At State Street Global Advisors, we believe that companies have a responsibility to effectively manage and disclose risks and opportunities related to diversity, equity, and inclusion, particularly regarding gender, race, and ethnicity. Research suggests that diversity can drive returns, and that companies that neglect this topic face risks to their reputation, productivity, and overall performance. This essential dimension of ESG risk management is a priority for our Asset Stewardship team, and what follows is an overview of our expectations and actions on this topic.

Investors can benefit from increased publicly-available data on diversity, equity, and inclusion at portfolio companies. As such, we encourage companies to share relevant information with the market, and we expect all companies in our portfolio to offer public disclosures in five key areas:

1 **Board Oversight**  Describe how the board oversees the company’s diversity, equity, and inclusion efforts, including the potential impacts of products and services on diverse communities.

2 **Strategy**  Articulate the firm’s approach to promoting diversity, equity, and inclusion (of gender, race, and ethnicity, at minimum), including how it is integrated into the overall long-term business strategy.

3 **Goals**  Describe the firm’s timebound and specific diversity goals (related to gender, race, and ethnicity, at minimum), what policies and programs are in place to meet these goals, and how they are measured, managed, and progressing.

4 **Metrics**  Provide measures of the diversity of the firm’s global workforce and board, including:
   - **Workforce**  Employee diversity by gender, race, and ethnicity (at minimum), in markets where it is legal to collect and disclose this information. 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 United States Equal Employment Opportunity Commission’s EEO-1 Survey. Non-US companies are encouraged to disclose this information in alignment with SASB’s guidance and nationally appropriate frameworks, or guided by their own perspective as to the best way to describe the composition of their workforce.
   - **Board**  Diversity characteristics, including gender, racial, and ethnic makeup (at minimum) of the board of directors (in aggregate or at an individual level).

5 **Board Diversity**  Articulate efforts to achieve diverse representation at the board level (including race, ethnicity, and gender, at minimum), including how the Nominating Committee ensures diverse candidates are considered in board recruitment.
Investors, regulators, and other stakeholders are increasingly focused on other dimensions of diversity beyond gender, race, and ethnicity. For example, California lawmakers and the Nasdaq exchange include LGBTQ-identified individuals in their perspectives on board diversity. Some advocates are calling for the prioritization of disability as an essential dimension of diversity, and several companies (especially outside of the US) already disclose information regarding the role of people with disabilities in their organization. We encourage our portfolio companies to consider providing disclosures about the full diversity of their organization, as these disclosures are wholly aligned with contributing to the intent to increase diversity of thought that underlies the present more common focus on gender, race and ethnic diversity. The reputational and regulatory risk of not doing so also may increase in the coming years.

Since first sharing our disclosure expectations with the market in August 2020, the Asset Stewardship team has had over 275 engagements with a variety of companies globally on the topic of diversity, equity, and inclusion. As part of these engagements, our team proactively reached out to 60 of the largest employers in our portfolio to have deeper conversations on human capital management and diversity, equity, and inclusion. In engagements with 25 of the largest US-based employers, we discussed specific areas for improvements in their diversity-related disclosures. We first analyzed each of the companies’ diversity disclosures in fall 2020 and then again in summer 2021 to gauge whether their disclosures had improved. We found that of the 23 companies that initially had room for improvement, 20 had enhanced their disclosures by the following year. We will continue to monitor these companies’ progress toward full alignment with our expectations.

In 2022, we will pursue a series of targeted engagements on the topic of racial and ethnic diversity. Additionally, as we further evaluate our gender diversity voting policy, we will have proactive engagements with companies in markets where progress on board gender diversity has been relatively slow. In 2022, we will reach out to companies and experts in relevant markets to better understand best practices and challenges for diversifying corporate boards in these regions.

In order to achieve alignment with our aforementioned expectations and advance transparency in the public markets, State Street Global Advisors has the following proxy voting guidelines:

Race & Ethnicity

- If a company in the S&P 500 or FTSE 100 does not disclose the racial and ethnic composition of its board, we will vote against the Chair of the Nominating Committee. Acceptable disclosures include:
  - Aggregate-level (e.g., “5% of our Directors are Black”, “Seven of our Directors are people of color”, “30% chose not to self-identify”).
  - Individual-level (e.g., “Jane Doe is African-American, John Smith is Caucasian,” etc.).

- If a company in the S&P 500 or FTSE 100 does not have at least one director from an underrepresented racial or ethnic community, we will vote against the Chair of the Nominating Committee.
If a company in the S&P 500 does not disclose its EEO-1 report, we will vote against the Chair of the Compensation Committee. Acceptable disclosures include:

- The original EEO-1 report response.
- The exact content of the report translated into custom graphics.

**Gender**

- Beginning in 2022, we expect boards of companies in all markets and indices to have at least one female board member. In markets where we are implementing this policy for the first time, we may waive the policy if a company engages with State Street Global Advisors and provides a specific, timebound plan for adding at least one woman to the board.

- Beginning in the 2023 proxy season, we will expect companies in the Russell 3000, TSX, FTSE 350, STOXX 600, and ASX 300 indices to have boards comprised of at least 30 percent women directors. We may waive the policy if a company engages with State Street Global Advisors and provides a specific, timebound plan for reaching 30 percent representation of women directors.

- If a company fails to meet any of the expectations outlined above, State Street Global Advisors may vote against the Chair of the Nominating Committee or the board leader in the absence of a Nominating Committee, if necessary. Additionally, if a company fails to meet this expectation for three consecutive years, State Street Global Advisors may vote against all incumbent members of the Nominating Committee or those persons deemed responsible for the nomination process.

While our existing diversity voting policies are mainly focused on increasing diverse representations on boards, given our belief in the centrality of effective board governance and oversight, we intend to shift our focus to the workforce and executive levels in the coming years. Companies should prepare by ensuring they are recruiting, promoting, and retaining diverse talent at all levels of the organization.

**Shareholder Proposals**

We also use the following frameworks for analyzing relevant shareholder proposals:

**Diversity, Equity, and Inclusion Reporting** If the company in question is aligned with four or five of our expectations outlined at the outset of this guidance document, we will most likely vote against the diversity-related proposal. If the company is aligned with only three or fewer of our expectations, we will most likely engage with the company to seek further alignment with our expectations. In certain circumstances, we will utilize an abstain option for those companies committing to improve their practices. In the absence of a commitment from the company to align with four or five of our expectations, and if our engagement is not productive, we will most likely support proposals that would meaningfully advance diversity-related disclosures.
Guidance on Diversity Disclosures and Practices

**Racial and Gender Pay Gap** To evaluate shareholder proposals on this issue, we look for the following four disclosures by the company:

- Confirmation that individuals, regardless of race or gender, are compensated equally in the same positions;
- Workforce diversity statistics (including race and gender) at each level of management;
- Long-term, diversity-specific goals (specific to race and gender) established for each level of management; and
- A description of the strategy or practices that are in place to support achieving the goals.

We will vote against proposals at companies that meet our expectations. We will abstain on proposals at companies that commit to meeting our expectations within a specific and reasonable timeline. We will vote for proposals at companies that do not meet our expectations and cannot commit to doing so.

**Racial Equity and/or Civil Rights Audits**

We will vote against proposals at companies that clearly and publicly articulate (1) the board’s process for overseeing risks related to racial equity and/or civil rights (e.g., committee responsible, frequency of discussions, etc.); (2) the specific risks that the board oversees related to the impact of a company’s products, practices, and services on underrepresented communities inside and outside the organization; and (3) the company’s plan and processes to mitigate these risks.

We will abstain on proposals at companies that have a stated and specific commitment to improving board oversight of racial equity and/or civil rights risks as described above, and to identifying and managing relevant risks.

We will vote for proposals at companies that do not disclose the board’s process for overseeing risks related to racial equity and/or civil rights as described above, have no plan in place to address these risks, and/or cannot identify the relevant risks.

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. We partnered with Russell Reynolds Associates and the Ford Foundation to interview 27 directors of FTSE 100 and S&P 500 multinational corporations, culminating in a report titled “The Board’s Oversight of Racial and Ethnic Diversity, Equity, and Inclusion.”

**Conclusion**

We remain focused on our fiduciary duty aiming to maximize the long-term risk-adjusted returns of our clients’ investments. It is our conviction that teams with a diversity of perspectives generate a diversity of ideas that can drive the long-term success of a firm. Please reach out to our Asset Stewardship team at GovernanceTeam@ssga.com. We look forward to engaging with you on this important topic.

**Endnote**

For four decades, State Street Global Advisors has served the world’s governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world’s fourth-largest asset manager* with US $3.48 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2021.
† This figure is presented as of December 31, 2022 and includes approximately $58.80 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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ID: 422500-33830575.10BL.RTL. 0223 Exp. Date: 02/28/2024