Ronald O'Hanley
Chairman and CEO
State Street Corporation
1 Lincoln Street
Boston, MA 02111

Dear Mr. O'Hanley,

We are writing on behalf of the Interfaith Center on Corporate Responsibility (ICCR), a coalition of over 300 global institutional investors that collectively represent more than $4 trillion in managed assets, to express our concern over State Street's 2022 proxy voting record on shareholder proposals related to environmental, social and governance (ESG) risks. Our members, many of whom are State Street clients, are long-term investors who believe that a company's management of environmental and social risks, and commitment to strong governance, are essential to long-term value creation.

As you may know, there has been increasing scrutiny of the proxy voting records of asset managers on ESG-related shareholder proposals and on Board oversight of these issues. Research from Morningstar, Majority Action, ShareAction, Georgeson, and others reflects asset owners' heightened expectations of their asset managers to address these material risks in their proxy voting. While we are mindful of the recent pressures fund managers face from parties attempting to discredit ESG, the fiduciary case for integrating material ESG risk factors into investment decisions and proxy voting is clear and irrefutable. Ms. Hungs recent letter on proxy voting makes a strong and convincing case about the importance of proxy voting as a fiduciary duty.

In this recent letter on State Street's 2023 proxy voting agenda, Ms. Hung said that:

> *"with increasing consensus that climate change is a potential systemic risk to firms and sectors alike, we ask portfolio companies to provide transparency into their plans for managing climate-related risks, and encourage boards to have oversight of relevant climate risks and opportunities."*

Despite this clearly articulated strategy for addressing climate risk, State Street's proxy voting record on climate-related proposals and board oversight of climate risks in 2022 was largely lacking. According to ShareAction's recent ranking of the top 68 managers' voting record on 252 shareholder proposals on proxy in 2022, State Street Investments ranked 61st in 68 asset managers assessed. State Street supported only 29% of overall proposals, and only 30% of environmental resolutions examined.

Furthermore, Majority Action's report on *Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2022,* indicates that State Street supported all directors at 94.4% of U.S.-based Climate Action 100+ focus companies[1] and supported all but one of the ten directors opposed and flagged for an "Against" vote by Climate Action 100+ investors at U.S. companies, despite being among the top four CA100+ signatories in terms of assets under management.

State Street's voting record on shareholder resolutions related to social policy issues, particularly those related to racial justice, was not much better than its voting record on environmental proposals. State

Street supported only 31% of social policy-related proposals assessed by ShareAction in 2022, and among major asset managers (those with more than $1trillion in assets under management) was ranked in the six lowest supporters of racial equity audit proposals at S&P 500 companies[2]. Many of these racial equity audit proposals received strong support from other shareholders with some receiving majority votes and many others being withdrawn by their proponents due to successful agreements reached in dialogue.

Furthermore, State Street supported only 24% of shareholder proposals addressing worker rights and safety issues such as mandatory arbitration agreements, whistleblower policies, and sexual harassment policies[3]. Despite the lack of support from State Street, these proposals achieved an average vote of 37% with five of them being supported by the majority of shareholders reflecting growing shareholder recognition of the business risks surrounding worker rights and safety. It's also worth noting that State Street supported only half of shareholder proposals that requested disclosure on various workforce DEI initiatives, including diversity reporting, racial and gender pay gap disclosure, and disclosure of EEO-1 data. We appreciate State Street's longstanding leadership on diversity issues including your strong record of voting No on boards with inadequate diversity and your call to companies to disclose diversity data as well as the famous statement made by the "Fearless Girl" statue on Wall Street. These are important acts of leadership setting examples for other investors who have similarly taken such stands. Thus, your voting record on diversity and racial justice was confusing.

Morningstar's analysis of asset manager voting on key resolutions, i.e. those shareholder resolutions addressing environmental or social themes that were supported by 40% or more of a company's independent shareholders, indicates that State Street abstained on 15% of these key resolutions - a much higher proportion of "Abstain" votes than any other top 20 U.S. firms . While we acknowledge the explanation you have given in your proxy voting guidelines regarding what circumstances State Street considers voting abstain, we would nevertheless be interested in understanding your rationale for voting "abstain" on these key resolutions that received significant support from institutional investors.

Finally, we also wanted to note that ShareAction's report *Voting Matters 2022*, shows that State Street supported only 22% of shareholder proposals that directly relate to executive compensation or to the company's lobbying and political spending disclosure, policies and practices. In our own research on ICCR member-led shareholder resolutions filed in 2022, we saw a decline in State Street's support for lobbying and political spending disclosure asks year on year, including several instances of State Street voting against lobbying disclosure resolutions it had supported the year before. This is noteworthy given the growing public attention to corporate misalignments between their public policies and their direct and indirect lobbying and political contributions.

In summary, as a coalition of long-term investors, including many clients of State Street, we want to underscore that we see the adequate management of material ESG risks as critical to long-term value creation and the safeguarding of shareholder value. As a fiduciary managing the assets of millions of clients, we believe State Street has an obligation to fully leverage its proxy voting powers to mitigate those ESG risks.

We look forward to your response, which we will gladly share with ICCR members. We will continue to monitor State Street's proxy voting practices and, in the meantime, would welcome a discussion with management regarding the issues raised in this letter. My colleague Tim Smith, Senior Policy Advisor (tsmith@iccr.org) will be glad to coordinate a call.

Sincerely,

Josh Zinner, CEO

CC:
Yie-Hsin Hung, President and CEO
Benjamin Colton, Global Head of Asset Stewardship
Holly Fetter, Vice President on the Asset Stewardship Team

Tim Smith, Senior Policy Advisor, ICCR

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[1] 'Those large companies where fossil fuel production, consumption, and financing are central to their core business have outsized climate impact.'
[2] Majority Action's report on Equity in the Boardroom, 2022
[3] ibid