



November 26th, 2024

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 reflect the concerns of a number of investors and clients regarding State Street's 2024 proxy voting record on shareholder proposals related to environmental and social and governance (ESG) risks. Our members, many of whom are shareholders and clients of State Street, are long-term investors who have raised these concerns before through conversations and correspondence

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. BlackRock's research¹ indicates that the long-term implications of inaction on climate change could reduce global economic output by nearly 25 percent over the next two decades, making addressing climate change a material issue for fiduciaries.

State Street Global Advisors also [acknowledges the connection between climate and business risk](#), stressing "*that managing climate-related risks and opportunities may be a key element in maximizing long-term value for our clients ... (and) Our climate stewardship efforts are built around three pillars: proxy voting, company engagement, and thought leadership*". Yet despite this understanding, State Street's [recently released Stewardship Activity Report](#) indicates that the firm supported only "6% of environmental shareholder proposals". The firm's proxy voting record on shareholder resolution related to impacts on people was no better as State Street "supported 7% of social shareholder proposals". We believe this an abdication of fiduciary duty and is also bad business.

Furthermore, State Street's 2024 proxy voting record and rationale appears at times to be contradictory and unclear. State Street's [Stewardship Activity Report](#) indicates that several

¹ <https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/investing-in-climate-awareness>

² <https://www.ssga.com/us/en/about-us/what-we-do/asset-stewardship/climate-stewardship>

factors contributed to their decline in support for shareholder proposals “*primarily the responsiveness by companies to prior shareholder proposals and the increasing prescriptiveness of the proposals*”. We believe these are convenient generalizations which ignore the strong business case for many of these resolutions. For example, many companies have made commendable pledges to reduce GHG emissions yet have not disclosed a clear plan of how to meet those goals. It is not inappropriate or “prescriptive” to take a logical next step and ask for a clear implementation plan to be shared. Yet State Street seems to be locked into a simplistic approach that supports basic disclosure but is unwilling to support requests that companies develop and disclose “next steps”. At American Tower Company, State Street opposed a 2024 Gender and Racial Pay Gap proposal that achieved a near majority (49%) vote. This is a clear example of State Street’s understanding of material risks raised by shareholder proposals, diverging from the near majority of shareholders and also of your proxy voting suppressing shareholder voice on this issue. Given how important proxy voting on sustainability is to your clients we hope you will address some of these apparent inconsistencies.

In July 2024 we welcomed State Street’s announcement that it was developing a new sustainability-focused stewardship offering for clients who want its active ownership work to drive sustainability outcomes³. The announcement explained that this service will include a greater focus on climate and other sustainability related topics and a separate proxy voting policy aligned with these priorities. However if managing climate risk is a key element in maximizing long-term value for clients then we would expect State Street to pursue that consistently as part of your fiduciary duty.

As we look at the hundreds of climate-related and social resolutions, we believe there are many more shareholder proposals that make a strong business case and are not poorly written or overly prescriptive. It seems like State Street has instituted a new high bar for shareholder resolutions that is almost impossible to meet. We are concerned about what motivated this voting shift and if pressure from conservative investors played any role in this change. In addition, we note that many other investment firms guided by the same fiduciary standards as State Street, have a much higher percentage of votes in favor of ESG resolutions.

Furthermore, while we appreciate your case-by-case approach to assessing shareholder proposals, ICCR members and many of your clients are investors with diversified portfolios and ignoring systemic risks like climate and racial justice may benefit one of their companies but passes that cost on to the other companies in their portfolio. PRI and CAF’s recent guidance on stewardship also states that: “Using influence to promote short-term performance or the performance of individual companies, industries, or markets, without regard to overall value, does not constitute stewardship”⁴.

³ <https://www.responsible-investor.com/state-street-follows-blackrock-lead-with-twin-track-stewardship-offering/>

⁴ <https://www.unpri.org/investment-tools/definitions-for-responsible-investment-approaches/11874.article#Stewardship>

There is growing evidence that asset owners are becoming increasingly concerned about asset manager proxy voting on ESG shareholder proposals⁵ and many are taking action⁶. And it seems these concerns are well placed. The [UK Asset Owner Stewardship Review](#), highlights⁷ a growing misalignment between asset owners and asset managers when it comes to exercising stewardship and proxy voting at major Oil and Gas companies. This misalignment is more pronounced (i) in recent years, (ii) on shareholder resolutions (vs management proposals) and (iii) at American companies (vs. European ones). There is also [worrying evidence that asset managers' corporate engagements are not moving the needle](#) with companies⁸.

As clients and shareholders, our members want to see State Street as both a market and an ESG leader and would welcome efforts on behalf of the firm's leadership to reiterate their commitment to ESG and to commit to a critical review of their proxy voting guidelines and record. We welcome the opportunity to continue the dialogue with you on the issues raised.

Sincerely,

Josh Zinner, CEO [Interfaith Center on Corporate Responsibility](#)

Katie Carter, Director of Faith-Based Investing and Shareholder Engagement, [Presbyterian Church \(U.S.A\)](#)

Cathy Rowan, Director of Socially Responsible Investments, [Trinity Health](#)

Ethan Birchard, Executive Director, [Friends Fiduciary Corporation](#)

CC:

Yie-Hsin Hung, President and CEO SSgA

Karen Wong, Senior Managing Director and Global Head of ESG and Sustainable Investing

Benjamin Colton, Global Head of Asset Stewardship

Holly Fetter, Americas Head of Asset Stewardship

Tim Smith, Senior Policy Advisor, ICCR

⁵<https://www.responsible-investor.com/iigcc-calls-on-asset-owners-to-conduct-annual-post-proxy-manager-review/#:~:text=The%20Institutional%20Investor%20Group%20on,owner%20expectations%20and%20manager%20policies>.

⁶ [NYC's Lander 'unsatisfied' with responses from CA100+ dropouts](#) [New York City comptroller sets out how he will step up scrutiny of manager](#). [Non-US asset owners target managers over CA100+ departures](#) [UK and European clients want to know managers' alternative plans, express 'disappointment' over dropouts](#). [Maine pension fund mulls pulling voting power from BlackRock over resolution misalignment](#),

⁷ <https://www.brunelpensionpartnership.org/wp-content/uploads/2023/11/Hoepner-2023-Asset-Owner-Asset-Manager-Voting-Alignment-Review.pdf>

⁸ *Engagement (by managers) also does not change subsequent corporate governance outcomes for portfolio firms. Companies do not reduce CEO compensation, increase female board representation, or become less likely to have dual class structures after being targeted for engagement by the largest asset managers... (infact, managers) become less likely to vote against management the year after they select a portfolio company for engagement* [Big Three \(Dis\)Engagements](#) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4580206

