

# State Street Sustainable Climate US Corporate Bond Fund

## Duurzaamheidsinformatie voor artikel 8-fonds - website



### A. Samenvatting

Het beleggingsbeleid van het State Street Sustainable Climate US Corporate Bond Fund (“**Fonds**”) is te beleggen in bedrijven met een lagere koolstofemissie in de zin van huidige emissies en toekomstige emissies (gemeten aan de hand van reserves van fossiele brandstoffen), obligaties met een groen label, obligaties die zijn afgestemd op het klimaat en bedrijfsobligaties die zijn uitgegeven door bedrijven die beter gepositioneerd zijn voor de fysieke risico's van klimaatverandering, waarbij effecten worden uitgesloten op basis van een beoordeling van hun naleving van ESG-criteria (d.w.z. internationale normen inzake milieubescherming, mensenrechten, arbeidsnormen, bestrijding van corruptie, controversiële wapens en tabak).

Dit financiële product promoot ecologische of sociale kenmerken, maar heeft geen duurzame beleggingsdoelstelling.

Het fonds promoot bepaalde ecologische kenmerken door te beleggen in obligaties van bedrijven met een lagere koolstofemissie in de zin van huidige emissies en toekomstige emissies (gemeten aan de hand van reserves van fossiele brandstoffen), obligaties met een groen label, obligaties die zijn afgestemd op het klimaat en obligaties die zijn uitgegeven door bedrijven die beter gepositioneerd zijn voor de fysieke risico's van klimaatverandering. Daarnaast worden ecologische en sociale kenmerken gepromoot door een negatieve en op normen gebaseerde screening toe te passen op de portefeuille van het fonds om effecten uit te sluiten op basis van een beoordeling van hun naleving van ESG-criteria, d.w.z. internationale normen inzake milieubescherming. Het fonds promoot specifiek bepaalde sociale kenmerken door beleggingen uit te sluiten in bedrijven die UNGC-beginselen schenden met betrekking tot mensenrechten (beginsel 1 en 2), arbeidsnormen (beginsels 3 tot en met 6), bestrijding van corruptie (beginsel 10) en ondernemingen die verband houden met tabak, alcohol, de seksindustrie, gokken en controversiële wapens.

De beginselen van het Global Compact van de Verenigde Naties (UNGC-beginselen) betreffen het grootste bedrijfsmatige duurzaamheidsinitiatief ter wereld dat is gericht op bedrijven, om hun strategische en operationele activiteiten af te stemmen op universele beginselen met betrekking tot mensenrechten, arbeidsrecht, het milieu en de bestrijding van corruptie en maatregelen te nemen om sociale doelstellingen na te streven.

Het fonds promoot daarnaast bepaalde ecologische en sociale kenmerken door een gedeelte van de portefeuille toe te wijzen aan duurzame beleggingen. Om een belegging als duurzame belegging aan te merken moet de onderneming een “Leader” of een “Outperformer” zijn zoals vastgesteld door de beleggingsbeheerder op basis van de RFactor™ ESG-score.

De beleggingsbeheerder zal, namens het fonds, actief beleggen door gebruik te maken van de Sustainable Climate Corporate Bond-strategie, zoals nader beschreven in hoofdstuk 8.1 van het prospectus en het relevante supplement. Deze strategie maakt gebruik van een systematische methodologie om een hogere blootstelling (ten opzichte van de Bloomberg US Corporate Bond Index

("Index")) te verkrijgen aan bedrijven die zich richten op de mitigatie en adaptatie met betrekking tot klimaatrisico. De beoordeling van praktijken op het gebied van goed bestuur wordt uitgevoerd door middel van de negatieve screening die door het fonds wordt toegepast. Bedrijven die volgens de beleggingsbeheerder de beginselen van het Global Compact van de VN ("UNGC") niet schenden, worden geacht praktijken op het gebied van goed bestuur te volgen.

De vermogensbeheerder hanteert een bindende ESG-methodologie met als doel een portefeuille samen te stellen waarin minstens 90% van de activa van het fonds is belegd in effecten die afgestemd zijn op de door het fonds gepromote ecologische en sociale kenmerken. Het is de bedoeling dat binnen dit gedeelte van de portefeuille op het moment waarop de portefeuille opnieuw wordt uitgebalanceerd ten minste 25% van de activa van het fonds wordt belegd in effecten die duurzame beleggingen zijn met ecologische en/of sociale doelstellingen. Dit vindt doorgaans maandelijks plaats. Het restant (<10%) van de portefeuille, bestaande uit contanten en equivalente middelen die naar het inzicht van de vermogensbeheerder worden aangehouden, zal niet op de gepromote ecologische en sociale kenmerken afgestemd zijn. Voor zover het fonds financiële derivaten kan gebruiken, worden deze niet gebruikt om de door het fonds gepromote ecologische of sociale kenmerken te bereiken.

Het fonds verbindt zich niet om duurzame beleggingen te verrichten in de zin van de Taxonomieverordening.

Het behalen van de ecologische kenmerken wordt gemeten door de hogere blootstelling van de portefeuille van het fonds (ten opzichte van de index) aan bedrijven die de uitstoot van broeikasgassen beperken en zich aanpassen aan klimaatgerelateerde risico's, door een portefeuille samen te stellen die probeert om:

- a) de koolstofintensiteit (emissies geschaald naar inkomsten), bruine inkomsten en fossiele brandstofreserves te minimaliseren;
- b) groene obligaties te maximaliseren; en
- c) zich te richten op bedrijven die gepositioneerd zijn om te profiteren van de transitie naar de koolstofarme economie op basis van hun ratings voor klimaatadaptatie.

Het behalen van de ecologische en sociale kenmerken die door het fonds worden gepromoot, wordt gemeten aan de hand van het percentage van de portefeuille dat is belegd in effecten die zijn opgenomen in de negatieve en op normen gebaseerde screening.

Het fonds hanteert een systematische aanpak voor mitigatie en adaptatie, die gericht is op een op het klimaatakkoord van Parijs gebaseerde vermindering van koolstofemissies en een reallocatie van kapitaal aan bedrijven die profiteren van koolstofarme technologieën. Het fonds streeft naar de volgende criteria met betrekking tot de klimaatcategorieën die worden gebruikt bij het samenstellen van de portefeuille: minimaliseren van de koolstofintensiteit, bruine inkomsten en reserves van fossiele brandstoffen, maximaliseren van groene obligaties en inspanningen om de scores aan te passen. Daarnaast wordt een negatieve en op normen gebaseerde screening toegepast op de portefeuille van het fonds met de volgende uitsluitingscriteria: controversiële wapens, UNGC-schendingen, thermische kolen, boringen in het noordpoolgebied, olie en teerzanden, ernstige ESG-conflicten, tabak, en uitsluitingen door de Zweedse Raad voor de Ethiek.

Het fonds maakt gebruik van de volgende databronnen:

- S&P Trucost, Climate Bonds Initiative en ISS ESG voor gegevens in verband met het klimaat
- MSCI en Sustainalytics voor ESG-screening

SSGA voert een doorlopend due diligence proces uit met betrekking tot ESG-dataverstrekkingen dat resulteert in regelmatige rapporten over de kwaliteit van de gegevens en kan in gesprek gaan met de betreffende dataverstrekkingen over eventuele problemen die door de SSGA-teams worden vastgesteld.

ESG-gegevens kunnen op bepaalde aannames, voorspellingen, prognoses, visies en opinies zijn gebaseerd, die op huidige markttrends of verwachte toekomstige gebeurtenissen gebaseerd kunnen zijn. Gezien de aard van gegevensmodellen, methodologieën en aannames, die in ontwikkeling en innovatief zijn, en de inherente onzekerheid bij het voorspellen van toekomstige gebeurtenissen, kan niet worden gegarandeerd dat de ESG-gegevens altijd nauwkeurig of juist zijn of dat de ESG-gegevens voldoen aan de doelen of vereisten van een specifieke klant of belegger. Bovendien is het mogelijk dat er geen gegevens beschikbaar zijn door het ontbreken van databronnen.

Het engagementbeleid van SSGA is niet rechtstreeks in de beleggingsstrategie van het fonds geïntegreerd. Het Asset Stewardship-programma van SSGA brengt echter alle stem- en engagementactiviteiten voor alle activaklassen samen, ongeacht de beleggingsstrategie of geografische regio, inclusief voor het fonds.

**Meer en uitgebreidere informatie vindt u in de betreffende delen hieronder, het prospectus en het betreffende supplement.**



## **B. No sustainable investment objective**

The Fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment it will have a minimum proportion of 25% of sustainable investments.



## **C. Environmental or social characteristics of the financial product**

The Fund promotes certain environmental characteristics through investments in bonds of companies which exhibit lower carbon emissions in the way of current emissions and future emissions (measured by fossil fuel reserves), green labelled and climate-aligned bonds and corporate bonds issued by companies that are better positioned for the physical risks posted by climate change. In addition to this, further environmental and social characteristics are promoted by a negative and norms-based screen applied to the portfolio of the Fund to screen out securities based on an assessment of their adherence to ESG criteria, i.e. international norms in relation to environmental protection. Specifically, the Fund promotes certain social characteristics through exclusion of investments in companies which violate UNGC Principles relating to human rights (Principles 1 and 2), labour standards (Principles 3 to 6), anti-corruption (Principle 10) and companies associated with tobacco, alcohol, adult entertainment, gambling and controversial weapons.

The UNGC Principles is the world largest corporate sustainability initiative aimed at companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

The Fund further promotes certain environmental and social characteristics through its allocation of a portion of the portfolio to sustainable investments. In order for the security to qualify as a sustainable investment, the company must be a “Leader” or “Outperformer” as determined by the Investment Manager using the RFactor™ ESG score.

The Fund may use additional ESG screens from time to time in order to exclude securities of issuers based on their involvement with an activity that is deemed non-compliant with one or more of such ESG criteria.

For further details of the exclusions applied by the Investment Manager at any time please refer to Section G below.



## D. Investment Strategy

The Investment Manager, on behalf of the Fund, will invest actively using the Sustainable Climate Corporate Bond Strategy as further described in section 8.1 of the Prospectus and the Relevant Supplement and in Section J below. This strategy uses a systematic methodology to provide higher exposure (relative to the Index) to bonds issued by companies that are mitigating and adapting to climate risk.

In implementing this strategy, the Investment Manager employs a quantitative process to construct a portfolio of bonds taking into account certain ESG factors such as: carbon intensity (emissions scaled by revenue, fossil fuel reserves, allocation to green and climate-aligned bonds, brown revenues and ratings for climate adaptation. The resulting portfolio of the Fund intends to provide higher exposure (relative to the Index) to bonds of companies that are mitigating and adapting to climate-related risks. The securities in the Fund are selected primarily from the constituents of the Index and the Investment Manager applies the negative and norms-based ESG screen prior to the construction of the portfolio of the Fund and on an ongoing basis.

Application of the ESG screens results in the exclusion of any securities from the portfolio based on an assessment of their adherence to certain ESG criteria defined by the Investment Manager. The Fund will screen out securities of issuers identified as being non-compliant with UNGC Principles relating to environmental protection, human rights, labour standards and anti-corruption, as well as controversial weapons. The Fund may use additional ESG screens from time to time in order to exclude securities of issuers based on their involvement with an activity that is deemed non-compliant with one or more of such ESG criteria.

The assessment of good governance practices is implemented through the negative screening utilised by the Fund. Companies deemed by the Investment Manager to not violate UNGC principles are considered to exhibit good governance.



## E. Proportion of investments

The Investment Manager employs a binding ESG methodology which aims to build a portfolio where at least 90% of the Fund's assets are invested in securities which are aligned with environmental and social characteristics promoted by the Fund. It is intended that, within such portion of the portfolio, at least 25% of the Fund's assets are invested in securities which are sustainable investments with environmental and / or social objectives, at the point of rebalance of the portfolio which typically occurs on a monthly basis. The remaining portion (<10%) of the portfolio, consisting of cash as well

as cash equivalents in place held at the Investment Manager's discretion, will not be aligned with the promoted environmental and social characteristics.

To the extent that the Fund may use financial derivative instruments, these will not be used to attain the environmental or social characteristics promoted by the Fund.

The Fund does not commit to making sustainable investments within the meaning of the Taxonomy Regulation.



## F. Monitoring of environmental or social characteristics

The attainment of the environmental characteristics is measured through the higher exposure of the Fund's portfolio (relative to the Index) to companies that are mitigating greenhouse gas emissions and adapting to climate related risks by constructing the portfolio that aims to:

- a) minimise;
  - carbon emission intensity (emissions scaled by revenue);
  - brown revenues; and
  - fossil fuel reserves.
- b) maximise green bonds; and
- c) target companies that are positioned to benefit from the transition to the low-carbon economy based on their ratings for climate adaptation.

A further attainment of the environmental and social characteristics promoted by the Fund is measured through the % of the portfolio invested in securities that are included in the negative and norms-based screen.

The environmental and social characteristics are embedded in the investment policy of the Fund and the associated sustainability indicators are monitored by the Investment Manager through its investment oversight program including pre- and post-trade compliance monitoring for ESG screens and regular reviews by a sub-committee of the Investment Manager.



## G. Methodologies

The investment policy of the Fund is to invest in the bonds of companies which exhibit lower carbon emissions in the way of current emissions and future emissions (measured by fossil fuel reserves), green labelled and climate-aligned bonds and corporate bonds issued by companies that are better positioned for the physical risks posed by climate change while screening out securities based on an assessment of their adherence to ESG criteria (i.e. international norms in relation to environmental protection, human rights, labour standards, anti-corruption, controversial weapons and tobacco).

The Fund adopts a systematic mitigation and adaptation approach that targets Paris-aligned reductions in carbon emissions and reallocation of capital towards companies benefiting from low-carbon technologies. The Fund aims to achieve the following criteria in relation to the climate categories utilised in the portfolio construction process:

	Mitigation				+ Adaptation	
	Current and Future Risk Exposure				Resiliency	Opportunities
<b>Objectives</b>	Minimise Carbon Emissions	Minimise Fossil Fuel Reserves	Minimise Brown Revenues	Minimise ESG Risks	Build Resilient Portfolio	Maximise Green Bonds & Green Proceeds
<b>Metrics</b>	Carbon Intensity Direct + First Tier Indirect Emissions	Total GHG emissions from fossil fuel reserves in million tonnes CO <sub>2</sub>	Revenues from extractives activities	Norms-based and controversial product involvement screening	Adaptation Score on climate change preparedness	Certified Green Bonds
<b>Units</b>	Metric tons CO <sub>2</sub> e/\$m revenues	Metric tons	%	—	Scaled range 0-1	—
<b>Definition</b>	Greenhouse gas emissions over which the company has direct control or derives from suppliers, divided by revenue	Total embedded CO <sub>2</sub> emissions for the company in a financial year	Percentage of revenues from brown sectors and extractive sectors with high embedded carbon emissions	Adherence to international norms in relation to ecological protection, human rights, labour standards, anti-corruption, controversial weapons and tobacco	Position on Climate Change  Greenhouse Gas Reduction Action Plans	Bonds which qualify as green according to the Climate Bonds Initiative Taxonomy

**Mitigation** – Aims to reduce the flow of heat-trapping greenhouse gases into the atmosphere and increase exposure to new energy and green companies.

**Adaptation** – Aims to increase exposure to companies working proactively to minimise their exposure to actual or expected physical, economic and regulatory impacts of climate change and the transition to a low-carbon economy.

**ESG-screenings**

The ESG screens applied to the Fund include the following:

1. Controversial Weapons
2. UNGC Violations
3. Thermal Coal
4. Arctic Drilling
5. Oil and Tar Sands
6. Severe ESG Controversies
7. Tobacco
8. Swedish Ethical Council exclusions

Further details on the methodologies used for the ESG screens is as follows:

1. **Controversial Weapons:** 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.

2. **UNGC Principles:** Companies directly complicit in violations of core international norms and conventions, as described in the UNGC Principles are excluded.

The UNGC 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. **Thermal Coal:** Companies involved in the extraction or power generation of thermal coal are excluded.
4. **Arctic Drilling:** Companies involved in oil and gas exploration in the Arctic regions are excluded.
5. **Oil and Tar Sands:** Companies for whom a meaningful portion of their average daily production comes from oil sands are excluded.



6. **Severe ESG Controversies:** Companies involved in incidents/events that may pose business or reputational risk due to the potential impact on stakeholders, the environment, or the company's operations are excluded.
7. **Tobacco:** Companies with direct involvement in the production / manufacturing of tobacco are excluded.
8. **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 UNGC and the OECD Guidelines for Multinational Enterprises and where dialogue with the companies has not led to improvements.

The exclusion list generated by the ESG screening process is updated once per quarter.

The ESG screen methodology (with the exception of the Swedish Ethical Council list which, as described above, is generated by the Council of Ethics, Swedish National Pension Funds) and screening criteria applied to the Fund are subject to SSGA's governance approval process. A description of the Swedish Ethical Council list can be found detailed above.



## H. Data sources and processing

The Fund utilises the following data sources related to climate:

- **Carbon Intensity:** S&P Trucost. Carbon intensity covers the GHG (Green House Gases) emissions over which the company has direct control, and derives from direct suppliers (indirect control), divided by revenue.
- **Fossil Fuel Reserves Embedded Emissions:** S&P Trucost. Fossil Fuel Reserves are defined as total GHG emissions from proven and probable fossil fuel reserves expressed in million tons CO<sub>2</sub>.
- **Brown Revenues:** S&P Trucost. Brown revenue is defined as the proportion of revenues a company derives from activities related to the extraction of fossil fuels, or power generation using fossil fuel-based energy sources. It reflects firms tied to conventional energy value chains.
- **Green Bonds and Climate-Aligned Issuers:** Climate Bonds Initiative.
- **Adaptation Score:** ISS ESG. Adaptation score is a measure of a company's position and actions on climate change.

The Fund utilises the following data sources to derive the ESG screens:

**Controversial Weapons** State Street Global Advisors 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. State Street Global Advisors 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.

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

**Thermal Coal** Data is sourced from Sustainalytics. A screen is then applied to the data to generate a list of excluded securities for this category. State Street Global Advisors determines the parameters that define the screen which are then approved by the firm's Investment Committee.

**Arctic Drilling** Data is sourced from Sustainalytics. A screen is then applied to the data to generate a list of excluded securities for this category. State Street Global Advisors determines the parameters that define the screen which are then approved by the firm's Investment Committee.

**Oil and Tar Sands** Data is sourced from Sustainalytics. A screen is then applied to the data to generate a list of excluded securities for this category. State Street Global Advisors determines the parameters that define the screen which are then approved by the firm's Investment Committee.

**Severe ESG Controversies** Data is sourced from Sustainalytics. A screen is then applied to the data to generate a list of excluded securities for this category. State Street Global Advisors determines the parameters that define the screen which are then approved by the firm's Investment Committee.

**Tobacco:** State Street Global Advisors 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. State Street Global Advisors 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.

**Swedish Ethical Council** The exclusion list of the Swedish Ethical Council is determined by the Swedish Ethical Council and provided by Sustainalytics to State Street Global Advisors.

SSGA receives ESG data from a wide variety of data providers covering various themes including, but not limited to, climate, controversies and governance and leverages multisource data architecture for the analysis and dissemination of ESG data.

SSGA implements an ongoing due diligence process in relation to ESG data providers resulting in regular data quality reports. Such process tracks correlation and coverage dimensions of key ESG and climate metrics and scores between a selection of data providers over time for the covered universe. SSGA may engage with the relevant data providers in relation to any data issues identified by the SSGA teams.



## I. Limitations to methodologies and data

ESG data may be based on certain assumptions, forecasts, projections, views and opinions which may be based on current market trends or anticipated future events. To assess company involvement in different activities and to estimate revenue shares as accurately as possible, data providers strive to obtain information directly from companies and issuers. Sources of data include annual reports, regulatory filings, sustainability reports, press releases, investor presentations, company websites, and other company disclosures. Given the developing and innovative nature of data models, methodologies and assumptions and the inherent uncertainty in predicting forward-looking events, it cannot be guaranteed that the ESG data is always accurate or correct or that the ESG data will satisfy the aims or requirements of any specific client or investor. Furthermore, there may be data that cannot be sourced due to the lack of availability of data sources.



## J. Due diligence

The Investment Manager, on behalf of the Fund, will invest actively using the Sustainable Climate Corporate Bond Strategy as further described in section 8.1 of the Prospectus and the Relevant Supplement.

This strategy uses a systematic methodology to provide higher exposure (relative to the Index) to bonds issued by companies that are mitigating and adapting to climate risk, by constructing a portfolio of bonds based on the following climate related characteristics: carbon intensity (emissions scaled by revenue), fossil fuel reserves, allocation to green and climate aligned bonds, brown revenues, and ratings for climate adaptation. In following this strategy, the Investment Manager employs a quantitative process to construct the portfolio and invest directly in corporate bonds. The securities in the portfolios are selected primarily from the securities in the Index. Non-index securities may be held in the portfolios. The Investment Manager has limited discretion regarding deviation from the Index and thus any deviation from the performance of the Index is expected to be limited under normal market conditions as the investment strategy uses defined risk parameters that mean each Fund's weighting to credit rating exposure, sectors and issuer weights relative to the Index will be limited. This is likely to limit the extent to which the strategy can outperform the Index. The Investment Manager employs a negative and norms-based screen prior to the construction of the portfolio and on an ongoing basis.



## K. Engagement policies

**Is engagement part of the environmental or social investment strategy?**

- Yes
- No

While SSGA engagement policies are not directly embedded into the Fund’s investment strategy, for SSGA the informed exercise of voting rights coupled with targeted and value-driven engagement is the most effective mechanism of creating value and managing Sustainability Risk for the investors. SSGA’s Asset Stewardship programme consolidates all voting and engagement activities across asset classes, irrespective of investment strategy or geographic region. The engagement strategy is built on SSGA’s ability to prioritise and allocate resources to companies and issues that have the greatest potential impact. SSGA’s Asset Stewardship programme is underpinned by 3 separate pillars, that is, (i) providing information and guidance to investee companies on the development of ESG practices across key issues, (ii) engaging with portfolio companies to encourage transparent, accountable, high performing boards and companies, and (iii) by exercising voting rights in a manner that reflects long term investment objectives for the purpose of influencing the activity or behaviour of the issuers. To support this process, SSGA has developed proprietary in-house tools to help identify companies for active engagement based on various financial and ESG indicators.



**L. Reference benchmark**

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the Fund?**

- Yes
- No

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