

# How to Read Your New ESG Monthly Reporting

## With Analytics Featuring R-Factor™

Understanding environmental, social and governance (ESG) exposures for your investments is an increasingly important complement to traditional metrics such as analysis of financial statements, industry trends, and company growth strategies. To meet this growing need, State Street Global Advisors is enhancing monthly performance reports for clients' equity investment portfolios to include several new ESG sections. With analytics featuring our R-Factor™ ESG scoring system, these report sections offer access to the full scope of ESG-related metrics to help you make better investment decisions.

R-Factor™ is designed to measure the performance of a company's business operations and governance as it relates to financially material ESG issues facing a company's industry.

R-Factor™ draws on data from multiple providers and leverages widely accepted, transparent materiality frameworks to generate a unique ESG score for listed companies. It is designed to address current challenges around transparency in ESG data, and to help build more sustainable capital markets.

New ESG sections in monthly performance reports include:

- **R-Factor™ Summary** Aggregating ESG exposures at the portfolio level, providing insights into the long-term sustainable drivers of value creation and measuring how effectively companies in client portfolios are managed from a corporate governance perspective.
- **Climate Profile** Indicating climate-related exposures selected across four key areas, utilizing time-series analytics to help clients visualize exposures to carbon-based sectors and potential climate-related risks (such as carbon pricing and new regulations).
- **Stewardship Profile** Helping investors understand how State Street Global Advisors' asset stewardship program engages corporate boards on issues that affect long-term value creation, votes on ESG-related management and shareholder proposals, and tracks progress on gender diversity across client portfolios.

We've designed this guide to help clients understand how to make the most of the ESG report sections. We hope it will give you a better idea of what to look for in your equity portfolio and how best to leverage ESG information to manage your investments. For a video overview of this document, please watch our [video guide](#).

For more information about R-Factor™ and how ESG can help investors make better decisions, please visit us at: [www.ssga.com/ESG](http://www.ssga.com/ESG)

## R-Factor™ Summary

As of 30 Jun 2019

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### Sample Client

### Sample Portfolio

### Benchmark

R-Factor Summary	Mandate	Benchmark	Difference
R-Factor	71.01	71.02	-0.01
ESG	69.09	69.10	-0.01
Corporate Governance	69.19	69.20	-0.01

Source: SSGA as of 31 May 2019

### What is R-Factor?

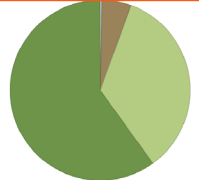
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Mandate Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	207	99.52%	99.74%
Total Number of Securities in Portfolio	208		

Source: Factset/SSGA as of 31 May 2019

Mandate R-Factor Profile	
Not Available	0.24%
Laggard	0.00%
Underperformer	0.10%
Average Performer	5.22%
Outperformer	34.48%
Leader	59.94%

Source: Factset/SSGA as of 31 May 2019



The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Top 10 Positions	Mandate Weight	Benchmark Weight	Difference	R-Factor Rating
Microsoft Corporation	7.99%	7.99%	0.00%	77.30
Apple Inc.	7.16%	7.16%	0.00%	82.13
Johnson & Johnson	2.57%	2.57%	0.00%	72.89
Procter & Gamble Compa...	2.34%	2.34%	0.00%	72.14
Exxon Mobil Corporation	2.25%	2.25%	0.00%	65.71
Visa Inc. Class A	2.24%	2.24%	0.00%	63.00
AT&T Inc.	2.08%	2.08%	0.00%	74.93
Verizon Communications...	1.88%	1.88%	0.00%	69.04
Mastercard Incorporated...	1.82%	1.82%	0.00%	59.46
Walt Disney Company	1.76%	1.77%	0.00%	68.17

Source: Factset/SSGA as of 31 May 2019

Top 5 R-Factor Ratings				
Cisco Systems Inc.	1.58%	1.58%	0.00%	99.27
HP Inc.	0.21%	0.21%	0.00%	92.41
NIKE Inc. Class B	0.89%	0.88%	0.00%	89.44
Apple Inc.	7.16%	7.16%	0.00%	82.13
Intel Corporation	1.72%	1.72%	0.00%	81.83

Source: Factset/SSGA as of 31 May 2019

Bottom 5 R-Factor Ratings				
Align Technology Inc.	0.10%	0.10%	0.00%	38.30
Atmos Energy Corporatio...	0.10%	0.10%	0.00%	39.65
Laboratory Corporation of...	0.12%	0.12%	0.00%	44.58
CenterPoint Energy Inc.	0.11%	0.11%	0.00%	46.52
Norfolk Southern Corpora...	0.36%	0.36%	0.00%	48.83

Source: Factset/SSGA as of 31 May 2019

**1** The overall R-Factor™ score is comprised of two components: an “ESG” Score and a “Corporate Governance” Score. **The ESG score** indicates the performance of an issuer’s business operations as it relates to financially material ESG issues facing the company’s industry. It draws on the transparent, publicly available materiality map of the Sustainability Accounting Standards Board (SASB) to identify which issues are material. **The Corporate Governance score** is based on issuer performance relative to the principles outlined in that company’s region-specific corporate governance code. Security-level R-Factor™ data is aggregated at the portfolio level, and average weighted to produce a portfolio-level R-Factor™ score. The total score and its components are shown here relative to the benchmark.

**2** Mandate Coverage — The mandate coverage table helps you understand what percentage of the companies in your portfolio have an R-Factor™ score. Over 6,000 companies are included in R-Factor™’s coverage universe. Coverage universes of ESG data in general, and R-Factor in particular, are largely dependent on companies’ sustainability disclosure. To increase R-Factor™’s overall

coverage, the score is based on the metrics of multiple ESG data providers. It counts the securities and market value included in the R Factor™ calculation relative to the total portfolio holdings. Certain instruments such as cash & derivatives are excluded.

**3** Mandate R-Factor™ Profile shows the distribution of issuers across a Leader to Laggard spectrum. Corporate issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five following categories:

- Leader: Top 10% of universe
- Outperformer: Next 20% of universe
- Average: Middle 40% of universe
- Underperformer: Next 20% of universe
- Laggard: Bottom 10% of universe

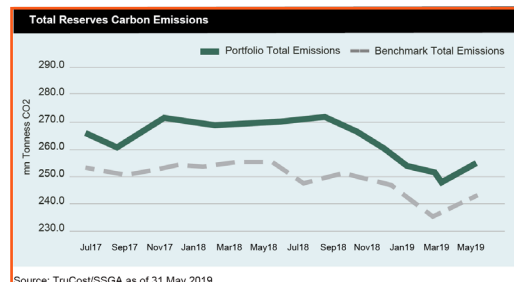
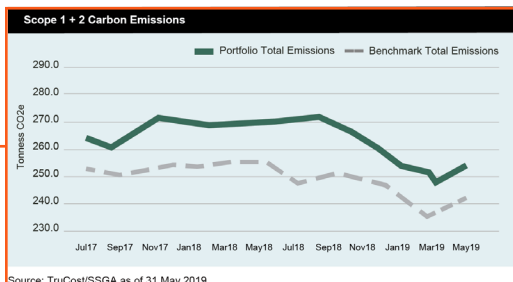
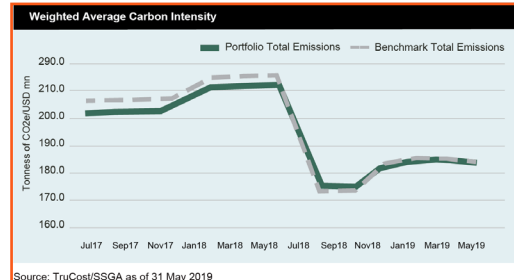
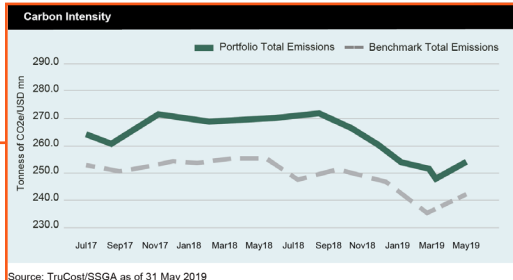
R-Factor™ scores are normally distributed using normalized ratings on a 0–100 scale.

**4** ESG analytics data reported on a one month lag relative to monthly performance reporting period.

## Climate Profile

Sample Client  
Sample Portfolio  
Benchmark

As of 30 Jun 2019



Climate-related exposures selected based on global demand and in anticipation of emerging regulatory requirements in Europe.

- 1 Carbon Intensity** Measured in Metric tons CO<sub>2</sub>e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).
- 2 Scope 1+2 Carbon Emissions** Measured in Metric Tons of CO<sub>2</sub>e. The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company.

- 3 Weighted Average Carbon Intensity** Measured in Metric tons CO<sub>2</sub>e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.
- 4 Total Reserves Carbon Emissions** Measured in Metric tons of CO<sub>2</sub>e. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested.

Included with funds with two years of history. Actual historical portfolio holdings history utilized.

## Stewardship Profile

As of 30 Jun 2019

Sample Client

Sample Portfolio

Benchmark

Stewardship Profile	Q1 2019
Number of Meetings Voted	159
Number of Countries	8
Management Proposals	2,003
Votes for	97.40%
Votes Against	2.60%
Shareholder Proposals	124
With Management	75.81%
Against Management	24.19%

Source: SSGA as of 31 Mar 2019

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity	
Women on Board	Number of Securities
0	0
1	5
2	59
3	70
4	47
5	20
6	5
7	2
8	0
9	0
10	0
10+	0
Not Available	0
<b>Total</b>	<b>208</b>

Source: Factset/SSGA as of 31 May 2019

**1 Asset Stewardship Profile** Provides metrics on commonly reported governance issues and shows voting based on specific mandate. This data is dynamic based on company voting data, aggregated to portfolio level. Comprehensive metrics on SSGA's Stewardship activities are available in our annual [Asset Stewardship Report](#)

**2 Gender Diversity Section** Gender diversity is a multi-year focus of our Asset Stewardship program. Here, we show data about the number of women on the boards of companies in the portfolio.

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## Glossary

**R-Factor™** R-Factor™ is an ESG scoring system developed by SSGA. It is designed to measure the performance of a company's business operations and governance as it relates to financially material ESG issues facing a company's industry. R-Factor™ draws on data from multiple providers and leverages widely accepted, transparent materiality frameworks to generate a unique ESG score for listed companies. It is designed to address current challenges around transparency in ESG data, and to help build more sustainable capital markets.

R-Factor™ Scores are comparable across industries. The ESG and Corporate Governance (CorpGov) scores are designed to be based on issues that are material to a company's industry and regulatory region. A uniform grading scale allows for interpretation of the final company level score to allow for comparison across companies.

The R-Factor™ scoring process comprises two underlying components. The first component is based on the framework published by the Sustainability Accounting Standards Board ("SASB"), which is used for all ESG aspects of the score other than those relating to corporate governance issues. The SASB framework identifies ESG issues that are financially material to the issuer based on its industry classification. This component of the R-Factor™ score is determined using only those metrics from the ESG data providers that specifically address ESG risks identified by the SASB framework as being financially material to the issuer-based on its industry classification.

The second component of the score, the CorpGov score, is generated using region-specific corporate governance codes developed by investors or regulators. The governance codes describe minimum corporate governance expectations of a particular region and typically address topics such as shareholder rights, board independence and executive compensation. This component of the R-Factor™ uses data provided by ISS Governance to assign a governance score to issuers according to these governance codes.

**R-Factor™ Profile** Mandate R-Factor™ Profile shows the distribution of issuers across a Leader to Laggard spectrum. Corporate issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five following categories:

- Leader: Top 10% of universe
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- Laggard: Bottom 10% of universe

R-Factor™ scores are normally distributed using normalized ratings on a 0–100 scale.

**Carbon Intensity** Measured in Metric tons CO<sub>2</sub>e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).

**Weighted Average Carbon Intensity** Measured in Metric tons CO<sub>2</sub>e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.

**Scope 1+2 Carbon Emissions** Measured in Metric Tons of CO<sub>2</sub>e. The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company.

**Total Reserves CO<sub>2</sub> Emissions** Measured in Metric tons of CO<sub>2</sub>. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested.

**Gender Diversity** We are currently using FactSet's own "People" dataset to disclose the number of women on the board, for each company in the Fund's portfolio.

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## About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third-largest asset manager with US \$2.95 trillion\* under our care.

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\* AUM reflects approximately \$45.01 billion (as of September 30, 2019), 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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### ssga.com

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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.

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