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# Asset Stewardship at State Street Global Advisors

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# Our Approach to Asset Stewardship

State Street Global Advisor's is one of the world's largest asset managers with \$4.14 trillion\* in assets under management.

Our approach to stewardship is focused on demonstrating and monitoring impact through proxy voting, thought leadership, and engagement.

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## Proxy voting

Vote on items affecting shareholders at annual meetings for all 12,000+ portfolio companies

## Engagement

Meet regularly with companies to understand their approach to material ESG issues, encouraging them to improve their practices as needed

## Thought leadership

Share our perspectives on salient ESG issues with the market through letters, essays, and media interviews

\*As of December 31, 2021

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# Our Core, Multi-Year Campaigns

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## Proactively Addressing Diversity & Inclusion

### Fearless Girl

We're continuing to elevate our gender diversity guidance and voting policies to hold companies accountable. Since the launch of our Fearless Girl campaign in 2017:

- **1,486** companies identified in the US, UK, Australia, Japan, Canada, continental Europe, Singapore and Hong Kong that had no women on their boards.
- **313** company boards voted against during year 4 of the campaign (March 2020-February 2021)
- **862** companies (approximately 58%) have now added a female director to their board globally.

### Racial and Ethnic Diversity

To ensure companies are advancing racial and ethnic diversity, equity, and inclusion, we have introduced new voting policies and disclosure expectations to drive accountability and progress.



Sculpture by Kristen Visbal.

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## Climate Risk & Reporting

### Throughout 2021:

- We conducted over 250 engagements with companies across multiple industries to understand their approaches to managing climate-related risks and opportunities (~70% increase compared to 2020).
- As part of our commitment to holding our portfolio companies and ourselves accountable for reducing carbon emissions, we became a signatory of the Net Zero Asset Managers initiative in April 2021.

### What's next?

In 2022, we will take voting action against companies that fail to provide sufficient disclosure in accordance with the TCFD recommendations. We will continue to engage companies on climate with a focus on understanding companies' plans and progress toward long-term climate goals.



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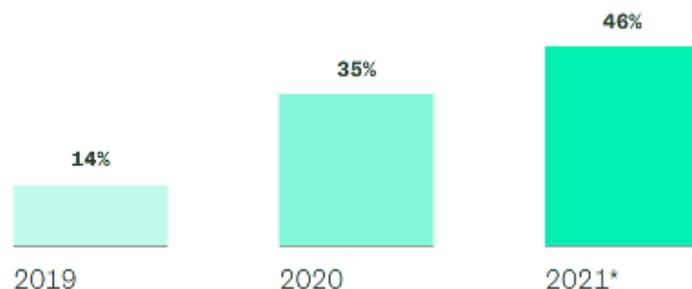
# Climate-related Voting and Engagement

The number of climate-related proposals at our investee companies increased from 53 in H1 2020 to 80 in H1 2021 with over a third of proposals gaining majority votes.

## Voting

- This year, we increased our support of climate-related proposals, voting in favor of **46%** in H1 2021 compared with 35% during the same time frame in 2020 and 14% in 2019

Support for Climate-related Proposals



\* Includes both shareholder and management "Say on Climate" proposals.

## Engagement

- Since 2014, we have held **787** climate-related engagements across a range of industries and markets
- During 1H 2021, we conducted **125** climate-related engagements, a **60%** increase compared to last year (78 in H1 2020)

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# Elevating our Focus on Climate Risk

## New Disclosure Policy

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**Expectations:** Portfolio companies disclose in accordance with the TCFD framework including:

- Board oversight of climate-related risks and opportunities
  - Total Scope 1 and Scope 2 GHG emissions
  - Targets for reducing GHG emissions
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- **Voting Policy:** If a company fails to adequately meet our expectations, we may vote against the independent board leader.
  
  - **Timeline:** From March 2022.
  
  - **Indices:** S&P 500, S&P/TSX Composite, FTSE 350, STOXX 600, and ASX 100

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# What is R-Factor™?

Responsible investing requires a tool to measure the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry

At State Street Global Advisors, we've built a scoring mechanism to do just that. We call it R-Factor™.

<b>Financial Materiality</b>	<b>Commonly Accepted, Transparent Frameworks</b>	<b>Multiple Data Sources</b>	<b>Strong Stewardship</b>
Scores based on what matters most for business that have been shown to contribute to long-term sustainable returns	Gives companies a roadmap to improve their ESG performance and score	Powered by multiple data sources to minimize the bias of any one data provider and provide coverage of more companies	Helps build sustainable capital markets by incentivizing companies to enhance ESG disclosure for all investors

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# Benefits of R-Factor™

Our purpose is not just to create investment products, but to build more sustainable capital markets.

## For Companies, R-Factor™:

- **Puts companies in the driver's seat**, with clarity on the actions needed to improve practices and enhance scores
- **Increases ESG integration into company strategy**, offering clear guidance to boards and management teams on financially material ESG topics to focus on
- **Takes the guesswork out of ESG reporting**, with scores based on a focused set of specific financially material ESG metrics

## For Clients, R-Factor™:

- **Offers transparency** around financial materiality, removing noise and biases of third-party data providers
- **Focuses on financial materiality**, creating opportunity to allocate capital to companies focused on managing and mitigating financially material ESG risks
- **Improves the quality of ESG management in portfolio companies**, setting companies up for long-term sustainable performance