
State Street Climate ESG International Equity Fund

Fund Profile

June 2020

**Environmental, Social
& Governance (ESG)**

We believe climate change is one of the biggest risks in investment portfolios today. These risks impact almost all segments and industries — not just the obvious polluters. However, with climate risk comes tremendous opportunity with the increasing attractiveness of renewable energy driving investment to fossil fuel alternatives.

Our approach offers global equity exposure, while targeting reductions in carbon emissions and reallocating capital towards companies benefiting from low-carbon technologies and companies more resilient to the physical risks posed by climate change. At the same time, the Fund seeks increased exposure to companies that score well on our ‘Responsibility Factor’ (R-Factor™), and screens out companies with ESG risk and reputational issues.

Fund Objective

The State Street Climate ESG International Equity Fund (“the Fund”) seeks to achieve capital growth and income in line with the MSCI World ex-Australia Index, subject to delivering climate and ESG objectives.

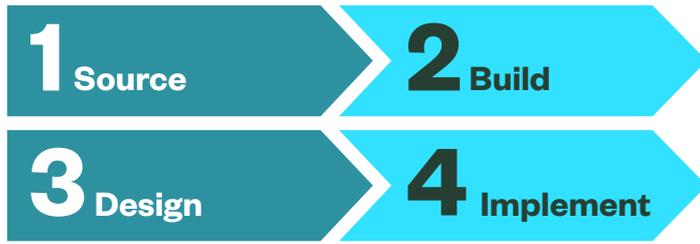
Fund Approach

The Fund aims to align with the most ambitious goals stemming from the landmark 2015 Paris Agreement — including limiting climate change to the 2° Celsius warming scenario over post-industrial levels.¹ It is designed for investors that are seeking to prepare their portfolios for the transition to a low-carbon economy. The Fund allows investors to deploy capital across multiple dimensions of ESG and Climate themes via:

- **Climate Mitigation** — aims to reduce the flow of heat-trapping greenhouse gases into the atmosphere and increase exposure to new energy and green companies.
- **Climate Adaptation** — increases exposure to companies working proactively to minimise their exposure to actual or expected physical, economic and regulatory impacts of climate change. This includes companies benefitting from low carbon technologies and demonstrating preparedness for the inevitable risks posed by climate change.
- **Sustainable & Transparent ESG** — increases exposure to companies that score well on financially material sustainability issues relative to their industry peers, as well as performance against market specific corporate governance codes.
- **Screening** — excludes companies involved in activities related to: controversial weapons, tobacco, severe ESG controversies and violations of the UN Global Compact.

Investment Process

Figure 1 Investment Process Summary



The Fund follows a disciplined and systematic investment process to achieve pre-defined climate objectives, including some of the 2015 Paris Agreement’s ambitious targets, while delivering long-term returns broadly in line with the MSCI World ex-Australia Index.

- 1 Source the Best Data** Our research team has sought to identify the most appropriate metrics and data sources for each aspect of the Fund’s approach to climate risk and built R-Factor™ to rank companies based on financially material ESG factors.
- 2 Build the Right Universe** Starting with the broad index, the investment process incorporates a set of screens that are aligned with ESG risk and reputational management objectives. Securities that fail these screens, are removed from the investment opportunity set.

3 Design For Maximum Impact

The fund is designed to:

- Reduce carbon intensity, embedded fossil fuel emissions and exposure to brown revenues.
- Increase exposure to companies that have a higher R-Factor™ score; generate higher green revenues; and are better prepared for the impact of climate change.

Optimisation tools are used to construct the portfolio and efficiently balance competing objectives such as climate targets, R-Factor™ improvement, tracking error and diversification.

Careful calibration of portfolio construction parameters, ensures the fund represents the sustainable climate and ESG themes, without introducing unintended consequences such as country, sector or stock biases, or excessive active risk relative to the broader index.

- 4 Implement & Monitor Portfolio** Portfolio Managers review the portfolio trade list and, in conjunction with our Traders, decide on a trading strategy to cost-efficiently implement the portfolio. The fund is rebalanced on a quarterly basis to ensure it is positioned to capture the evolving climate and ESG data landscape.

We continually monitor the portfolio to ensure alignment with the risk/return profile of the parent benchmark, climate objectives and investability constraints. Our detailed ESG and Climate reporting quantifies the Funds’ exposure to core controversies, climate and R-Factor™ profiles, and stewardship engagement statistics.

Figure 2 Targeted Climate and ESG Objectives

	Climate Mitigation				Climate Adaptation	ESG
Objective	Reduce Carbon Emission Intensity	Reduce Fossil Fuel Reserves	Reduce Brown Revenues	Increase Green Revenues	Score Adaptation Efforts	Increase ESG Exposure
	Direct and indirect greenhouse gas emissions	Greenhouse gas emissions resulting from a company’s fossil fuel reserves	Revenues related to drilling, mining and other extractive activities	Revenues from low-carbon technology and “clean” energy production	Steps to protect a business from the physical, economic and regulatory impacts of climate change	ESG performance leveraging the SASB financial materiality map and multiple ESG data sources
Metric	Metric tons CO ₂ emissions/\$M revenues	Embedded metric tons CO ₂ emissions	% revenues from fossil fuel related activities	% revenues from low-carbon technology	Score on Climate Change Preparedness	R-Factor™
Data Provider	S&P Trucost	S&P Trucost	S&P Trucost	FTSE Russell	ISS ESG	Multiple
Targeted Climate and ESG Profile ²	-70%	-90%	-90%	+300%	+0.25 exposure units*	+0.25 exposure units*

* Active exposure is a statistic that is measured in standard deviation units. Standard deviation is used to measure the distributional spread of data. A positive exposure indicates exposure above the universe (or parent index) average, which is typically set to 0.00. A negative exposure indicates exposure is below the universe average. Source: State Street Global Advisors.

Figure 3 Fund Details

Benchmark	MSCI World ex-Australia Index
Inception Date	30 June 2016
Management Costs	0.24% p.a.
Buy/Sell Spread	0.08%/0.05%
Minimum Initial Investment	AUD 25,000
Pricing	Daily
Distribution Frequency	Semi-Annually
APIR	SST0057AU
ARSN	611 640 361
ISIN	AU60SST00571

Reasons to Invest

- **ESG Integration and Risk Management**

Climate Focus — builds climate change thematically into portfolio construction.

Improved ESG Profile — provides increased exposure to sustainable companies that are highly rated by our ESG scoring system (R-Factor™).

Negative Screening — exclusions seek to avoid companies with ESG risk and reputational issues.

- **Diversification** — low-cost exposure to equities in developed countries.
- **Influence** — as one of the world's largest asset managers, our clients benefit from our asset stewardship programme. As active owners, we engage with our portfolio companies on issues that impact long-term value creation.

Investment Philosophy

The investment philosophy is based on the following beliefs, which guide everything we do on behalf of our clients:

Providing cost-efficient market exposure helps our clients achieve their long-term investment objectives. Index solutions are a core part of investors' portfolios. It helps to ensure consistency in exposures and allows investors to focus time and budgets on asset allocation decisions, which are core to investors' success.

A culture that promotes teamwork, accountability and stability is key to meeting our clients' performance objectives. Our global and inclusive approach allows us to leverage the collective knowledge and diverse perspectives of our team and ensure effective implementation on behalf of all our clients around the world, independent of their size or chosen investment vehicle.

A globally consistent investment process and portfolio management system enables us to invest efficiently and minimise risks for our clients. We designed our proprietary global portfolio management system around our clients' need for advanced and innovative equity index solutions. This customised system allows us to nimbly evolve to changing market conditions and client requirements.

To deliver the best possible solutions for our clients, we innovate through research. Research is a core focus for State Street and our Global Equity Beta Solutions team. We have experienced researchers specialising in areas such as factor and ESG investing to help ensure that we are positioned to retain an edge and consistently deliver on client expectations.

As long-term stewards of capital, we engage with portfolio companies and encourage responsible investing to ensure that shareholders' interests are preserved. Our asset stewardship programme focuses on thematic issues identified as central to our clients' long-term interests. Our stewardship centers on engagement, impact and transparency to benefit our investors.

1 IPCC (Intergovernmental Panel on Climate Change). 2014. "IPCC Fifth Assessment Report: Climate Change 2014." <https://ipcc.ch/report/ar5/>.

2 As compared to the MSCI World ex-Australia Index. The above targets are as of 1 June 2020 and are subject to change as both the science and the data behind climate investing evolves.

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 rigour
- 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 27 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US \$2.69 trillion* under our care.

* AUM reflects approximately \$50.01 billion USD (as of 31 March, 2020), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

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References to the State Street Climate ESG International Equity Fund ("the Fund") in this communication are references to the managed investment scheme domiciled in Australia, promoted by SSGA Australia, in respect of which SSGA, ASL is the Responsible Entity. This general information has been prepared without taking into account your individual objectives, financial situation or needs and you should

consider whether it is appropriate for you. You should seek professional advice and consider the product disclosure document, available at ssga.com, before deciding whether to acquire or continue to hold units in the Fund.

Investing involves risk including the risk of loss of principal. Investing in foreign domiciled securities may involve risk of capital loss from unfavourable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations.

The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the

market as a whole. Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.

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Past performance is not a reliable indicator of future performance.

This material should not be considered a solicitation to apply for interests in the Fund and investors should obtain independent financial and other professional advice before making investment decisions. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

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