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## Corporate Participation in the Political Process

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### Contents

- 01 Background
  - Political Contributions
- 02 Lobbying Activities
  - Industry Groups and Lobbying

Active participation in the political process is common in the United States. 2020 saw near-record levels<sup>1</sup> of lobbying spend and corporate contributions to political candidates<sup>2</sup> due to a desire to support the overall political process during an election year as well as to influence the administration's response to the pandemic. State Street Global Advisors is agnostic as to whether our issuers participate in the political process. Where they do participate, however, it can be an important part of many companies' strategies and has the potential to impact long term shareholder value. Moreover, we believe that such participation in the political process continues to carry risks that warrant board oversight. Companies that make political contributions, pursue lobbying activities, or support politically active industry groups have a responsibility to provide adequate disclosure to investors, and their boards should oversee political activities.

State Street Global Advisors has advocated for strong stewardship of political activities. In our Q2 2019 Stewardship Activity Report, we discussed the "Growing Attention to Political Contributions," and in Q2 2020, we highlighted the emergence of climate-related lobbying proposals in the United States. As part of our 2021 engagement and voting guidelines as well as our annual stewardship priorities, we are outlining the framework we use to evaluate three common political activity shareholder proposals: 1) political contributions; 2) lobbying; and 3) industry groups and climate lobbying.

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### Political Contributions

Political contribution proposals ask issuers to disclose direct and indirect political spending. Political contribution proposals were the most common form of all environmental and social shareholder proposals during the 2020 US proxy season, with 95 of these proposals submitted this past year.<sup>3</sup>

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### Product Disclosure Statement

Issued March 2021  
by State Street Global Advisors,  
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Entity" or "SSGA, ASL")

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State Street Global Advisors expects our issuers to disclose the following information regarding political contributions not only through mandated filings, but also through their own website or corporate responsibility reporting:

- All contributions, no matter the dollar value, made to individual candidates at the state and federal levels and its equivalent in non-US countries; and
- The role of the board in oversight of political contributions

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**Lobbying Activities**

Lobbying proposals ask companies to describe the process for the board's review of political policies, lobbying expenditures, general lobbying activities, and selection and engagement of lobbyists. As investors, we are concerned when lobbying creates potential reputational risks by contradicting companies' publicly stated positions on relevant issues. We believe that board oversight can help mitigate this risk, as the board is attuned to the company's values, missions, and public perception. As such we expect board oversight of direct lobbying activities.

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**Industry Groups and  
Climate Lobbying**

The latest iteration of politically-focused shareholder proposals bring together the issue of climate change and participation in the political process. These so called "climate-related lobbying proposals" ask that corporate membership in trade associations be fully aligned with a company's stated position on climate change. Where there are inconsistencies with a company's position on climate and those of the company's trade associations, the proposal asks companies to suspend their membership in such organizations. State Street Global Advisors evaluates the following when considering such a proposal:

- The board's role in overseeing the company's participation in the political process, including membership in trade associations;
- Whether the company performed a gap analysis of its stated positions on climate change versus those of its trade associations;
- Whether the company disclosed a list of its trade association memberships.

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1 Schouten, Fredreka. Thursday, April 30, 2020. CNN. "Federal lobbying soars to near-record level as industries scramble to shape coronavirus response". <https://cnn.com/2020/04/30/politics/lobbying-coronavirus-outbreak/index.html>.

2 Meyer, Theodor. Wednesday, April 2, 2020. Politico. "Coronavirus fuels K Street lobbying gush, new disclosures show" <https://politico.com/news/2020/04/22/coronavirus-lobbying-gush-199951>.

3 Institutional Shareholder Services. Tuesday, October 20, 2020. "Proxy Season Review 2020 – US Environmental and Social Shareholder Proposals".

## About State Street Global Advisors

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 active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. 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 third-largest asset manager with US \$3.47 trillion\* under our care.

\* This figure is presented as of December 31, 2020 and includes approximately \$75.17 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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