March 14, 2024

Mr. Ronald O'Hanley
Chief Executive Officer
State Street Global Advisors
600 Atlantic Avenue
Boston, MA 02210-2204

RE: State Street's continuing demonstration of anti-fiduciary business practices

Mr. O'Hanley,

We the undersigned write as elected and appointed state financial officials concerned about our market-based economic system or as representatives of states that do business with State Street as clients. Our purpose in this letter is to encourage State Street to promote traditional fiduciary duty (advancing all clients' objective economic interests), instead of serving the demands of global bodies and a subset of clients whose interests align with anti-fiduciary actions.

We are encouraged by your decision to depart from the Climate Action 100+ Alliance because, as you explained in a related statement, the latest requirements from the global body "are not consistent with our independent approach to proxy voting and portfolio company engagement." However, we remain concerned by your commitments to the Investor Leadership Network, the Net Zero Asset Managers (NZAM) initiative of the Glasgow Financial Alliance for Net Zero (GFANZ), the Climate Bond Initiative, and the United Nations Principles for Responsible Investing (UNPRI).

Ms. Lori Heinel's correspondence of June 29, 2023, written to us and to other state officials, broadly confirmed the necessity for this request. Our interests as clients and state financial officers should be in alignment with yours: to ensure fiduciary standards are followed. We would further expect that any business practices in conflict with the economic interests of clients will be remedied and that those remedies will be fully evidenced throughout the 2024 season of corporate annual general meetings and beyond.

State Street Benchmark Proxy-Voting Recommendations and Direct Corporate Engagement

In the June 29 letter and elsewhere, State Street executives have asserted the company's actions are "grounded in our fiduciary duty to act in the best interests of our clients." The letter then points out that State Street offers both ESG and non-ESG funds, and for non-ESG funds; "ESG factors are not taken into account in the security selection process." Most of the rest of the letter, however, admits that ESG factors are taken into consideration in determining what sorts of shareholder proposals to support or oppose in State Street's benchmark policy and what sorts of changes in business practices corporations are pressured to adopt. Specifically, the letter notes that State Street "seek[s] to understand, and we expect our portfolio companies to manage, their exposure to the climate-related risks and opportunities that are material to their business." Likewise, the letter further explains that State Street pressures companies to adopt diversity, equity and inclusion (DEI) policies, asserting that "effective board oversight of a company's long-term business strategy necessitates a diversity of perspectives, especially in terms of gender, race and ethnicity."

These two positions are the primary goals of the ESG movement. By privileging these positions when determining which shareholder proposals to support and how to exert the power of other people's money to pressure companies to act, State Street is promoting ESG factors at all companies in its portfolios. State Street is living up to its commitment to Principle 2 of the UNPRI: "We will be active owners and incorporate ESG issues into our ownership policies and practices." No matter whether portfolios are actively or passively managed, State Street is using the power of all assets under management, not only those in ESG-denominated funds, to promote ESG issues across portfolio companies.

This use of non-ESG-denominated funds to push ESG issues makes those non-ESG fund denominations at very least inapt, if not a demonstration of the provision of material misinformation. The problem is compounded by the fact that with these same non-ESG-denominated funds State Street declines to support in its benchmark policy proposals or pressure companies to evaluate and respond to other, non-ESG risks. For instance, State Street opposes in its benchmark policy proposals requesting companies to:

1. Consider the dangers and risks that will flow from shifting from baseload-reliable to "green" energies before those energies are technologically feasible and fully affordable;
2. Reevaluate the assumptions upon which claims of the need for and value of energy conversion rest, such as that (a) all of the governments of the world will mandate such conversions, and (b) the models relied on by green proponents (manifestly including assertedly objective State Street) are correct about the effects of carbon reduction, the pace of technological development and price reductions, and related issues; and
3. Consider and report on the legal and reputational risks associated with equity-based programs that discriminate against "non-diverse" populations. State Street privileges in

> its pursuit of diversity the ESG-embraced categories of "gender, race and ethnicity" while refusing to support efforts to ensure an increase in viewpoint diversity, which would be the most efficient and least legally problematic means of achieving the "diversity of perspectives" that State Street claims is its goal.

State Street also opposes in its benchmark policy proposals that raise concerns of no interest to ESG supporters but manifestly of interest to many other constituencies, *e.g.,* debanking on partisan grounds and corporate use of shareholder assets to advance divisive partisan causes.

True objectivity and consonance with fiduciary duty requires that State Street seek from companies the same levels of reporting and transparency related to all similarly relevant risks. If State Street focuses on positions and concerns favored by a particular partisan cadre, while deprecating and refusing to support in like manner the positions and concerns favored by others, then it has adopted that partisan cadre's position and is placing its advancement above State Street's fiduciary duty. State Street's benchmark positions and direct pressure on companies must alike be determined with full objectivity and for the purpose of maximizing shareholder profits over a reasonably foreseeable horizon, not with regard to any partisan goals or on the basis of non-objective or incomplete evidence. If State Street engages with shareholder or stakeholder proponents of ESG-based positions differently than with those of non-ESG positions, the problem is compounded. It seems quite clear State Street is using non-ESG-denominated assets to push ESG goals, thereby running additional legal and regulatory risks.

State Street's support of net zero emissions ESG positions for all assets under management is in alignment with the Net Zero Asset Managers initiative and not consonant with the fact that most State Street investment vehicles are not ESG-denominated. Further, State Street has committed to UNPRI, including to be "active owners and incorporate ESG issues into our ownership policies and practices.". State Street's signature on these commitments is obviously playing out in its voting and engagement actions and presents a clear violation of United States fiduciary standards.

Promoting partisan, non-economically based, financially immaterial, or divisive social issues threatens our market-based system, as does using partisan metrics in determining which matters of similar relevance to a company's core business to deem "material," and which to deny that designation, both in setting the benchmark policy and in direct engagement. We have political bodies to determine economic and social policy, and laws forbidding corporations to place a partisan set of tertiary concerns above shareholder value. State Street's wholly partisan precommitments should raise serious concerns among all investors who have placed State Street in a fiduciary position of trust, and they do raise serious concerns with us.

Opportunities for Clients to Make our Own Voting Decisions for Shares Held in Our Accounts

The June 29 letter touted State Street's efforts to allow clients to "select a proxy voting policy offered by a third party to apply to that investor's proportionate share of the fund's proxy voting power, rather than having that voting power exercised in accord with SSGA's voting policies." We were glad to hear of this development.

We recognize, though, that for this voting choice option to be genuine, rather than constituting another potential instance of material disinformation, the choices available to clients without additional cost must show equal regard to the range of choices that clients actually wish to make. State Street's program fails that test. Consider that it was only in December that State Street announced a new option of voting entirely according to the recommendations of corporate boards.[1] Before this development, every option State Street offered included backing from between some and essentially all ESG-supporting shareholder proposals. But even this assertedly board-aligned option really isn't. According to the guidelines for the board-aligned option, State Street will continue to vote against directors if it deems those companies insufficiently ESG aligned, meaning that State Street still has yet to offer even an honestly "neutral option."

State Street also still has no voting options that support environmental and social proposals that seek to raise material financial risks that are not embraced by left-partisan actors in the United States, illustrated by the positions sketched above that State Street also refuses to support in its benchmark policy ("pro-fiduciary proposal"). This renders the touted voting choice options woefully incomplete, and again does so based on partisan grounds. Until State Street offers a pro-fiduciary, off-the-rack voting option for those seeking to support pro-fiduciary proposals and positions while opposing ESG-aligned proposals, the voting choice program remains inappropriately biased. As of now, when State Street offers *no* options that support *any* pro-fiduciary environmental and social proposals, while all but its newest option affirm many or all ESG-supporting proposals, the voting choice program is of the Potemkin variety, a ratification of the primacy of partisanship at State Street rather than a genuine opportunity for clients to, at least with regard to their own assets, withdraw from that partisanship.

Our Requests

As clients of State Street and as state officials, we ask that State Street quickly and fully remedy these problems. We ask that State Street treat all proposals objectively and treat all similar risks in the same way – instead of as heretofore privileging ESG-related risks over risks that tend to cut against the achievement of partisan ESG goals – in its benchmark policy and in its direct engagement with companies. We further ask that State Street offer, in time for the upcoming 2024 season of annual general meetings, at least one voting choice option that endorses "pro-fiduciary" proposals while opposing ESG-supporting proposals, and that does not punish boards or directors for being insufficiently ESG-motivated, but rather for failing to address the issues and concerns of pro-fiduciary proponents. If State Street isn't sure how to put that list together, we can introduce State Street to parties that undertake that analysis annually and have worked through these issues. If State Street cannot make such an offering without it first being offered by ISS, Glass Lewis or some other third party, we ask State Street to explain how it is that foreign proxy-advisory services have capacities in this regard that State Street must rely on, rather than simply doing that work itself. What, in other words, is the barrier involved? In the meantime, we ask that State Street demand ISS, Glass Lewis or other entities with this special

[1] https://www.msn.com/en-us/money/markets/state-street-adds-option-to-fully-back-corporate-boards/ar-AA1kIsPm

capability put together such an option immediately, so it is available and ready for the 2024 season.

We will consider any reply short of our request as an affirmation of your continued commitment to the NZAM initiative, Investor Leadership Network, Climate Bond Initiative, UNPRI, and other non-economically justified collaborative bodies that place partisan considerations ahead of your clients' interests, a continued breach of your fiduciary duty. The favor of your reply is requested by April 15.

Very best,

Alabama Auditor Andrew Sorrell

Alaska Commissioner of Revenue Adam Crum

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Fleming

Mississippi Treasurer David McRae

Nebraska Auditor Mike Foley

Nebraska Treasurer Tom Briese

Nevada Controller Andy Matthews

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis Loftis

Texas Comptroller Glenn Hegar

Utah Treasurer Marlo Oaks

Wisconsin Treasurer John Leiber

cc: Ms. Lori Heinel, Global Chief Investment Officer, State Street Global Advisors