

Disclosure Expectations for Effective Climate Transition Plans

As the world mobilizes toward achieving net-zero emissions by midcentury, our portfolio companies are adopting long-term climate ambitions in increasing numbers. However, few have provided a clear roadmap to achieving these goals — and fewer asset managers have provided detail on what companies are expected to disclose as they prepare for the transition to a low-carbon economy.

State Street Global Advisors is a signatory to the Net Zero Asset Managers initiative, reflecting our commitment as long-term stewards of capital to help companies effectively plan for this transition and to hold companies accountable on making meaningful progress. To that end, we believe it is our responsibility to provide portfolio companies with clarity on our expectations for effective climate transition plan disclosure. We see this as the first step in ensuring we — and the broader investor community — receive the information necessary to assess each company's preparedness for the transition to a low-carbon economy.

Our Process for Developing Disclosure Expectations

The Asset Stewardship team conducted an in-depth assessment of existing ESG frameworks and standards¹ for relevant climate-related disclosures. We considered several factors (e.g., market adoption, usefulness for decision-making, applicability across sectors, financial materiality) and selected a core set of disclosures for climate transition plans that would be useful to investors like us. We leveraged existing frameworks and considered market practice to help reduce the reporting burden on companies while benefiting investors with more consistent and robust disclosure.

Our selected disclosures are organized into ten categories that closely align with those found in the Institutional Investors Group on Climate Change (IIGCC) [Net-Zero Investment Framework](#)² and Climate Action 100+ [Net-Zero Company Benchmark](#). We included two additional categories, "Physical Risk" and "Stakeholder Engagement", as these are critical in understanding company performance and represent areas where disclosure practices could be improved.

Our Approach: Stakeholder Engagement

We conducted a series of engagements with key stakeholders — portfolio companies in carbon-intensive sectors, asset owners, investor advocates and coalitions, and internal cross-functional subject matter experts — to collect feedback on our expectations and inform our approach. Through these engagements, we identified areas of disclosure that are ambitious yet realistic and others where the market may need more time to coalesce around methodologies, such as just transition.

While stakeholders generally agree on the value of considering the social impacts of the transition to a low-carbon economy — including on workers, communities, and society at large — we found consensus around defining "just transition" and related disclosure expectations is still emerging. We will conduct a series of engagements to assess best practices and monitor developments in the market before articulating expectations for this category.

Our Disclosure Expectations for Effective Climate Transition Plans

State Street Global Advisors' Disclosure Expectations for Effective Climate Transition Plans are outlined below. We recognize that there is no one-size-fits-all approach to reaching net-zero and that climate-related risks and opportunities are highly nuanced across and within industries. As a first step, this publication serves to provide transparency on the core criteria we expect issuers to address when developing climate transition plans.

We recognize this is an emerging area of disclosure and we will continue to develop our expectations over time, including consideration of any mandated disclosure by regulators.

Figure 1
Key Areas of Climate Transition Disclosure

Category	Disclosure Expectations
Ambition	<ul style="list-style-type: none"> Long-term climate-related ambition
Targets	<ul style="list-style-type: none"> Interim GHG emissions reduction targets Alignment with temperature goals
TCFD Disclosure	<ul style="list-style-type: none"> TCFD-aligned disclosure Scenario analysis Emissions reporting and assurance
Decarbonization Strategy	<ul style="list-style-type: none"> Transition plan integration into long-term strategy Decarbonization actions Carbon offsets utilization Decarbonization across the value chain
Capital Allocation Alignment	<ul style="list-style-type: none"> Integration of climate considerations into capital allocation decisions Capital expenditure on low carbon strategies Carbon pricing Investments in decarbonization
Climate Policy Engagement	<ul style="list-style-type: none"> Disclosure of climate change policies and positions Trade association review
Climate Governance	<ul style="list-style-type: none"> Board oversight Management oversight
<i>Just Transition</i>	<i>State Street Global Advisors is in the process of developing our disclosure expectations</i>
Physical Risk	<ul style="list-style-type: none"> Physical risk assessment Physical risk management
Stakeholder Engagement	<ul style="list-style-type: none"> Industry collaboration Investor engagement Climate expert engagement Internal engagement

Applying our Expectations to Proxy Voting and Engagement

In 2022, we will launch an engagement campaign on climate transition plan disclosure targeting significant emitters in carbon-intensive sectors. Starting in 2023, we will be prepared to hold directors accountable if these companies fail to show adequate progress on meeting our disclosure expectations. 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.

Where relevant, our expectations will be used to inform our assessment of issuer climate transition plan disclosure and related shareholder proposals. For more information on our approach to climate voting and engagement see our [Guidance on Climate-related Disclosures](#).

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 [Climate Action 100+ Net-Zero Company Benchmark](#), [Transition Pathway Initiative management quality assessment](#), [World Economic Forum Stakeholder Capitalism Metrics](#), [Taskforce on Climate-related Financial Disclosures \(TCFD\) Guidance on Metrics, Targets, and Transition Plans](#), [Sustainability Accounting Standards Board \(SASB\) standards](#), [World Benchmarking Alliance Just Transition Methodology](#), among others.
- 2 SSGA referred to the “asset class alignment” component of the IIGCC Net Zero Investment Framework provides a list of alignment criteria that constitute a Net Zero Transition Plan for listed equity and fixed income.

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* Pensions & Investments Research Center, as of December 31, 2020.

† This figure is presented as of September 30, 2021 and includes approximately \$59.84 billion 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.

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