote Transparency:** We implemented a new quarterly reporting schedule in response to our client's demand for more transparency on how we vote and engage.

- **Vote Bulletins:** In 2020, we received client feedback on the need for more vote bulletins. As a result, we have enhanced the resources dedicated to the production of these bulletins. In 2022, we published 14 vote bulletins on various topics related to ESG matters.

Reporting

We provide transparency about our stewardship activities through our regular client reports and relevant information reported online, including quarterly stewardship activity reports providing details of our stewardship approach, engagement and voting policies, and activities during the year, complying with the principles of the Shareholder Rights Directive (SRD II). We also regularly publish thought leadership on governance and sustainability on our website.

Consistent with our commitment to transparency, we increased the frequency that we publish our voting record from annual to quarterly beginning in 2021.This information is available on Vote View, an interactive platform that provides relevant company details, proposal types, resolution descriptions, and records of our votes cast. Our 2022 Stewardship activity reports can be found below:

- Q1 2022
- Q2 2022
- Q3 2022
- Q4 2022

Disclosure of Significant Votes (SRD II) for UK Clients

In compliance with the UK SRD II, we have developed a framework that identifies our most significant votes for our UK clients. Using this framework, we create reports on a quarterly basis for our UK clients that include a brief explanation of the most significant votes identified in their portfolios. We identified significant votes for the purposes of the SRD II as follows:

- All votes on environmental-related shareholder proposals
- All votes on compensation proposals where we voted against management's recommendation
- All against votes on the re-election of board members due to poor disclosure by their companies (as measured by their R-Factor ESG score)
- All against votes on the re-election of board members due to poor compliance with the local corporate governance code of their companies (as measured by their R-Factor corporate governance score)
- All against votes on the re-election of board members due to a lack of gender diversity on the board

Our Company

We strive to hold ourselves accountable to the same standards that we expect of our investee companies. Our Asset Stewardship team engages with the Board of Directors of State Street Corporation (the "Board") on a biannual basis. The purpose is to inform and educate the Board on key developments in the team's engagement and proxy voting, and share best practices.

Furthermore, the Board has overseen ESG risks material to State Street since 2018. To support that oversight, the State Street Executive ESG Oversight Committee of which Karen Wong, Global Head of ESG and Sustainable Investing at State Street Global Advisors, is a member, has reported to the Board at least once a year on relevant topics.

State Street is committed to upholding the highest standards of integrity, decency, and respect. As part of our recognition of the growing importance of diversity and inclusion, State Street is implementing 10 Actions to Address Racism and Inequality. These ten strategic actions demonstrate our focus on the internal and external changes to bring about a more diverse, equitable, and inclusive workplace, community, and industry.

For example, State Street has committed to improving our Black and Latinx employee representation. Specifically, we have committed to triple our Black and Latinx leadership (Senior Vice Presidents and above) and double our percentage of Black and Latinx populations over a three-year period. We have extended our requirement to interview a diverse slate of candidates for positions at all levels. Also, as part of our 10-point action plan, we have committed to improving Black and Latinx representation at the Board level. As a result, we have added two directors to the Board to increase racial diversity to 25%. Our action plan also contains a number of diversity training and awareness measures (for example, our anti-racism conversations and training) to further promote an inclusive mindset within the organization. Furthermore, the State Street Foundation has established combatting racism as a priority pillar and introduced a 2:1 match for staff donating to organizations addressing racial equity issues.

Corporate Responsibility

State Street's commitment to social and environmental responsibility and our belief in giving back to the communities in which we live and work are important to our long-term success. We recognize that sustainable growth comes from operating with absolute integrity and in a way that respects our shareholders, clients, employees, communities, and the environment.

We are committed to the principles of sound governance and to helping our clients succeed. We are dedicated to ensuring a global and inclusive workplace where employees feel valued and engaged. We believe we have a responsibility to enrich our communities and to be a leader in environmental sustainability — in how we carry out our operations as well as the products and services we offer.

State Street publishes an annual ESG Report, which describes our efforts around social and environmental responsibility and sound governance.

Our Investee Companies

The final element of our stewardship is to engage with companies in our clients' portfolios. This is where we demonstrate influence over the assets under our management. While we engage our investee companies indirectly through our thought leadership, through direct engagement we are able to set clear expectations, making direct engagement a core part of our stewardship approach. We discuss our approach to engagement and voting in Chapter 4, Engagement and Voting.

Appendices

Appendix A: State Street Global Advisors Global Policy and Voting Links

Asia Pacific

- Proxy Voting and Engagement Guidelines: Australia and New Zealand
- Proxy Voting and Engagement Guidelines: Japan

Europe

- Proxy Voting and Engagement Guidelines: Europe
- Proxy Voting and Engagement Guidelines: UK and Ireland

North America

- Proxy Voting and Engagement Guidelines North America (United States & Canada)

Global

- Global Proxy Voting and Engagement Guidelines: Summary of Material Changes
- Global Proxy Voting and Engagement Principles
- Proxy Voting and Engagement Guidelines: Rest of the World
- State Street Global Advisors' Conflict Mitigation Guidelines
- State Street Global Advisors' Issuer Engagement Protocol
- Global Proxy Voting and Engagement Guidelines for Environmental and Social Factors
- Protecting Long-Term Shareholder Interests In Activist Engagements

Voting Summary

- Vote View

Appendix B: Public Speaking Examples

- Glass Lewis Roundtable
- Harvard Law School Roundtable on Executive Compensation
- Society for Corporate Governance Roundtable
- Cornell Institute for Compensation Studies
- ISS Roundtable on Executive Compensation
- NextGen directors exchange — Spencer Stuart
- Council of Institutional Investors — NYU Corporate Governance Bootcamp
- 13D Monitor's annual Active-Passive Investor Summit
- WomenExecs on Boards (WEoB) Annual Symposium — Korn Ferry
- Stanford Directors' College
- Fall Engagement Summit Speaker — PJT Camberview
- Top of the House Offsite — Egon Zehnder
- Council of Institutional Investors Fall Conference
- Boardroom Summit — Chief Executive Group
- Universal Proxy Card Webinar — Spencer Stuart
- Sustainable Investment Festival
- New York Energy Capital Assembly
- Next Generation ESG Leadership Event — Russell Reynolds Associates
- Global Boardroom Program Webinar — Deloitte
- Spring Engagement Summit — PJT Camberview
- NACD Climate Continuous Learning Cohort Climate Governance Panel
- Columbia School of International and Public Affairs (SIPA) Energy Association Lecture
- S&P Global ESG Leadership Summit — Methane Panel
- Energy Council Panel — Corporate Engagement is Necessary but Not Enough for a Long Term Transition to Net Zero
- Coca Cola ESG Roundtable
- Renumeration in the Netherlands — The Netherlands Association for Investor Relations and Georgeson
- AGMs: Preparing for 2022 — Investor Relations Society
- A strategic view of D&I: Understanding its importance for listed companies in the Middle East — Middle East Investor Relations Association
- PwC's Effective Director Shareholder Engagement Webcast
- Investor Actions for a Net Zero Emissions Economy: Investment, Corporate Engagement and Policy Advocacy — Council of Institutional Investors Spring Conference
- ESG Panel — Financial Executives International's Committee on Corporate Reporting
- Emerging Investor Expectations of the Nominating & Governance Committee — National Association of Corporate Directors
- Mobilizing the Power of Responsible and Impact Capital — London Stock Exchange ESG Energy and Mining Forum
- Climate risk disclosure and action: board accountability and market views on say on climate — Auxiliary Corporate Governance Conference
- The Wharton School, University of Pennsylvania — "Leading Diversity in Organizations" MBA Class
- Harvard Law School Corporate Governance Advisory Council Roundtable
- FCLT Global Fall Roundtable: Why the owner-manager relationship matters for successful corporate engagement
- CFA Society Japan Webinar: Investors' Expectation of Human Capital
- University of Pennsylvania Institute for Law & Economics Fall Corporate Roundtable
- Deloitte New England Board Ready Women program - Investor Panel
- Council of Institutional Investors 2022 Spring Conference: Plenary: Elevating Employees' Voices
- Beyond the Numbers: Driving Inclusive Boards and Organizations - Governance Week 2022
- Investor Spotlight on Human Capital Management – Human Capital Investment & Reporting Council
- Moving the Needle: Tracking Corporate Progress on Racial Equity — Just Capital

- G100 Talent Consortium: Why Investors are Increasingly looking to HR As an Investment Strategy
- Boston University Human Resources Policy Institute — HR Metrics Disclosures: Meeting the Needs of the SEC, Institutional Investors, Analysts

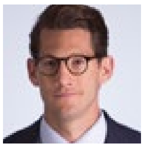
Appendix C: Stewardship Team Senior Leader Biographies

Karen Wong
Senior Managing Director and Global Head of ESG and Sustainable Investing
State Street Global Advisors

Karen Wong is a Senior Managing Director and Global Head of ESG and Sustainable Investing at State Street Global Advisors. In this capacity, she leads the ESG functions including ESG investment strategy, research, operations, and asset stewardship. She is responsible for developing and driving the firmwide ESG positioning and business strategy, defining the ESG product roadmap, and coordinating with the broader State Street ESG initiatives to amplify our collective voice. She chairs State Street Global Advisors' ESG Committee and is a member of our Executive Management Group and State Street's Executive ESG Oversight Committee.

Before joining State Street Global Advisors, Karen worked at Mellon Investments Corporation for more than 20 years, where she held various investment and leadership positions. Most recently, she was Head of Index Portfolio Management overseeing over $300 billion assets in equity and fixed income index and beta strategies, with primary responsibility for portfolio management and business strategy. In addition, she was Mellon's ESG Champion and collaborated across the firm to drive ESG integration. In 2014, she developed and launched Mellon's first green beta product, a landmark sustainable investment solution.

Karen is a graduate of San Francisco State University with a Master of Business Administration and Bachelor of Science in Statistics and Accounting. She earned the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and the CFA Society of San Francisco.



Benjamin Colton
Global Head of Asset Stewardship — Voting and Engagement

Benjamin heads up the Asset Stewardship team globally. His responsibilities include developing and implementing our global proxy voting policies and guidelines across all investment strategies, and also managing our proxy voting activities and issuer engagement on ESG issues.

Previously, he was the Stewardship team's Head of Asia-Pacific. Prior to joining the company, Benjamin served as a member of the Active Ownership Team at Norges Bank Investment Management (NBIM) based in Oslo, Norway and later in New York City, USA.

Benjamin earned an Executive Global Master of Science in Management (Distinction) from the London School of Economics & Political Science (LSE). He also holds a Master's degree in Economics from the University of Nevada and a Bachelor's degree (Distinction) in Economics from the University of Nevada.

Endnotes

1 E.g., Donangelo et al., Rouen et al., Edmans.

2 E.g., McKinsey, Bernile et al., BoardReady.

3 Institutions including the Bank of England, the IMF, and the Federal Reserve have all asserted these risks, as has the UN-sponsored Intergovernmental Panel on Climate Change.

4 U.S. Spencer Stuart Board Index, 2021. https://www.spencerstuart.com/-/media/2021/october/ssbi2021/us-spencer-stuart-board-index-2021.pdf

5 U.S. Spencer Stuart Board Index, 2021. Page 7.

6 MyLogIQ data, calculated by State Street Global Advisors, December 2022

7 This figure is presented as of 31 December 2022 and includes approximately $58.60 billion USD 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. Please note all AUM is unaudited.

8 Source: Pensions & Investments Research Center, as of 31 December 2021. Updated annually when new data is released in June.

9 This figure is presented as of 31 December 2021 and includes approximately $61.43 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.

10 As of 31 December 2022

11 Estimate based on Department of Labor (DOL), S&P Global Market Intelligence Money Market Directories (MMD), and State Street Global Advisors data as of 31 December 2021.

12 During regional market hours.

13 Responsibility Factor (R-Factor) scoring is designed by State Street Global Advisors to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model are based on sustainability and corporate governance dimensions of a scored entity.

14 **GHG Emissions Reduction Targets:** Shareholder proposals that request companies to adopt GHG emissions reductions targets including Scope 1, 2, and/or 3 GHG targets, science based targets, targets aligned with a specific temperature pathway (e.g. 1.5C), and targets associated with reducing GHG emissions associated with investment, lending, or underwriting portfolios.
Report on Climate Change: Shareholder proposals that request companies to enhance reporting on climate-related topics which may include climate scenario analysis or physical risk assessment, a company's climate transition plan or strategy to achieve climate targets, and climate-related disclosure in financial statements. This includes proposals requesting enhanced disclosure in line with frameworks such as the Task Force on Climate-related Financial Disclosures, Climate Action 100+ Net Zero Benchmark, Ipieca, CDP, and Sustainability Accounting Standards Board, among others. Proposals related to the disclosure or management of risks related to plastics and packing are not categorized as climate-related proposals.
Climate-related Lobbying: Shareholder proposal that requests the company adopts specific practices related to climate-related lobbying or enhances disclosure related to climate-related lobbying, including conducting an assessment of the company's stated climate positions compared with the positions of its trade associations.
Operational Changes in Response to Climate Change: Shareholder proposals requesting the phase out of a product or business line within a defined timeframe in response to climate-related risks. This may include divestment, decommissioning, or closure of certain assets, phasing out or restricting investment, underwriting, or lending to a particular sector, and commitments to manage down certain operations, among others.
Transition to Renewable Energy: Shareholder proposals requesting companies to introduce specific renewable or alternative energy sources or increase the generation or supply of renewable energy sources within a defined timeframe.
Say on Climate: This category includes both shareholder proposals requesting the adoption of an advisory vote or "Say on Climate" as well as management proposals requesting an advisory vote on the company's climate transition plan, climate strategy, or climate/sustainability-related reporting.

15 Source: DiversIQ, April 2023.

16 Source: DiversIQ, April 2023.

17 Source: DiversIQ, April 2023.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 29 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US $3.48 trillion† under our care.

* Pensions & Investments Research Center, as of 31 December 2021.
† This figure is presented as of 31 December 2022 and includes approximately $58.60 billion USD 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. Please note all AUM is unaudited.

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Marketing Communication

State Street Global Advisors Worldwide Entities

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The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.
Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.
Hedging involves taking offsetting positions intended to reduce the volatility of an asset. If the hedging position behaves differently than expected, the volatility of the strategy as a whole may increase and even exceed the volatility of the asset being hedged.
Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.
Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates raise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.
The value style of investing that emphasizes undervalued companies with characteristics for improved valuations, which may never improve and may actually have lower returns than other styles of investing or the overall stock market.
A fund or strategy may emphasize a "growth" style of investing. The market values of growth stocks may be more volatile than other types of investments. The prices of growth stocks tend to reflect future expectations, and when those expectations change or are not met, share prices generally fall. The returns on "growth" securities may or may not move in tandem with the returns on other styles of investing or the overall stock market.
There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.
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