
ESG

Index Fixed Income

2021

State Street Global High Yield Bond ESG Screened Index Fund

SFDR Article 8 –
Additional Information

Description of environmental or social characteristics

The State Street Global High Yield Bond ESG Screened Index Fund is an index fund tracking the performance of the ICE BofA Global High Yield Constrained Index while screening out securities based on an assessment of their adherence to the ESG criteria i.e. international norms in relation to environmental protection, human rights, labour standards, anti-corruption and controversial weapons.

The Index measures the performance of the below investment grade corporate debt publicly issued in the major domestic or Eurobond markets. The Index limits issuer exposure to a maximum of 2% and redistributes the excess market value Index-wide on a pro-rata basis.

Portfolio Exclusions - Scope

The below outlines the methodology used to produce the ESG Stock Exclusion List (the "Exclusion List") utilised by the Fund as part of the portfolio construction process.

Exclusion Categories

The Exclusion List includes the following screens:

1. Controversial Weapons
2. UN Global Compact Violations
3. Swedish Ethical Council exclusions

Methodology

Controversial Weapons: SSGA receives universe-level data from two ESG screening data providers: Sustainalytics and MSCI. A screen is then applied to the data to generate lists from each data provider of excluded securities for this category. SSGA determines the parameters that define the screen which are then approved by the firm's Investment Committee. Companies are excluded if they appear on either or both of the lists from the two data providers.

UN Global Compact Violations: Data is sourced from Sustainalytics. A screen is then applied to the data to generate a list of excluded securities for this category. SSGA determines the parameters that define the screen which are then approved by the firm's Investment Committee.

Swedish Ethical Council: The exclusion list of the Swedish Ethical Council is determined by the Swedish Ethical Council and provided by Sustainalytics to SSGA.

Companies with focused involvement in the following controversial weapons are excluded.

Landmines Landmines are explosives that are designed to detonate at the presence, proximity or contact of a person or vehicle. After being planted, antipersonnel mines can remain undetonated for years, posing a serious risk to civilians after a conflict has ended.

Biological and chemical weapons Biological or chemical weapons are munitions that utilize pathogens such as viruses, bacteria, and disease-causing biological agents, toxins, or chemical substances that have toxic properties, to inflict death or harm. Either type can be dispersed in gas, liquid, or solid forms. As these munitions are based on organisms or chemicals, civilians are often unintended victims since the impact zone is constrained only by how far the particles can disperse. For biological weapons, person-to-person transmission of the illness can further exacerbate the civilian impact.

Cluster weapons Cluster weapons are air-dropped explosives: bombs, missiles, rockets, or shells that carry sub munitions and disperse them over an area. The sub munitions have a wide impact zone, and often remain undetonated on the ground. These munitions can remain dangerous for years after the conflict has ended, posing a serious risk to civilians.

Depleted Uranium Depleted Uranium (DU) munitions are projectiles (bullets, rockets, etc.) that have been equipped with the radioactive chemical substance DU, a byproduct of the uranium enrichment process used to make nuclear weapons and nuclear-reactor fuel. Because of its high density, DU is often used as a penetrator in ammunition to help pierce armor. However, areas where depleted uranium munitions have been used are exposed to its radioactive qualities, causing people living in the area to be more prone to cancers, congenital birth defects, and other illnesses.

Nuclear Weapons A nuclear weapon is a device that is capable of releasing nuclear energy in an uncontrolled manner, due to fusion and/or fission reactions, making it a highly destructive explosive. The indiscriminate and disproportionate impact on civilians makes nuclear weapons a controversial weapon.

White Phosphorus White phosphorus (WP) is an allotrope of the chemical element phosphorus, which burns fiercely when exposed to oxygen. A WP munition is any projectile (eg flares, grenades, or mortars) that is equipped with WP, in order to act as a smoke-producing agent, or as tracer, illumination, or incendiary munition.

Companies directly complicit in violations of core international norms and conventions, as described in the United Nations Global Compact Principles, are excluded.

The UN Global Compact is the world's largest corporate sustainability initiative with 13,000 participants from 170 countries. It consists of a set of internationally recognized principles that encompass important issues, such as human rights, labour, the environment, and anti-corruption practices. The 10 principles are as follows:

Human Rights

- Principle 1* Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2* make sure that they are not complicit in human rights abuses.

Labour

- Principle 3* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4* the elimination of all forms of forced and compulsory labour;
- Principle 5* the effective abolition of child labour; and
- Principle 6* the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7* Businesses should support a precautionary approach to environmental challenges;
- Principle 8* undertake initiatives to promote greater environmental responsibility; and
- Principle 9* encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10* Businesses should work against corruption in all its forms, including extortion and bribery.

3 Swedish Ethical Council

All companies on the recommended exclusion list by the Council on Ethics, Swedish National Pension Funds, are excluded.

The Ethical Council is a body operated jointly by four Swedish national pension funds – AP1, AP2, AP3 and AP4 (known as the AP funds). The Council seeks to drive positive change in foreign companies implicated in violating international environmental and human rights conventions, including the Universal Declaration of Human Rights, United Nations treaties and the International Labour Organization's Core Conventions.

Excluded companies from their investment universe are directly involved in the production or marketing of anti-personnel landmines and cluster munitions. Companies can also be divested if they violate the UN Global Compact and the OECD Guidelines for Multinational Enterprises and where dialogue with the companies has not led to improvements.

Update Frequency

The Exclusion List is updated once per quarter, no later than the 15th business day of the first month of the quarter. Changes will be reflected in the relevant Fund during that quarter.

Governance

The Exclusion List methodology (with the exception of the Swedish Ethical Council list which, as described above, is generated by the Council on Ethics, Swedish National Pension Funds) and screening criteria are approved by SSGA's Investment Committee and EMEA Product Committee respectively. A description of the Swedish Ethical Council list can be found in the Methodology section above.

Further Information

For more detailed information about the research methodology, please refer to your State Street Global Advisors contact person.

Please refer to the prospectus and supplement for more information.

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 \$3.6 trillion* under our care.

* AUM reflects approximately \$60.33 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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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Assumptions and forecasts used by SSGA in developing the Portfolio's asset allocation glide path may not be in line with future capital market returns and participant savings activities, which could result in losses near, at or after the target date year or could result in the Portfolio not providing adequate income at and through retirement.

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