

State Street Global Advisors

ESG Investment Statement

Our Mission

It is State Street Global Advisors’ mission to invest responsibly to enable economic prosperity and social progress. We have a legacy of over 30 years in environmental, social and governance (“ESG”)/sustainable investing, reflecting our long-term commitment to ESG principles.

Whether clients are focused on risk management, responding to new regulations, making investments that align with their values, or seeking to enhance long-term performance, we believe integrating ESG into our investment processes, along with our ESG-specific investment capabilities, supports clients in achieving their ESG objectives and investment goals while encouraging the transition to a low-carbon, more sustainable, resource-efficient and circular economy.

How We Define ESG

ESG investing is the assessment of material environmental, social and governance issues during the investment process. ESG issues (or “sustainability risks”) are ESG events or conditions that, should they occur, could cause a negative impact on the value of an investment. ESG opportunities arise when ESG-related developments could cause a positive impact on the value of an investment. This approach to investing complements traditional research conducted during the investment process such as analyzing financial statements, industry trends and company growth strategies. We are committed to identifying opportunities and mitigating risks to create long-term shareholder value.

As supported by an abundance of research, we believe that companies that are managed responsibly and adhere to high environmental, social and governance standards deliver better financial results over the long-term and are well-positioned to withstand emerging risks and capitalize on new opportunities.

As such, we believe we have a responsibility as an asset manager to integrate sustainability risk and opportunities into investment decision-making alongside traditional investment analysis. Specific approaches by investment team are outlined in more detail below.

Our ESG Investment
Capabilities

Our investment teams focus on ESG considerations in four key areas:

Data Analytics	Leveraging a multisource data architecture that helps investors better understand their ESG exposures, take action to achieve their investment goals and monitor results
Differentiated Solutions	Designing the next generation of ESG and climate-oriented investment solutions and integrating material ESG issues into our investment processes
Asset Stewardship	Using our voice and vote to engage portfolio companies to actively consider material ESG issues such as gender diversity and climate change
Reporting	Including ESG metrics in client reporting to assist in measuring impact and ensuring accountability

Data Analytics

Using ESG to inform better decision-making starts with the right data. With increased transparency and improved reporting, investors now have access to more insights than ever before to understand their exposures, take action to achieve their investment goals and monitor progress.

We developed an ESG scoring methodology, R-Factor™, to address market infrastructure challenges around ESG data quality. By offering investee companies a transparent road map for how to improve their ESG practices and disclosures, we aim to build more sustainable markets. The R-Factor ESG score draws on data from four ESG data providers and leverages the Sustainable Accounting Standards Board's ("SASB") widely accepted, transparent materiality framework, as well as its corporate governance codes, to generate a unique ESG score that measures the performance of a company's business operations and governance as it relates to financially material and industry-specific ESG issues. We currently score more than 7,600 issuers and are continuously expanding our coverage universe. This provides us with an effective prism through which we can assess sustainability risks in our clients' portfolios. **R-factor is available for use across the firm for both investment and stewardship purposes, and reporting and analytics.**

Differentiated Solutions

Utilising industry-leading data providers and our own investment expertise, we offer a wide variety of solutions to meet clients' various ESG goals. These include solutions that employ the following:

ESG Investment Solutions

Screening	Building on more than 30 years of experience with screened portfolios, we have developed a firm-wide approach to ESG screening. This approach represents the shared perspective of all State Street Global Advisors investment teams across equities and fixed income in index, active and alternatives. It offers clients a thoughtful way to express their values or risk mitigation preferences in their portfolios. We have access to a variety of externally provided screening data sets to implement clients' preferences.
Thematics	For investors seeking to align portfolios with the Paris Agreement and the transition to a low-carbon economy, we offer a variety of options, including low-carbon mitigation, as well as a combined mitigation and adaptation approach.
Integration	Our active portfolio managers systematically integrate ESG signals and factors in efforts to mitigate risk and identify opportunities for long-term performance potential.
Best in Class	Utilising R-Factor as well as other ESG data sources, we have the capabilities to invest in sectors and companies selected for superior performance relative investment universes and industry peers.

Asset Stewardship

Our Asset Stewardship program is designed to promote long-term sustainable returns on behalf of our clients. As long-term holders of capital and recognizing that our investment strategies do not always allow us to disinvest, it is critical we use our voice and our vote to make a measurable difference around the globe. Through strong engagement, voting and thought leadership, we have seen companies respond to our calls to action to enhance diversity at the board level, strengthen board leadership and improve disclosure on their sustainability practices.

Based on this belief, in 2019 we integrated R-Factor into our stewardship program. R-Factor's unique ESG scores allow us to systematically evaluate a company's ESG performance against both regional and global industry peers for the purpose of our engagement and voting activity.

The Three Pillars of Our Stewardship Program

Thought Leadership	To inform and provide guidance to our investee companies on the development of ESG practices across our key issues.
Engagement	With investee companies to encourage the building of transparent, accountable, high-performing boards and companies.
Proxy Voting	That incorporates our investment objectives and aligns with our long-term investment horizon.

Reporting

In addition to building out our investment capabilities, we have enhanced our monthly performance reports and fund factsheets for clients' equity investment portfolios to include ESG data. With analytics featuring our R-Factor ESG scoring system, these report sections offer access to the full scope of ESG related metrics including Climate and Asset Stewardship. While our reports are initially focused on equities, we are enhancing our capabilities to support ESG reporting for fixed income and other asset classes in the future.

Our Approach to ESG Across Asset Classes

We do not take a one-size-fits-all approach to ESG investing. Our approach varies between investment teams to reflect the ESG integration philosophies of each team and the specific nuances of each investment strategy. As such, to achieve better risk-adjusted returns, our investment teams assess if and how financially material sustainability risks are integrated into their investment analysis and decision-making processes. Specific approaches to ESG investing by investment area are summarized below.

Equity Index and Smart Beta

Within our equity index strategies, ESG can be integrated in multiple ways — either through the index itself (such as an index which either incorporates ESG characteristics or has sustainable investment as its objective) or as a custom solution via our beta solutions capabilities.

Our indexing capabilities range from traditional market-cap-weighted index portfolios to smart beta and thematic ESG index portfolios. Indexing strategies with the sole objective of replicating the return of a non-ESG benchmark do not consider sustainability risk in investment selection as the primary driver of investment decisions will be the constituents of the relevant index. Nevertheless, our asset stewardship team will continue to engage with index constituent companies on ESG issues, as we believe this will continue to drive long-term shareholder value.

Active Quantitative Equity

The Active Quantitative Equity team believes that higher-quality companies, as measured by their scores on relevant ESG metrics, will deliver better risk-adjusted returns than lower-quality companies over the long term. The team has embedded ESG considerations into its investment process through the measurement of sustainability risks, through asset stewardship and by integrating ESG metrics into the assessment of expected stock returns.

As active managers, the team believes that taking a nuanced view of companies' treatment of their key ESG risks and opportunities gives insights into management and company quality, which can be a driver of relative stock return outperformance and volatility over medium-term investment horizons.

Active Fundamental Equity — Growth/Core

Having long used ESG data to help isolate specific issues and assess the quality of companies and the sustainability of their growth, the teams systematically incorporate R-Factor and other ESG data metrics into their investment decision-making processes. In some cases they may still invest in companies where the team may have a positive view of company fundamentals despite a lack of data and/or poor ESG scores; as ESG disclosures by such companies improve and availability of data increases, the teams believe that scores will become more meaningful. Additionally, the teams regularly engage with issuers' senior management on material ESG issues and to push for improved disclosure. This type of engagement is, of course, coordinated with the efforts of our Asset Stewardship team.

Active Fundamental Equity — Value

The team have long sought to identify and incorporate material ESG issues into their investment decision-making processes. Analysts will not typically exclude companies on the basis of a low or challenged ESG score. Instead, they seek to understand the underlying ESG issues and their potential impact on earnings power, balance sheet strength and the value of the business. Their priority is long-term returns and they seek to focus on the price paid versus the risk taken. Where, after analysis, the team have a positive view of both the fundamentals and valuation of a company, they may still invest despite a challenged ESG score. As with other strategies, the team separately and in coordination with our Asset Stewardship team engages with portfolio companies' management on a regular basis, pushing these firms to examine financially material ESG issues and improve disclosures.

Fixed Income

State Street Global Advisors manages both fixed-income index strategies, including those which seek to minimise costs and tracking error while adding value through a stratified sampling approach, as well as active strategies, which can be heavily reliant on credit research assessments.

ESG factors play a particular role in helping to better assess “events” that can impact creditworthiness and valuation. In particular, corporate governance plays an overarching role in fixed-income credit assessments. Governance structures drive risk policies and can safeguard proper checks and balances. The same investment considerations may also be applicable to environmental and social factors.

Integrating ESG factors into fixed-income investing can be complex given the wide spectrum of available security types. Robust ESG data now exists for most corporate bonds, but it can become more challenging to assess sustainability risks of other fixed-income security types, such as sovereign bonds and securitized products. Most recently our fixed income teams have developed low-carbon and climate investment strategies, helping investors not only reduce the environmental impact of their portfolios but also fund the transition to a greener economy.

Within our fixed income indexing capabilities, sustainability risk can be integrated in a number of ways — similar to equity, this could be through the index itself (such as a third-party index) or by deploying screens, tilts or stratified sampling techniques using ESG factors. As with equity indexing strategies, mandates with the sole objective of replicating the return of a non-ESG fixed income benchmark do not consider sustainability risk in investment selection as the primary driver of investment decisions will be the constituents of the relevant index.

Our active fixed income teams consider sustainability risk in their investment decision-making process by utilizing R-factor and other tools and data sets to consider the impact of ESG issues on an issuer's credit-worthiness. In addition, State Street Global Advisor's Risk team increasingly considers sustainability credentials in its counterparty selection and oversight processes.

Cash

Cash management combines short duration and high quality investments with the primary objectives of principal preservation and access to liquidity. Indeed, ESG factors are embedded and aligned with cash investment analyses and portfolio construction philosophies, which focus on risk mitigation, as well as balancing regulatory and rating requirements. The R-Factor score has been integrated into our Global Cash systems and investment process. As a result, our investment professionals have real-time access to approved issuers and their corresponding R-Factor score. Similar to issuer ratings, the R-Factor score is an input to the credit process but is not the driver of the overall investment decision. Notably, we have found a distinctly positive correlation between the historical benchmark that the Global Cash team uses to measure credit risk for our universe of approved investment issuers (an internal investment maturity restriction) and the R-factor score for that universe of issuers. Which is to say — the approved investment issuers with longer maturity restrictions tend to have higher R-factor scores.

Currency

Currency hedging mandates are typically focussed on removing the currency exposure in an underlying portfolio and so do not take a view on the long-term sustainability of the economies underlying the currencies. Where mandates allow State Street Global Advisors to take into account the longer term growth potential of economies, we include a measure of the quality of different countries' governance. In addition, an important part of currency management is the management of counterparty risk: our Counterparty Risk Management team is increasingly taking into account ESG factors in its counterparty approval process.

Multi-Asset, Customized Solutions and Alternatives

Our Investment Solutions Group (ISG) is responsible for building multi-asset and custom solutions to meet our clients' specific investment objectives.

State Street Global Advisors' strategic asset allocation recommendations for our clients are dependent on the long-term assumptions we make about future risks and returns of portfolio components. In Q3 2020 we incorporated R-Factor into our long-term equity asset class forecasts. As some countries' R-Factor scores are semi-permanently higher than others (due to structural differences in culture, law, or environment), we focus on how R-Factor scores rise or fall over time, rather than on absolute levels.

ESG score improvements may be rewarded by the market in the form of (1) higher returns and (2) reduced risks. While ESG ratings may have a nuanced effect on returns, its impact on risks is perhaps most straightforward: improved ESG R-Factor scores are likely to reduce tail risks associated with ESG issues, thereby delivering an overall lower level of risk (standard deviation). The inverse is true for those countries that have seen a deterioration in their ESG ratings. To account for these relationships, we built a framework that rewards higher-performing countries with lower risk expectations, and vice versa.

ISG engages directly with the client to create a portfolio that meets the client's specific objectives including, where relevant, ESG objectives. As part of the portfolio construction process, the team assesses the ESG characteristics of each underlying investment strategy. They incorporate these findings into the overall portfolio construction process, balancing the client's ESG goals with other risks to construct a portfolio solution that addresses the client's overall investment objectives.

Our Global Fiduciary Services (GFS) team is responsible for outsourced investment management with specific expertise across traditional long-only as well as alternative investment asset classes. Similar to the ISG, the GFS team engages directly with clients to understand their specific investment objectives. As a natural part of their investment process, the GFS

team carefully assesses the ESG policies and practices of our outsourced managers and direct investments, and also evaluates material ESG factors at the total portfolio level. With this understanding, the team is able to design solutions that align with our clients' ESG objectives.

Both the ISG and the GFS teams rely on State Street Global Advisors' asset stewardship insights as necessary to inform investment decision-making.

Commitment to Sustainability

As a UN PRI Signatory, State Street Global Advisors is committed to full ESG integration into our investment analysis and processes. Furthermore, our ESG investment practices and strategy strive to adhere to other international conventions and norms, extending beyond the PRI Principles for Responsible Investing and including:

- UNGC — United Nations Global Compact
- SASB Investor Advisory Group
- University of Cambridge Institute for Sustainability Leadership, Investment Leaders Group
- The Investment Trust Association, Japan
- UNEP FI — United Nations Environment Programme — Finance Initiative
- TCFD — Task Force on Climate Related Financial Disclosures
- TNFD — Task Force on Nature Related Financial Disclosures
- Climate Bonds Initiative Partners Programme
- ISG — Investor Stewardship Group
- Asian Corporate Governance Association
- Climate Action 100+
- IIGCC — Institutional Investors Group on Climate Change

These are just a few of the many global organisations that we partner with and support on efforts aimed at encouraging greater transparency, standardisation, and reporting of material ESG factors alongside financial information. We strive to be transparent and set goals to increase our use of ESG in investment decisions and corporate efforts. We regularly report these efforts via our website and through our annual Stewardship Report, the PRI reporting framework, and State Street's Corporate Responsibility report.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 30 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US \$3.90 trillion* under our care.

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

† This figure is presented as of June 30, 2021 and includes approximately \$63.59 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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