

State Street Global Advisors' Alignment With the One Planet Sovereign Wealth Fund Framework

State Street Global Advisors (SSGA) is the asset management business of State Street Corporation, one of the world's leading providers of financial services to institutional investors, with \$2.8 trillion assets under management.¹

The One Planet Summit established a Sovereign Wealth Fund (SWF) working group to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools. The one Planet SWF Framework serves as a basis to advance best practices on climate issues among sovereign and other institutional investors.

SSGA is a strong supporter of the principles embodied in the One Planet SWF Framework. We recognise the importance of climate change and its effects on the long-term value of our clients' investments. We have a track record of taking actions that reflect our support of each of the Framework's principles and the capabilities to help clients implement these principles through their investments.

This document lays out State Street Global Advisors' approach to supporting the principles, methodologies, and indicators of the One Planet SWF Framework.

PRINCIPLE 1 | ALIGNMENT: Build Climate Change Considerations, which are Aligned with the SWF's Investment Horizons, into Decision Making

One Planet Framework

1.1 SWFs recognise that climate change will have an impact on financial markets.

1.2 Due to their long-term horizon and diverse investment portfolios, SWFs recognise that climate change presents financial risks and opportunities which should be incorporated into the investment framework.

1.3 In accordance with their respective mandates, SWFs should report on their approach to climate change.

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- We publicly recognise climate change and its impacts on financial markets.
- Signatory and strong supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) and the UN Principles for Responsible Investing (UNPRI), among other frameworks.
- ▲ *Statement of Support for the TCFD.*
- A history of drawing attention to climate risks and offering investable solutions.
- Recently launched a suite of climate investment solutions aligned to the TCFD and Paris Agreement.
- Investment capabilities offer multiple methods of incorporating climate considerations into investment strategy (e.g. exclusion and optimization).
- Climate capabilities offer opportunities to incorporate both mitigation and adaptation metrics.
- All investable climate solutions have the capabilities to offer extensive reporting on performance criteria against carbon intensity, exposure to green and brown revenues, other environmental metrics, and assessment of climate preparedness.
- All ESG solutions include access to comprehensive ESG reporting and analytics to assist with tracking, measuring, and reporting of climate metrics.
- Quarterly and annual updates on Asset Stewardship, including climate-focused efforts.
- ▲ *Annual Stewardship Report 2017.*

¹ As of September 30, 2018.

▲ Denotes published thought leadership.

PRINCIPLE 2 | OWNERSHIP: Encourage Companies to Address Material Climate Change Issues in their Governance, Business Strategy and Planning, Risk Management and Public Reporting to Promote Value Creation

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2.1 SWFs expect company boards to understand the consequences of their business practices for climate emissions and to set clear priorities for the company to address relevant climate change issues.	<ul style="list-style-type: none"> Asset Stewardship team regularly engages with companies, encouraging consideration and disclosure of climate change's impact on core business and long-term strategy. More than 100 priority companies engaged on climate in 2017. ▲ <i>Incorporating Sustainability Into Long-Term Strategy.</i>
2.2 SWFs expect companies to plan for relevant climate scenarios and incorporate material climate risks in their strategic planning, risk management and reporting.	<ul style="list-style-type: none"> Strong voting history of supporting "2°C" shareholder proposals calling on companies in energy-intensive sectors to perform scenario analysis. Since 2016, we have supported 17 "2°C" proposals Investable climate solutions assess readiness of companies to physical impacts of climate change through an adaptation score. ▲ <i>SSGA's Perspectives on Effective Climate Change Disclosure.</i>
2.3 SWFs encourage public disclosure by companies to understand how climate change may affect their future performance, and what actions they are taking.	<ul style="list-style-type: none"> Extensive published thought leadership encouraging disclosure, including a climate change risk oversight framework and scenario planning guidance for directors in the oil, gas, utilities, and mining sectors. ▲ <i>Climate Change Risk Oversight Framework for Directors.</i>
2.4 SWFs should encourage the development and adoption of agreed standards and methods that promote the disclosure of material climate-related data.	<ul style="list-style-type: none"> Supportive of market infrastructure on disclosure (see 1.1 regarding TCFD and UNPRI). We participate in formal consultations with regulatory bodies (e.g. in the UK and the EU) around sustainable climate legislation, including disclosure. Lynn Blake, EVP and CIO of GEBS at SSGA on investment advisory board of Sustainability Accounting Standards Board (SASB).

PRINCIPLE 3 | INTEGRATION: Integrate the Consideration of Climate Change-related Risks and Opportunities into Investment Management to Improve the Resilience of Long-term Investment Portfolios

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3.1 SWFs should identify, assess and manage portfolio risks generated by the expected transition to a low-emissions economy and from the potential physical impacts of climate change.	<ul style="list-style-type: none"> Our solutions allow investors to strengthen the resilience of their climate portfolios and invest in firms better positioned to mitigate climate change and adapt to climate-related risks. Continued engagement with companies on climate change facilitates the disclosure of portfolio risks generated by expected transition to a low-emissions economy.
3.2 SWFs can draw on, and develop, analytical tools to inform portfolio allocation and investment decisions.	<ul style="list-style-type: none"> Portfolio Managers across firm have access to live dashboard of ESG dimensions of holdings, including environmental factors; a climate dashboard is forthcoming. Sustainable climate reporting gives carbon gives views on multiple metrics to support decision-making. Developed a multi-data architecture with nine ESG and climate data sources to support dashboard, reports, and decision-making.
3.3 SWFs should consider investment opportunities that arise from the global effort to address climate change.	<ul style="list-style-type: none"> ESG and climate-focused research and development capabilities are embedded in investment processes across asset classes. Offer opportunities for clients to increase exposure to "green" revenues derived from new low carbon technologies. Published research on methods for integration within equity portfolios. ▲ <i>A Blueprint for Integrating ESG in Equity Portfolios.</i>
3.4 SWFs should consider approaches to reducing portfolio exposure to climate-related risks.	<ul style="list-style-type: none"> Full suite of climate solutions allows asset owners a customised approach to climate investing — from aligning with Intergovernmental Panel on Climate Change (IPCC) recommendations today to taking a more long-term approach.
3.5 SWFs can promote research on issues related to the financial implications of climate change.	<ul style="list-style-type: none"> Have dedicated researchers across investment teams who prioritise ESG research and integration, including addressing the financial impacts of climate change in investment portfolios. State Street's Center for Applied Research promotes relevant research, including on ESG and climate.

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State Street Global Advisors Worldwide Entities

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