

Guidance on Managing Director Time Commitments

At State Street Global Advisors, we value the critical role that effective boards play in keeping companies focused on their long-term goals. This is especially true as companies across industries set transformational climate-related targets and redefine their approach to human capital management. Insights gleaned from our director engagements, coupled with a growing body of research,¹ reflect the ever-increasing time commitment associated with serving as a director on a public company board. We are updating our proxy voting guidelines on directors' commitments to ensure Nominating Committees evaluate their directors' time commitments, regularly assess director effectiveness, and provide public disclosure on their policies and efforts to investors.

Our Expectations for Director Time Commitment Disclosures

Despite the elevated oversight expectations on directors and the company boards on which they serve, 112 boards among the S&P 500 do not report specific limits on additional board service.² Investors would benefit from increased transparency over how Nominating Committees assess their directors' time commitments and what factors are included in these decisions. Rather than investors holding individual directors with excessive external commitments accountable, we believe well-governed boards are responsible for establishing, enforcing and disclosing their director commitment policies.

By providing clear guidance on director commitment levels, we hope to prioritize other topics in our discussions with investee companies, including how traditional and emerging material risks and opportunities are being managed and incorporated into long-term corporate strategy.

Voting

Incorporating Our Expectations into Our Voting Policies

In order to achieve alignment with our aforementioned expectations and advance transparency on these policies in the public markets, State Street Global Advisors will implement the following voting guidelines, in addition to our existing guidelines regarding director time commitment:

Starting in March 2022, for directors who hold excessive commitments according to either of the following conditions:

- Board chairs or lead independent directors who sit on more than three public company boards* or
- Director nominees who sit on more than four public company boards*

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)

* Service on mutual fund boards and UK investment trusts is not considered when evaluating directors for excessive commitments.

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

An example of acceptable disclosure includes:

“Directors can sit on no more than five public company boards (including our own), with consideration given to public company leadership roles and outside commitments. The Nominating Committee conducts an annual review of director commitment levels, and affirms that all directors are compliant at this time.”

We ask companies to share their publicly disclosed director commitment policy (including primary source materials), or intention to establish such a policy in 2022 with our team via email at GovernanceTeam@ssga.com.

Our director commitment policy for NEOs of a public company board who sit on more than two public company boards remains unchanged, and is not subject to the disclosure waivers above.

If a director is imminently leaving a board and this departure is disclosed in a written, time-bound and publicly-available manner, we may consider waiving our withhold vote when evaluating directors for excessive commitments.

Consistent with our guidelines' exclusionary approach to mutual fund boards and UK investment trusts, service on a SPAC board will not be considered when evaluating directors for excessive commitments. However, we do expect these roles to be considered by Nominating Committees when evaluating director time commitments.

**Managing Through a
Historic Transition:
The Board's Oversight
of Director Time
Commitments**

The global COVID-19 pandemic, an elevated culture of shareholder engagement and broadened expectation of material risk oversight has heightened the time commitment associated with serving as a director on a public company board. To better understand the challenges posed to boards navigating the historic shift to a more sustainable global economy, State Street Global Advisors' Asset Stewardship team conducted an engagement campaign with directors standing at the helm. In [Managing Through a Historic Transition: The Board's Oversight of Director Time Commitments](#), we provide an overview of what we learned, our updated voting guidelines, and our expectations of Nominating Committees to oversee the material risks associated with director time commitments.

Conclusion

We remain focused on our fiduciary duty to maximize long-term value of our clients' investments. It is our conviction that well-governed boards are best placed to evaluate their directors' time commitments, and that Nominating Committees are responsible for establishing, enforcing and disclosing their director commitment policies to investors. If our updated 2022 voting guidelines and expectations apply to your board, please share your compliant disclosure with our State Street Global Advisors' Asset Stewardship team at GovernanceTeam@ssga.com.

Endnotes

- 1 Celia Huber, Frithjof Lund and Nina Speilmann, "How boards have risen to the COVID-19 challenge, and what's next," McKinsey & Company, (April 2021), <https://mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-boards-have-risen-to-the-covid-19-challenge-and-whats-next>.
- 2 Julie Hembrook Daum, Kathleen M. Tamayo, Ann Yerger, "2021 U.S. Spencer Stuart Board Index," Spencer Stuart, (November 2021), <https://spencerstuart.com/-/media/2021/october/ssbi2021/us-spencer-stuart-board-index-2021.pdf>.

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 30 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 \$3.86 trillion[†] under our care.

*Pensions & Investments Research Center, as of December 31, 2020.

[†]This figure is presented as of September 30, 2021 and includes approximately \$59.84 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.

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