
April 2023

Global Proxy Voting and Engagement Guidelines for Environmental and Social Factors

Overview

Our primary fiduciary obligation to our clients is to maximize the long-term returns of their investments. It is our view that material sustainability considerations, including material environmental and social (E&S) issues, can present material risks and/or opportunities that impact long-term value creation. This philosophy provides the foundation for our value-based approach to Asset Stewardship.

We regularly identify stewardship priorities that we believe are important for our portfolio companies to consider.

**Our Approach to
Assessing
E&S Factors**

While we believe that E&S factors can expose companies to material risks as well as drive long-term value creation, the materiality of specific E&S factors varies across industries, markets, and specific companies. We leverage several inputs to inform our views on an E&S issue at a given company, including:

- Established frameworks, including The Sustainability Accounting Standards Board's (SASB) Standards, the Task Force on Climate-related Financial Disclosures (TCFD) Framework, etc.
- Academic research and other expert insights
- Disclosure expectations required by regulation
- Market expectations for the sector and industry

We expect companies to disclose information regarding their approach to identifying and managing E&S-related risks and opportunities they have deemed to be material, as well as the board's oversight of these risks and opportunities.

**Our Approach to E&S
Factors Through
Engagements**

The Asset Stewardship team regularly identifies thematic stewardship priorities that will be addressed across different engagement meetings. We focus on priorities that we consider important to be considered by the portfolio companies in which we invest our clients' assets. These engagements help us to establish disclosure expectations and to more fully understand the nuanced challenges that companies seek to address related to E&S factors. Establishing robust disclosure expectations allows us to monitor companies' progress toward alignment with our relevant disclosure expectations, and contributes to our perspectives on our stewardship priority areas.

Through engagement, we address a broad range of factors that align with our stewardship priorities and seek to foster constructive, long-term relationships with issuers. We view engagements as part of an ongoing dialogue, versus a series of one-off conversations. During conversations with issuers, we share expectations and perspectives on key dimensions of E&S factors, and seek to understand how companies and their boards manage and oversee related risks and opportunities.

The Use of R-Factor in Engagements

R-Factor™ is a scoring system created by State Street Global Advisors that measures the performance of a company's business operations and governance as it relates to material ESG factors facing the company's industry. SSGA uses R-Factor as a

consideration when prioritizing engagements. State Street Global Advisors may also engage with a company regarding its R-Factor™ score at the request of the company.

**Analyzing E&S
Proposals**

When analyzing shareholder proposals related to E&S factors, we consider the following factors:

- The materiality of the E&S factors in the proposal to the company's business and sector (see "Our Approach to Assessing Materiality and Relevance of E&S Factors" above)
- The content and intent of the proposal, including whether the adoption of such a proposal would provide information to allow investors to better understand risk and opportunities in the context of the company's disclosure and practices
- The strength of board oversight of the company's relevant sustainability practices, as well as responsiveness to engagement
- Binding nature or prescriptiveness of proposal

For proposal topics for which we have developed guidance, we leverage the specific guidance, found in the Appendix, as a benchmark to analyze a company's disclosures relative to our expectations for the relevant E&S factor.

For proposal topics for which we have not published guidance, we evaluate the company's determination of materiality of the proposal to the company's business and operations and the company's related disclosures and oversight.

**Voting on E&S
Proposals**

Below is the approach we follow when voting on E&S proposals:

- **FOR** We will consider voting for proposals that we believe will lead to increased alignment with our expectations, including those set out in the attached Appendix;
- **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 consider voting against proposals that we believe are immaterial, overly prescriptive, or would not further our disclosure and oversight expectations, including those set out in the Appendix.

Appendix**Guidance on Common Environmental and Social Proposal Topics**

The following provides an overview of State Street Global Advisors' public guidance related to common environmental and social shareholder proposal topics. We leverage this to inform our analysis of relevant shareholder proposals as it applies to companies in our portfolios.

Climate Change

We expect all companies to provide public disclosures in accordance with the following four pillars of the Taskforce for Climate-related Financial Disclosures (TCFD) framework:

1. Governance;
2. Strategy;
3. Risk Management; and
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

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Diversity, Equity, and Inclusion

We expect all companies to provide public disclosure in the following key areas:

1. Board Oversight — Describe how the board executes its oversight role in risks and opportunities related to diversity and inclusion;
2. Strategy — Articulate the role diversity (of race, ethnicity, and gender, at minimum) plays in the company's broader human capital management practices and long-term strategy;
3. Goals — Describe what diversity, equity, and inclusion-related goals exist, how these goals contribute to the company's overall strategy, and how they are managed and progressing;
4. Metrics — Provide measures of the diversity of the company's global employee base and board, including:
 - Workforce — Employee diversity by race, ethnicity, and gender (at minimum). We expect to see this information to be 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 United States Equal Employment Opportunity Commission's EEO-1 Survey. Non-US companies are encouraged to disclose this information in alignment with SASB guidance and nationally appropriate frameworks; and,

- Board — Diversity characteristics, including racial, ethnic, and gender makeup (at minimum) of the board of directors; and
- 5. Board Diversity — Articulate goals and strategy related to diverse representation at the board (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.

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Civil Rights Risks

We expect all companies in the US to provide public disclosure on:

1. Risks related to civil rights, including risks associated with products, practices, and services ;
2. Plans to manage and mitigate these risks; and
3. Processes at the board for overseeing such risks (e.g., committee responsible, frequency of discussions, etc.).

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Pay Equity

We expect all companies in the US and the UK to provide public disclosure on:

1. Adjusted pay gaps related to race and gender within the company (Disclosure of the unadjusted pay gap is also encouraged, but not expected outside of the UK market at this time);
2. Strategy to achieve and maintain pay equity; and
3. Role of the board in overseeing pay strategies as well as Diversity, Equity and Inclusion efforts.

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Human Rights

We expect companies to disclose whether they have established processes for identifying risks related to human rights. If any material human rights risks are identified, we expect further public disclosure describing:

1. Human rights-related risks the company considers most material;
2. Plans to manage and mitigate these risks;
3. Board oversight of these risks; and
4. Assessment of the effectiveness of the human rights risk management program.

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Human Capital Management

We expect all companies to provide public disclosure on:

1. Board oversight — Methods outlining how the board oversees human capital-related risks and opportunities;
2. Strategy — Approaches to human capital management and how these advance the long-term business strategy;
3. Compensation — Strategies throughout the organization that aim to attract and retain employees, and incentivize contribution to an effective human capital strategy;
4. Voice — Channels to ensure the concerns and ideas from workers are solicited and acted upon, and how the workforce is engaged and empowered in the organization; and
5. Diversity, equity, and inclusion — Efforts to advance diversity, equity, and inclusion (see our complementary Guidance on Diversity Disclosures & Practices for additional context).

For additional context on our expectations for relevant disclosures, please review our related [guidance](#).

Environmental Impacts

If material risks related to adverse environmental impacts from company operations have been identified, we expect companies to disclose information related to:

1. Adverse environmental impacts the company considers most material, including relevant demographic data where applicable;
2. Management of material risks from company operations, including the role of stakeholders; and
3. Board oversight of such risks.

Deforestation-Intensive Companies

We expect companies that have determined deforestation is a material risk to their business and operations to disclose:

1. Strategy to assess and manage deforestation-related risks and opportunities for high-risk commodities in the company's operations and/or business value chain (e.g., supply chain monitoring and engagement, greenhouse gas emissions linked to deforestation, product certifications, stakeholder engagement);
2. Quantitative and/or qualitative metrics and time-bound targets used to assess and manage risks and opportunities related to high deforestation-risk commodities in the company's operations and/or business value chain; and
3. Board oversight and accountability for deforestation and/or land use-related risks.

For additional context on our expectations for relevant disclosures and leading practices, please review [our related insights](#) gained from engaging with our portfolio companies in deforestation-intensive sectors.

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* Pensions & Investments Research Center, as of December 31, 2021.

[†] This figure is presented as of March 31, 2023 and includes approximately \$65.03 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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