

Achieving Climate Goals Now

A Breakthrough Sustainable Climate Strategy

Innovative, Effective, Ready

Achieving the ambitious goals outlined in the Paris Agreement requires that investors do more than simply reduce their portfolios' carbon footprints.

This understanding was one of the key drivers behind the development of our Sustainable Climate Strategy.

Since we introduced this customizable equity framework, we've received a remarkable level of interest from pension funds, corporations, sovereign wealth funds and asset owners around the world who are committed to addressing climate risk through their portfolio management.

Multifaceted Delivery

Our innovative framework establishes a new frontier in the effort to build climate change thematically into equity portfolios. The Strategy is defined by the following characteristics:

Mitigation + Adaptation

To target net carbon emission reductions in the portfolio, the Strategy reallocates capital away from companies with high current and embedded carbon emissions and brown revenues to companies that generate green revenues from low-carbon technology.

In addition to this focus on mitigating the drivers of climate change, the Strategy also increases exposure to companies that are actively adapting to the actual or expected future effects of global warming and other environmental changes, helping investors to build more climate-resilient portfolios in the process.

Aligns with the Paris Agreement

The Strategy aligns with the ambitious goals of the Paris Agreement and prepares portfolios for the possible introduction of a carbon tax and other regulatory initiatives that could accompany the transition to a low-carbon economy.

Leverages Multiple Data Sources

Given the multifaceted objectives of the Strategy, our framework integrates data from leading providers: S&P Trucost (carbon emission intensity, fossil fuel reserves and brown revenues), FTSE Russell (green revenues) and ISS ESG (adaptation). This data helps isolate with precision the climate parameters we target.

Flexibility to Meet Objectives

We designed the Strategy framework so that it could be customized to meet each investor's needs in terms of climate priorities, desired benchmark, tracking-error budget and any exclusions needed to meet other international norms or sustainability considerations.

The Next Wave, Now

The State Street Sustainable Climate Strategy is a long-only investment approach that uses a mitigation + adaptation methodology to build climate change thematically into equity portfolios.

Designed from the ground up to be flexible, the customizable framework allows us to create client portfolios that target reductions in current and future carbon emissions, increase exposure to green revenues and increase resiliency to the physical risks posed by climate change.

It's designed for investors who wish prepare their portfolios for the transition to a low-carbon economy, in a scalable and risk-aware way.

It's available now to meet those needs.

Learn how our ESG strategies could help you meet the climate change challenge and more.

Please visit ssga.com/esg for case studies and further information.

Five Powerful Levers to Address Climate Risk

Mitigation	+ Adaption				
Objective	1	2	3	4	5
	Minimise Carbon Emission Intensity	Minimise Fossil Fuel Reserves	Minimise Brown Revenues	Maximise Green Revenues	Build Resilient Portfolio
					
Metric	CO ² emissions per \$m revenues	CO ² emissions per \$m revenues	% of revenues from extractive activities	% of revenues from low-carbon technology	Score on climate change preparedness

Steps to Sustainability

○ What are your climate-related investment objectives?

Reduce your portfolio's carbon emissions profile? Include fossil fuel reserves and brown revenues? Or incorporate longer timeframes into the risk analysis and seek to add more resiliency to their portfolios?

Your objectives play a vital role in determining which approach will work best.

○ What is your total portfolio exposure to climate risk?

With our advanced work in blending multiple sources of best-in-class data and advanced analytical tools, we can help you assess your exposure to climate risk across all your holdings.

○ What is the range of available solutions?

An important early step in our conversations with clients is to help clarify the differences between exclusionary approaches at one end of the spectrum and more advanced mitigation + adaptation approaches, such as our Sustainable Climate Strategy, at the other.

○ What specific constraints and parameters need to be incorporated into the framework?

We start by identifying which benchmark the objectives should be applied to. We'll also identify constraints the investor may have in terms of tracking-error budget, geographic or sector concentration, and specific sustainability exclusionary screens.

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