

State Street Global Climate Transition Equity Fund

Webbplatsupplysningar för en artikel 8-fond



A. Sammanfattning

State Street Global Climate Transition Equity Fund ("fonden") har som placeringsinriktning att investera aktivt med hjälp av Global Climate Transition Equity Strategy, en aktiestrategi för global klimatomställning, för att bygga upp en portfölj med 30–40 värdepapper genom att utvärdera investeringsobjektens klimatpositionering och omställningsplaner samtidigt som värdepapper sållas bort baserat på en utvärdering av deras efterlevnad med vissa ESG-kriterier som definierats av investeringsförvaltaren.

Fonden främjar miljörelaterade eller sociala egenskaper, och även om den inte har hållbar investering som mål kommer den att söka investera minst 25 procent av portföljen i hållbara investeringar enligt disclosureförordningens artikel 2.17 med hjälp av investeringsförvaltarens egenutvecklade utvärderingsmetod.

Fonden främjar miljörelaterade egenskaper genom investeringar i bolag som identifierats via investeringsförvaltarens egenutvecklade process för fundamentalt drivna bottom up-analyser för att erbjuda den bästa kombinationen av kvalitet, varaktig tillväxt och rimliga värderingar och befinner sig i en god position med avseende på de risker som är förknippade med klimatiförändringarna och omställningen till en lågkoldioxidekonomi. Dessutom främjas ytterligare miljörelaterade och sociala egenskaper genom negativ och normbaserad screening som tillämpas på fondens portfölj för att sålla bort värdepapper baserat på en utvärdering av deras efterlevnad med ESG-kriterier, det vill säga internationella normer som rör miljörelaterat och socialt skydd.

Å fondens vägnar kommer investeringsförvaltaren att investera aktivt med hjälp av Global Climate Transition Equity Strategy, en aktiestrategi för global klimatomställning, som beskrivs mer utförligt i informationsbroschyens avsnitt 8.1 samt i den relevanta fondbilagan. Utvärderingen av praxis för god styrning implementeras genom investeringsförvaltarens process för fundamental analys samt den negativa screening som används av fonden. Bolag som enligt investeringsförvaltaren inte bryter mot principerna i FN:s Global Compact anses uppvisa god styrning.

Investeringsförvaltaren använder en bindande ESG-metod som har som mål att bygga upp en portfölj där minst 90 procent av fondens tillgångar investeras i värdepapper som är förenliga med de miljörelaterade och sociala egenskaper som främjas av fonden. Den återstående delen (mindre än 10 procent) av portföljen, som består av kontanter och likvida medel och innehas efter investeringsförvaltarens gottfinnande, kommer inte att vara förenlig med de miljörelaterade och sociala egenskaper som främjas. I den utsträckning fonden använder finansiella derivatinstrument kommer dessa inte att användas för att uppnå de miljörelaterade eller sociala egenskaper som främjas av fonden.

Fonden åtar sig inte att göra hållbara investeringar i den betydelse som avses i taxonomiförordningen.

Uppnåendet av de miljörelaterade egenskaperna mäts genom högre exponering i fondens portfölj (jämfört med indexet) mot bolag med fastställda mål för utsläppsminskningar som är förenliga med klimatvetenskapen.

Det ytterligare uppnåendet av de miljörelaterade och sociala egenskaper som främjas av fonden mäts genom den procent av portföljen som investeras i värdepapper som ingår i den negativa och normbaserade screeningen.

Fonden använder investeringsförvaltarens egenutvecklade process för fundamentalt drivna bottom up-analyser för att identifiera bolag som enligt investeringsförvaltaren erbjuder den bästa kombinationen av kvalitet, varaktig tillväxt och rimliga värderingar och befinner sig i en god position med avseende på de risker som är förknippade med klimatförändringarna och omställningen till en lågkoldioxidekonomi. Dessutom tillämpas negativ normbaserad screening på fondens portfölj för att sälla bort följande uteslutningskriterier:

- Kontroversiella vapen
- Brott mot FN:s global compact
- Termiskt kol
- Borring i Arktis
- Olja och tjärsand
- Allvarliga ESG-kontroverser
- Civila skjutvapen
- Tobak

Fonden använder följande datakällor:

1. ISS för SBTi-data
2. MSCI och Sustainalytics för ESG-screening

SSGA implementerar en pågående due diligence-process med avseende på ESG-dataleverantörer som leder till regelbundna rapporter om datakvalitet, och SSGA kan engagera sig i de relevanta dataleverantörerna med avseende på eventuella problem med data som identifieras av SSGA:s team.

ESG-data kan baseras på vissa antaganden, prognoser och åsikter som kan baseras på aktuella marknadstrender eller förväntade framtida händelser. Med tanke på datamodellernas, metoderna och antagandenas utveckling och innovativa natur samt den inneboende osäkerheten vid förutsägandet av framåtblickande händelser kan det inte garanteras att ESG-data alltid är korrekta eller att de kommer att tillfredsställa en specifik kunds eller investerares mål eller krav. Det är inte heller säkert att alla data kan tas fram på grund av bristen på tillgängliga datakällor.

SSGA:s engagemangspolicyer är inte direkt inbyggda i fondens investeringsstrategi. SSGA:s Asset Stewardship-program konsoliderar emellertid alla röstnings- och engagemangsaktiviteter för olika tillgångsslag, oavsett investeringsstrategi eller geografiskt område, även för fonden.

För ytterligare och mer utförlig information, se de relevanta delarna nedan, informationsbroschyren och den relevanta fondbilagan.



B. No sustainable investment objective

The Fund promotes environmental or social characteristics and while it does not have as its objective a sustainable investment, it will seek to invest a minimum of 25% of its portfolio in sustainable investments under article 2(17) of SFDR using the Investment Manager's proprietary assessment methodology.

The Investment Manager applies a negative and norms-based screen to the Fund to screen out securities based on an assessment of their adherence to ESG criteria including securities of companies identified as being non-compliant with UNGC Principles (relating to environmental protection, human rights, labour standards and anti-corruption) and securities of companies associated with Severe ESG Controversies, controversial weapons, civilian firearms, tobacco, thermal coal, arctic oil & gas exploration and oil sands extraction. By applying the relevant negative and norms-based screen, the Investment Manager deems the Fund's sustainable investments not to cause significant harm to any environmental or social sustainable investment objective.

The Fund considers principal adverse impacts ("PAI") on sustainability factors by applying the negative and norms-based ESG screen prior to the construction of the portfolio. Specifically, the Fund considers:

- Exposure to companies active in the fossil fuel sector
- Violations of UN Global Compact Principles
- Exposure to controversial weapons

The Fund excludes companies that the Investment Manager has deemed to violate UNGC principles as part of the negative screening utilised by the Fund. The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are considered as part of the UNGC principles assessment.



C. Environmental or social characteristics of the financial product

The Fund promotes certain environmental characteristics through investments in companies which have been identified through the Investment Manager's proprietary fundamentally driven and bottom-up research process to offer the best combination of quality, durable growth and reasonable valuation, and that are well positioned for the risks posed by climate change and the transition to a low-carbon economy.

In addition to this, further environmental and social characteristics are promoted by negative and norms-based screens 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 and social protection. Specifically, the Fund promotes certain environmental characteristics through exclusion of investments in companies which violate UNGC principles relating to environment (Principles 7 to 9) and which are active in thermal coal, arctic oil & gas exploration, and oil sands extraction.

The Fund also 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 controversial weapons, civilian firearms and tobacco. 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 may use additional ESG screens from time to time in order to exclude securities based on their involvement with an activity that is deemed non-compliant with one or more of such ESG criteria.

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, it must be classified as a “Leader” or “Outperformer” as determined by the Investment Manager using the ESG score generated by its proprietary process.

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 Global Climate Transition Equity Strategy as further described in section 8.1 of the Prospectus and the Relevant Supplement. This strategy uses a proprietary fundamentally driven and bottom up research process to identify companies that the Investment Manager considers to offer the best combination of quality, durable growth and reasonable valuations that are positioned for the risks posed by climate change and the transition to a low-carbon economy.

In implementing this strategy, the Investment Manager builds a concentrated portfolio of 30-40 securities by evaluating an investee company’s climate positioning and transition plan. 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 identified as being non-compliant with UN Global Compact Principles relating to environmental protection, human rights, labour standards and anti-corruption, as well as companies associated with Severe ESG Controversies, controversial weapons, civilian firearms and tobacco. The Fund may use additional ESG screening techniques from time to time in order to exclude securities 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 by the Investment Manager through the assessment of potential investments when implementing the Global Climate Transition Equity strategy. The Investment Manager deploys a proprietary quality assessment framework that includes governance criteria. The framework considers factors such as board independence, diversity, experience, executive compensation, code of conduct and anti-corruption policies, share class structure, and transparency. Good governance practices will improve a company's quality score in the Investment Manager's framework increasing the likelihood of investment. The assessment of good governance practices is further 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. 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 a higher exposure of the Fund's portfolio (relative to the MSCI All Country World Index ("Index")) to companies that have set emissions reduction targets aligned with climate science, as validated by the Science-Based Targets Initiative ("SBTi"). The SBTi is a partnership between CDP, the UNGC, World Resources Institution ("WRI") and the World Wide Fund for Nature ("WWF").

A further attainment of the environmental characteristics promoted by the Fund is measured through:

- % of the portfolio invested in securities that are included in the negative and norms based screen specifically related to environmental characteristics, namely companies violating UNGC Principles in regards to the environment and which are active in thermal coal, arctic oil & gas exploration, and oil sands extraction

The attainment of the social characteristics promoted by the Fund is measured through:

- % of the portfolio invested in securities that are included in the negative and norms based screen specifically related to social characteristics, namely companies violating UNGC Principles and companies associated with controversial weapons, civilian firearms and tobacco.

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 actively to build a concentrated portfolio of 30-40 securities by evaluating an investee company's climate positioning and transition plan while screening out securities based on an assessment of their adherence to ESG criteria defined by the Investment Manager and described below.

The Fund uses the Investment Manager's proprietary fundamentally driven and bottom-up research process to identify companies that the Investment Manager considers to offer the best combination of quality, durable growth and reasonable valuations and that are well positioned for the risks posed by climate change and the transition to a low-carbon economy. For ESG specifically, each company in the investment universe is given a proprietary ESG score resulting from Investment Manager's fundamental due diligence process, with additional input from various external ESG data metrics, used to assess companies' ESG attributes, including ESG risks. Further, in relation to climate, based on the Investment Manager's proprietary research, the companies in the investment universe are assigned the following climate scores: (i) Climate Transition Score, (ii) Climate Risks Score and (iii) Climate Opportunities Score. The climate scores take into account disclosure, credibility and accountability of a company's transition planning and process (Climate Transition Score), an evaluation of the physical and financial risks associated with climate change (Climate Risks Score), and the resource intensity of a company's operations and green products, services and solutions (Climate Opportunities Score). The resulting climate scores allow the Investment Manager to assess companies' adherence to their stated climate goals as well as transition planning and progress.

ESG Screens

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. Civilian Firearms
8. Tobacco

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. **Civilian Firearms:** Companies involved in the manufacturing and/or retailing of small arms and associated ammunition/components for civilian use are excluded.
8. **Tobacco:** Companies that are involved in the production and manufacturing of tobacco-related products are excluded.

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

The ESG screen methodology and screening criteria applied to the Fund are subject to SSGA's governance approval process.



H. Data sources and processing

The Fund utilises a proprietary ESG score generated by the Investment Manager's fundamental due diligence process, with additional input from various external data metrics derived from company filings and other publicly available sources, used to assess companies' ESG attributes, including ESG risks.

The Fund utilises SBTi data sourced from ISS.

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.

Civilian Firearms 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.

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 Global Climate Transition Equity Strategy as further described in section 8.1 of the Prospectus and the Relevant Supplement.

This strategy uses a proprietary fundamentally driven and bottom-up research process to identify companies that the Investment Manager considers to offer the best combination of quality, durable growth and reasonable valuations and that are well positioned for the risks posed by climate change and the transition to a low-carbon economy. As part of the fundamental research process, proprietary scores, based on several qualitative factors, are attributed to companies in the investment universe to form the basis for the Investment Manager's assessment of each company's quality. Each company in the investment universe is given a proprietary ESG score resulting from Investment Manager's fundamental due diligence process, with additional input from various external ESG data metrics, used to assess companies' ESG attributes, including ESG risks. Further, in relation to climate, based on the Investment Manager's proprietary research, the companies in the investment universe are assigned climate scores which take into account disclosure, credibility and accountability of a company's transition planning and process (Climate Transition Score), an evaluation of the physical and financial risks associated with climate change (Climate Risks Score), and the resource intensity of a company's operations and green products, services and solutions (Climate Opportunities Score). The resulting climate scores allow the Investment Manager to assess companies' adherence to their stated climate goals as well as transition planning and progress. The securities in the portfolio are selected primarily from the securities in the index. Non-index securities may be held in the portfolios. 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

The MSCI All Country World Index is a trademark of MSCI Inc.