Insights
Asset Stewardship

March 2023

Guidance on Climate-related Disclosures

At State Street Global Advisors, we believe that managing climate-related risks and opportunities is a key element in maximizing long-term risk-adjusted returns for our clients. As a result, we have a longstanding commitment to enhance investor-useful disclosure around this topic. We have encouraged our portfolio companies to report in accordance with recommendations of the Task Force for Climate-related Financial Disclosures (TCFD)[1] since we first endorsed the framework in 2017. Since then, companies have improved the quality and quantity of climate-related disclosure and investors have matured their expectations.

This guidance outlines our expectations with respect to the disclosure of climate-related risks and opportunities and our approach to voting and engagement on this important topic. We will continue to engage with portfolio companies to ensure investors receive the information needed to assess how companies are approaching climate-related risks and opportunities.

Our Expectations for Climate-related Disclosures

We expect all companies in our portfolios to offer public disclosures in accordance with the four pillars of the TCFD framework: Governance, Strategy, Risk Management, and Metrics and Targets.

1 **Governance** The TCFD recommends companies describe the board's oversight of, and management's role in, assessing and managing climate-related risks and opportunities.

2 **Strategy** The TCFD recommends companies describe identified climate-related risks and opportunities and the impact of these risks and opportunities on their businesses, strategy, and financial planning.

3 **Risk Management** The TCFD recommends companies describe processes for identifying, assessing, and managing climate-related risks and describe how these processes are integrated into overall risk management.

4 **Metrics and Targets** The TCFD recommends companies disclose metrics and targets used to assess and manage climate-related risks and opportunities.

Disclosure Expectations for Effective Climate Transition Plans

We believe it is our responsibility to provide portfolio companies that have adopted a climate transition plan with clarity on our expectations for effective climate transition plan disclosure.

In developing our climate transition plan disclosure expectations, our asset stewardship team conducted an in-depth assessment of existing disclosure frameworks and standards for relevant disclosures. We considered several factors (e.g., market adoption, usefulness for decision-making, applicability across sectors) and selected a core set of disclosure expectations for companies that have adopted climate transition plans.

We recognize that there is no one-size-fits-all approach to reaching net-zero and that climate-related risks and opportunities can be highly nuanced across and within industries. The expectations set out below serve to provide transparency on the core criteria we expect companies that have adopted a climate transition plan to address in their related disclosures.

Figure 1
Key Areas of Climate Transition Disclosure

Category	Disclosure Expectations for Companies that Have Adopted a Climate Transition Plan
Ambition	• Disclose what long-term climate ambition has been adopted by the company
Targets	• Disclose any interim GHG emissions reduction targets • Disclose any commitment to align with temperature goals
TCFD Disclosure	• We promote adoption of TCFD-aligned disclosure • Disclose any scenario analysis performed by the company • Provide emissions reporting and assurance
Decarbonization Strategy	• Disclose how the company's transition plan integrates into the company's long-term strategy • Discuss decarbonization actions • Disclose carbon offsets utilization • Discuss decarbonization across the value chain
Capital Allocation Alignment	• Disclose any integration of climate considerations into capital allocation decisions • Disclose what capital expenditure is made on low carbon strategies • Disclose the company's approach to carbon pricing • Disclose any investments in decarbonization
Climate Policy Engagement	• Disclose any climate change policies and positions • Disclose any trade association review
Climate Governance	• Disclose board oversight of the climate transition plan • Disclosure of management oversight of the climate transition plan
Physical Risk	• Disclose any physical risk assessment performed by the company • Disclose the company's physical risk management for identified risks
Stakeholder Engagement	• Disclose the company's: – Industry collaboration – Investor engagement – Climate expert engagement – Internal engagement

Voting
Incorporating Our Expectations into Our Proxy Voting Policies

With respect to voting on climate-related disclosure issues, we will first engage with companies related to our climate-related disclosure expectations outlined herein, focusing on companies and industries with the greatest risk and opportunity.

Director Elections

Climate-related Disclosure Expectations

State Street Global Advisors has implemented the following proxy voting guidelines:

- We may take voting action against companies in the S&P 500, S&P/TSX Composite, FTSE 350, STOXX 600, and ASX 200 indices if companies fail to provide sufficient disclosure regarding climate-related risks and opportunities related to that company, or board oversight of climate related risks and opportunities, in accordance with the TCFD framework.

Climate Transition Plan Disclosure Expectations for Significant Emitters As a complement to this director voting policy, we have launched an engagement campaign on climate transition plan disclosure targeting significant emitters in carbon-intensive sectors. Through our engagements, we will aim to better understand climate transition plans and strategies, and gain insight on each company's unique set of climate-related risks and strategic opportunities presented by the transition.

Shareholder Proposals

Climate-related Shareholder Proposals

Below is the approach when voting on climate-related shareholder proposals:

- **FOR** We will consider voting for shareholder proposals that we believe will lead to increased alignment with our expectations for climate-related disclosures;
- **ABSTAIN** We will consider voting abstain when we support some elements of a proposal's request, or recognize a company's commitment to implement related disclosure and/or oversight practices;
- **AGAINST** We will vote against shareholder proposals that we believe are immaterial, overly prescriptive, or would not further our disclosure and oversight expectations

Engagements

Incorporating Our Expectations into Conversations with Companies

Climate continues to be a core stewardship priority for State Street Global Advisors. During engagement, we may ask companies one or more of the questions outlined below.

Governance

- Where is the responsibility for climate oversight housed at the board level? How frequently does the board discuss the topic of climate change?
- How is climate — and other ESG — experience considered in the board refreshment process?
- How is the board incorporating key sustainability drivers into the performance evaluation of management?
- How does management and the board utilize external expertise to stay abreast of the emerging areas of climate?

Strategy

- How does the company integrate climate considerations into business strategy and financial planning?
- What actions are being considered to support efforts to reduce GHG emissions across the value chain, such as with suppliers and customers?
- Where does the company identify the greatest opportunities for decarbonization in the short- and medium-term?

Risk Management

- How does the company consider climate-related risks as part of overall risk management? What is the board's role?
- Has the company assessed the potential impacts of physical risk on its assets and operations?
- How does the company manage climate-related policy risks? Has the company conducted an assessment of its stated climate positions versus those of its trade and industry associations?

Metrics and Targets

- What metrics does the company utilize to track progress on achieving its climate goals?
- What sources of GHG emissions contribute most significantly to the company's carbon footprint?
- What are the biggest challenges facing the company in achieving its GHG emissions reduction targets?

Conclusion

We encourage companies in our portfolios to align their climate-related disclosures and practices with our expectations and at the same time we endeavor to communicate these expectations clearly to the market. Please reach out to our Asset Stewardship team at GovernanceTeam@ssga.com. We look forward to engaging with you on this important topic.

Endnotes

1 https://fsb-tcfd.org/publications/.

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US $3.48 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2021.
† This figure is presented as of December 31, 2022 and includes approximately $58.60 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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Marketing communication

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