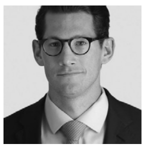
Insights
Asset Stewardship

March 2024

Introduction to the 2024 Proxy Season

A Conversation with Benjamin Colton, Global Head of Asset Stewardship



Benjamin Colton
Global Head of
Asset Stewardship

Asset Stewardship is foundational at State Street Global Advisors. Our Asset Stewardship program is focused on protecting and promoting the long-term economic value of client investments. As we approach proxy season, we recently caught up with Benjamin Colton, Global Head of Asset Stewardship, who leads the firm's asset stewardship efforts. More information on State Street Global Advisors' 2024 Global Voting and Engagement Policy can be found here.

Q. How would you characterize Asset Stewardship at State Street Global Advisors?

Asset Stewardship is incredibly important at State Street Global Advisors. Governance forms the core of our program and provides the foundation for all of our activities. We believe that company boards are best positioned to oversee corporate strategy and management; however, as an asset manager, we also believe it is important to hold boards accountable for effective oversight and disclosure of risks and opportunities that are material to their business, which we do through our proxy voting and engagement activities. We focus our efforts on what creates long-term value, and we execute on that focus by promoting best practices and transparent disclosure of risks and opportunities across a range of topics.

Diving into our program more deeply, we have organized our proxy voting and engagement program around three broad principles: effective board oversight, disclosure, and shareholder protection.

Q. With proxy season upon us, what are some trends that you are thinking about? What are some developments that you anticipate seeing during proxy season?

There are two notable trends to highlight here. First, we anticipate that we will continue to see an elevated number of environmental and social shareholder proposals. We are projecting a further trend towards more prescriptive language requesting specific changes to corporate business strategy or operations. Proposals have been evolving. A higher proportion of proposals are expected to request a third-party assessment, as opposed to more direct requests for disclosure about a specific environmental or social-related topic. The second key trend worth highlighting is improvements to corporate disclosures themselves. Over the past several years we have seen companies, particularly larger entities, provide more comprehensive disclosure around important issues.

So in sum, we have two forces at play in the market: more prescriptive shareholder requests and improvements in corporate disclosures. Due to these factors, I would anticipate lower levels of support for shareholder proposals across the industry to persist in 2024, extending the trend we observed in 2022 and 2023.

Q. Looking at the first trend more closely, how do you think about evaluating these types of shareholder proposals?

Over the past decade we have applied a consistent approach to evaluating environmental and social-related shareholder proposals, and we will continue to maintain such rigor. Our historical voting record speaks for itself. We recognize the importance of our objective analysis of these proposals and seek to provide transparency of our assessment criteria used in our evaluation process. You can find our assessment criteria to the common types of shareholder proposals in our 2024 Policy. When assessing shareholder proposals, we fundamentally consider whether the adoption of the resolution would promote long-term shareholder value in the context of our core governance principles.

Broadly, we vote against a shareholder proposal if it appears to impose changes to business strategy or operations, such as increasing or decreasing investments in certain products or businesses or phasing out a product or business line. In contrast, we would consider supporting a shareholder proposal if the request is focused on enhancing disclosure of the company's governance and/or risk oversight of a topic that is material to that company. We voted in favor of 24% of environmental proposals in 2023 and our voting records demonstrate the consistency of our approach over the past decade.

Q. Are there any other trends that you are keeping a close eye on in the 2024 proxy voting season?

2024 will mark the second full voting season when the universal proxy card is available in the US market. We are already seeing a pick up in the cadence and application of universal proxy cards, reflecting a range of objectives and the number of dissident directors up for election. Additionally, we expect to see increased usage of alternative stewardship tools, such as "vote-no campaigns."

When contested situations arise, we focus on evaluating the merits of the long-term strategy as a prerequisite before we consider alternative directors. For instance, we place critical importance on the strategy presented by dissident nominees relative to current management, as overseen by the incumbent board. Further, we assess if the proposed strategy and investment time horizon align with State Street Global Advisors' interests as a long-term shareholder.

Q. How often does State Street Global Advisors examine its proxy voting and engagement policies?

We annually review and refine our policy to reflect changes in market practice, the evolution of corporate governance codes, and relevant emerging issues. Consistent with prior years, we have updated our policy between March and April before the proxy season, which starts in early-April.

Q. Are there any notable changes to your proxy voting and engagement policy in 2024?

We have streamlined our policy document to make it easier for our clients and investee companies to readily find the information they seek. While the content and application are largely the same, stakeholders can access our 2024 Global Proxy Voting and Engagement Policy within a single document. This is a practical enhancement.

From a policy perspective, we have refined our director time commitment policy. We believe that boards are best positioned to evaluate their own directors' time commitments and that nominating committees should be responsible for establishing and enforcing their director commitment policies. Transparency remains a critical component and we think investors would benefit from companies providing more transparency over how their nominating committees assess directors' time commitments and what factors they consider in these decisions.

Q. How are you addressing climate risk in the 2024 Proxy Voting and Engagement Policy?

Our approach to addressing climate risk remains unchanged. Specifically, our stewardship program is anchored on effective board oversight and disclosure of material risks and opportunities, including those that are climate related. In terms of *proxy voting,* we have encouraged our portfolio companies to report in line with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) since we first endorsed the framework in 2017. Our director voting policy has been in effect since 2022 and explicitly calls on companies to provide public disclosure regarding climate-related risks and opportunities in accordance with the TCFD. For companies in the carbon intensive industries, we have additional expectations on disclosure and effective oversight of climate risk management.

In terms of *engagement,* climate risk management will continue to be a theme of the 2024 Asset Stewardship program. For example, we have two ongoing engagement campaigns with the first focusing on climate transition plans for companies that have adopted a climate transition plan and the second honing in on climate and nature-related risks in the food value chain.

Q. Can you tell us a little more about the Asset Stewardship team? What's on the horizon for your team?

We have a dedicated team, spanning offices across the globe. We continue to expand the team, which has more than doubled in the past few years, reflecting State Street Global Advisors' commitment to its asset stewardship program. In the past twelve months, we have significantly strengthened our stewardship presence in the EMEA region and continue to build the team in both the Americas and in the Asia-Pacific region.

Q. Tell us how you are providing your clients with a choice in their preferred approach to proxy voting?

We have a strong belief in our asset stewardship efforts and are deeply committed to providing a best-in-class program. At the same time, we recognize that clients have differing views and therefore we are committed to providing choice in the proxy voting choice program that we have made available to them. In 2023, we expanded our proxy voting choice program to now cover 80% of the eligible index equity assets we manage.[1] Our proxy voting choice program gives clients the option to direct the proxy voting of shares held by the eligible funds or separate accounts in which they are invested and we're proud to be a leader in this space.

Q. Will State Street Global Advisors continue to undertake engagement campaigns?

Yes, State Street Global Advisors currently has a number of active engagement campaigns. These engagement campaigns focus on various thematic issues through the lens of effective board oversight, disclosure, and/or shareholder protection.

Q. As we round off the discussion, how would you best describe what distinguishes your stewardship program at State Street Global Advisors?

Consistency distinguishes our stewardship program. We have always focused on governance, and have been able to maintain a consistent voting record over the last decade. Our program is anchored in the three pillars of board oversight, disclosure, and shareholder protection, which guide our stewardship work and will continue to do so going forward. Acting independently, we have established our positions based on pragmatic considerations for what is in the best long-term economic interests of our clients.

Endnote

1 Eligible assets under management for State Street Global Advisors' index equity assets are $1.94 trillion. Data as of December 31, 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 $4.13 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2022.
† This figure is presented as of December 31, 2023 and includes approximately $64.44 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.

ssga.com

Information Classification: Limited Access

Marketing communication.
For institutional/professional investors use only.

State Street Global Advisors Worldwide Entities

Important Information

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

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.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

The views expressed in this material are the views of Benjamin Colton through the period ended March 14, 2024 and are subject to change based on market and other conditions.

This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Investing involves risk including the risk of loss of principal.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

This communication is directed at professional clients (this includes eligible counterparties as defined by the appropriate EU regulator) who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

© 2024 State Street Corporation.
All Rights Reserved.
ID2061619-6481982.1.2.GBL.INST 0324
Exp. Date: 03/31/2025