

ESG-Related Changes to Managed Pension Fund (MPF) Index Funds

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SSGA's ESG Beliefs

At State Street Global Advisors, our mission is to invest responsibly to enable economic prosperity and social progress. Our capabilities in environmental, social, and governance (ESG) investing are core to helping us achieve this mission.

The five core beliefs that influence our approach are:

- 1 Research shows that ESG factors can impact a company's **long-term performance**.
- 2 We are committed to the full integration of material ESG factors into our investment processes.
- 3 Accurately measuring material ESG factors requires access to quality **data from multiple sources**.
- 4 We practice **asset stewardship** by actively using our voice and vote to engage with portfolio companies on material ESG factors.
- 5 We provide investors **choices** to invest based on their own values and preferences.

What is happening and why?

After discussions with many of our institutional clients within the region, SSGA has taken the decision to exclude UN Global Compact (UNGC) violators and controversial weapons companies from some of our Managed Pension Fund (MPF) index funds. This subset of funds includes both equity and fixed income index funds.

This initiative is driven by our research on client needs and our view on European market trends — both of which indicate that investors no longer want exposure to certain corporate behaviours in their core portfolios.

What funds are in scope?

Within the MPF range there are 12 core index equity funds, 3 core index bond funds, and 27 associated funds.

Equity Funds:

- North America Equity Index
- Asia Pacific ex Japan Equity Index
- Middle East and Africa Equity Index
- Europe ex UK Equity Index
- Advanced Emerging Markets Equity Index
- All World Developed Equity Index
- All World Equity Index
- Emerging Markets Equity Index
- International Equity Index
- Japan Equity Index
- UK Equity Index
- World UK Equity Index

Fixed Income Funds

- Sterling Corporate Bond All Stocks Index Sub-Fund
- Sterling Non-Gilts Bond All Stocks Index Sub-Fund
- Sterling Non-Gilts Bond Over 15 Years Index Sub-Fund

Associated Funds

Fund of funds and hedged share classes associated with the funds listed above will also reflect the changes covered in this document. A full list of the in-scope funds is included in the appendix.

Will the fund names change?

Yes. The names of the impacted funds are being updated to include *ESG Screened*. This amendment is being made to make transparent to investors that a screen is being applied to the original investment universe of the fund to screen out securities based on ESG criteria.

Will the benchmarks change?

Equity Index Funds The funds will switch to amended versions of the existing FTSE indexes that screen out securities as described below. Exclusions are made by FTSE at the index level.

Fixed Income Index Funds The funds will continue with their existing benchmarks. The portfolio manager will continue to manage the funds on a stratified sampled basis, but will be prevented from selecting securities that appear on the screened list as described below.

A full list of the new benchmarks for the equity funds is included in the appendix.

Tell me more about the screens being implemented.

Many investors view exclusionary ESG screening as both an easy and effective approach towards ESG investing. Additionally, for many investors it is a logical first step towards employing an ESG investment policy.

Within the field of exclusions, violators of global norms (such as UNGC violators) as well as companies involved in controversial business areas in general, and controversial weapons in particular, can be identified as mandatory exclusions for increasing numbers of investors.

How does the screening work?

Equity Funds

For the MPF equity funds in scope, a benchmark change will be made. The third-party index provider, FTSE, will employ the exclusion criteria based on their methodologies.

Exclusion Criteria

- Controversies/Breach of UN Global Compact Principles
- Controversial Weapons

Providers:

- To identify the companies to be excluded, **FTSE Russell** uses data from **Sustainalytics** and **Reprisk**, in addition to their own internal data sources.
- For UNGC violators FTSE uses both RepRisk and Sustainalytics
- For controversial weapons companies FTSE uses both Sustainalytics as well as their own research .

Fixed Income Funds

Unlike for the equity funds, the exclusions for the Fixed Income funds are at the fund level, meaning that they are made by SSGA, while the benchmark is left unchanged.

SSGA's own proprietary exclusions approach for the topics in scope is used (as opposed to the equity funds, where the third-party index provider is executing the exclusions and the benchmark is changed accordingly).

Exclusion Criteria

- Breach of UN Global Compact Principles
- Controversial Weapons

Providers

- For the Fixed Income funds we use our **own proprietary screening approach using both Sustainalytics and MSCI data.**
- For UNGC violations we use Sustainalytics only.
- For controversial weapons we combine Sustainalytics and MSCI data

Can you tell me more about the impact in each fund?

Equity Funds

The table below highlights the number of companies that will be excluded in the new screened indexes and the percentage of the parent, market cap-weighted index that would be excluded.

Fund Name	Number of Companies excluded	% of Parent Index Excluded
FTSE All World ex Controversies ex CW Index	93	3.97
FTSE Developed ex Controversies ex CW Index	43	4.07
FTSE Emerging ex Controversies ex CW index	50	3.16
FTSE Advanced Emerging ex Controversies ex CW index	13	5.63
FTSE World ex UK ex Controversies ex CW Index	52	3.94
FTSE All Share ex Controversies ex CW Index	90	8.12
FTSE UK ex Controversies ex CW Index	4	8.15
FTSE Developed Europe ex UK ex Controversies ex CW Index	7	3.93
FTSE North America ex Controversies ex CW Index	18	4.26
FTSE Japan ex Controversies ex CW Index	3	0.56
FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index	9	4.07
FTSE Developed Middle East and Africa ex Controversies ex CW Index	2	6.89

Source: FTSE, as at 30 June 2020. The impact to funds that invest in the funds above (fund of funds) will be proportionate to their weighting in each fund.

The table below highlights the impact of the screens on performance and tracking error between the screened and parent (unscreened) index.

Fund Name	Performance Data (Annualised %)						Tracking Error % (ex post)	
	1yr Perf (Screened)	1yr Perf (Parent)	3yr Perf (Screened)	3yr Perf (Parent)	5yr Perf (Screen)	5yr Perf (Parent)	3yr (Annualised)	5yr (Annualised)
FTSE All World ex Controversies ex CW Index	6.77	5.72	8.67	8.38	12.47	12.28	0.34	0.38
FTSE Developed ex Controversies ex CW Index	7.42	6.47	9.14	8.85	12.92	12.76	0.33	0.36
FTSE Emerging ex Controversies ex CW index	1.50	-0.36	4.88	4.56	8.37	8.02	0.83	0.87
FTSE Advanced Emerging ex Controversies ex CW index	-6.37	-8.37	1.07	1.34	6.26	6.37	1.45	1.49
FTSE World ex UK ex Controversies ex CW Index	7.74	6.97	9.32	9.13	13.23	13.11	0.30	0.33
FTSE All Share ex Controversies ex CW Index	-9.84	-12.99	-1.14	-1.56	2.62	2.87	1.34	1.76
FTSE UK ex Controversies ex CW Index	-10.10	-13.81	-1.37	-1.80	2.43	2.78	1.57	2.06
FTSE Developed Europe ex UK ex Controversies ex CW Index	0.63	0.70	3.23	3.83	8.54	8.92	0.51	0.44
FTSE North America ex Controversies ex CW Index	11.95	10.91	13.05	12.47	16.19	15.84	0.35	0.37
FTSE Japan ex Controversies ex CW Index	6.85	6.76	4.84	4.87	9.00	9.03	0.17	0.21
FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index	-5.27	-5.37	1.65	2.18	8.32	8.69	0.78	0.79
FTSE Developed Middle East and Africa ex Controversies ex CW Index	-7.42	-7.70	-5.23	-5.02	-2.17	-2.05	0.60	0.52

Source: FTSE, as at 30 June 2020. Performance of gross index. The impact to funds that invest in the funds above (fund of funds) will be proportionate to their weighting in each fund.

Can you tell me more about the impact in each fund? (Contd.)

Fixed Income Funds

The table below highlights the number of companies that will be included in the new screened opportunity set vs the market cap-weighted index.

Current Fund Name	Number of Issuers (Before/After)	% of Parent Index Excluded	Tracking Error Before	Tracking Error After	Difference
Sterling Corporate Bond All Stocks Index Sub-Fund	337/317	3.3	7.8bp	14.2bp	6.4bp
Sterling Non-Gilts Bond All Stocks Index Sub-Fund	436/426	2.1	5.0bp	10.7bp	5.7bp
Sterling Non-Gilts Bond Over 15 Years Index Sub-Fund	172/169	1.1	12.2bp	20.4bp	8.2bp

Source: SSGA, as of 28 January 2020. Tracking error figures are estimates and may be subject to change. The impact to funds that invest in the funds above (fund of funds) will be proportionate to their weighting in each fund.

How and when will these changes be implemented?

We will be implementing this change at the end of the four month notice period on 18 November 2020.

Our portfolio managers and traders will be working close together to implement the change in the most cost-efficient manner.

This may involve trading over several days to minimize market impact and/or it may involve the use of our internal liquidity pool to reduce costs. The exact composition and timing of the trade will be influenced by the prevailing market conditions, fund sizes, client activity and any possible index changes that may be planned around the effective date of the change.

How will this affect your reporting of performance?

Equity Funds

From a performance reporting perspective, we will link the prior index with the new index at the time of the change. This means that going forward the benchmark performance shown will be the performance of the new screened indexes. There will not be a restatement of past performance.

Fixed Income Funds

No change.

Why has there been a change to tax treatment for equity benchmarks? What is the impact?

The existing FTSE benchmarks used by the funds in the MPF were a custom tax variant created to reflect the estimated net tax rates of a UK pension fund. The returns reported for these indexes differed slightly from the standard FTSE net tax indexes making reconciliation more difficult. The new benchmarks will follow the standard FTSE net tax methodology.

Will it change SSGA's approach to stewardship?

No. From a stewardship perspective, we engage with companies and we vote on the totality of our global book of business.

We have seen a commonality in investors' exclusions requirements but some differences remain. This means that although we will not own these companies in some of the MPF funds, we may still own them in other funds and segregated mandates. Since we remain a shareholder of these companies, we will retain the access and the ability to vote and we will have the opportunity to engage and encourage change where needed.

Appendix

Current Fund Name	New Fund Name	Current Benchmark	New Benchmark
North America Equity Index Sub-Fund	North America ESG Screened Index Equity Sub Fund	FTSE World North America Index	FTSE North America ex Controversies ex CW Index
Asia Pacific ex Japan Equity Index Sub-Fund	Asia Pacific ex Japan ESG Screened Index Equity Sub Fund	FTSE Developed Asia Pacific ex Japan Index	FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index
Middle East and Africa Equity Index Sub-Fund	Middle East and Africa ESG Screened Index Equity Sub Fund	FTSE Developed Middle East and Africa Index	FTSE Developed Middle East and Africa ex Controversies ex CW Index
Europe ex UK Equity Index Sub-Fund	Europe ex UK ESG Screened Index Equity Sub-Fund	FTSE Developed Europe ex UK Index	FTSE Developed Europe ex UK ex Controversies ex CW Index
Advanced Emerging Markets Equity Index Sub-Fund	Advanced Emerging Markets ESG Screened Index Equity Sub-Fund	FTSE Advanced Emerging Index	FTSE Advanced Emerging ex Controversies ex CW Index
All World Developed Equity Index Sub-Fund	All World Developed ESG Screened Index Equity Sub Fund	FTSE Developed Index	FTSE Developed ex Controversies ex CW Index
All World Equity Index Sub-Fund	All World ESG Screened Index Equity Sub-Fund	FTSE All World Index	FTSE All World ex Controversies ex CW Index
Emerging Markets Equity Index Sub-Fund	Emerging Markets ESG Screened Index Equity Sub Fund	FTSE Emerging Index	FTSE Emerging ex Controversies ex CW Index
International Equity Index Sub-Fund	International ESG Screened Index Equity Sub-Fund	FTSE World ex UK Index	FTSE World ex UK ex Controversies ex CW Index
Japan Equity Index Sub-Fund	Japan ESG Screened Index Equity Sub-Fund	FTSE Japan Index	FTSE Japan ex Controversies ex CW Index
UK Equity Index Sub-Fund	UK ESG Screened Index Equity Sub-Fund	FTSE All-Share Index	FTSE All-Share Index ex Controversies ex CW Index
World UK Equity Index Sub-Fund	UK World ESG Screened Index Equity Sub-Fund	FTSE UK Index	FTSE UK ex Controversies ex CW Index
Sterling Corporate Bond All Stocks Index Sub-Fund	Sterling Corporate Bond All Stocks ESG Screened Index Sub-Fund	No change	N/A
Sterling Non-Gilts Bond All Stocks Index Sub-Fund	Sterling Non-Gilts Bond All Stocks ESG Screened Index Sub-Fund	No change	N/A
Sterling Non-Gilts Bond Over 15 Years Index Sub-Fund	Sterling Non-Gilts Bond Over 15 Years ESG Screened Index Sub-Fund	No change	N/A
All World Developed Equity Hedged Target Volatility Sub-Fund	All World Developed ESG Screened Equity Hedged Target Volatility Sub-Fund	90% FTSE World Developed Index, with 50% of the non-Sterling currency exposure hedged back to Sterling, 10% GBP 7-Day LIBID (Sterling London Interbank 7-day deposit rate)	90% FTSE Developed ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling, 10% GBP 7 Day LIBID (Sterling London Interbank 7-day deposit rate)
Emerging Markets Equity Target Volatility Sub-Fund	Emerging Markets ESG Screened Equity Target Volatility Sub-Fund	90% FTSE Emerging Index, 10% GBP 7-Day LIBID (Sterling London Interbank 7-day deposit rate)	90% FTSE Emerging ex Controversies ex CW Index, 10% GBP 7-Day LIBID (Sterling London Interbank 7 day deposit rate)
Global Equity (50/50) Index Sub-Fund	Global (50/50) ESG Screened Index Equity Sub Fund	50% FTSE All-Share Index, 16.7% FTSE World North America Index, 16.7% FTSE Developed Europe ex UK Index, 8.3% FTSE Japan Index, 8.3% FTSE Developed Asia Pacific ex Japan Index	50% FTSE All-Share ex Controversies ex CW Index, 16.7% FTSE North America ex Controversies ex CW Index, 16.7% FTSE Developed Europe ex UK ex Controversies ex CW Index, 8.3% FTSE Japan ex Controversies ex CW Index, 8.3% FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index
As Of Priced (Net) All World Developed Equity Index Sub-Fund	As Of Priced (Net) All World Developed ESG Screened Index Equity Sub-Fund	FTSE Developed Index	FTSE Developed ex Controversies ex CW Index
As Of Priced (Net) Emerging Markets Equity Index Sub-Fund	As Of Priced (Net) Emerging Markets ESG Screened Index Equity Sub-Fund	FTSE Emerging Index	FTSE Emerging ex Controversies ex CW Index
As Of Priced All World Equity Index Sub-Fund	As Of Priced All World ESG Screened Index Equity Sub Fund	FTSE All World Index	FTSE All World ex Controversies ex CW Index
As Of Priced (Net) International Equity Index Sub-Fund	As Of Priced (Net) International ESG Screened Index Equity Sub-Fund	FTSE World ex UK Index	FTSE World ex UK ex Controversies ex CW Index

Current Fund Name	New Fund Name	Current Benchmark	New Benchmark
As Of Priced (Net) UK Equity Index Sub-Fund	As Of Priced (Net) UK ESG Screened Index Equity Sub Fund	FTSE All-Share Index	FTSE All-Share ex Controversies ex CW Index
Net UK Equity Index Sub-Fund	Net UK ESG Screened Index Equity Sub-Fund	FTSE All-Share Index	FTSE All-Share ex Controversies ex CW Index
As Of Priced (Net) Sterling Non-Gilts Bond All Stocks Index Sub-Fund	As Of Priced (Net) Sterling Non-Gilts Bond All Stocks ESG Screened Index Sub Fund	No change	N/A
North America Equity (100% Hedged) Index Sub-Fund	North America (100% Hedged) ESG Screened Index Equity Sub-Fund	FTSE World North America, with 100% of the non-Sterling currency exposure hedged back to Sterling	FTSE World North America ex Controversies ex CW Index, with 100% of the non-Sterling currency exposure hedged back to Sterling
Asia Pacific ex Japan Equity (100% Hedged) Index Sub-Fund	Asia Pacific ex Japan (100% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Asia Pacific ex Japan, with 100% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index, with 100% of the non-Sterling currency exposure hedged back to Sterling
Europe ex UK Equity (100% Hedged) Index Sub-Fund	Europe ex UK (100% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Europe ex UK, with 100% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Europe ex UK ex Controversies ex CW Index, with 100% of the non-Sterling currency exposure hedged back to Sterling
International Equity (100% Hedged) Index Sub-Fund	International (Developed 100% Hedged) ESG Screened Index Equity Sub Fund	FTSE World ex UK, with 100% of the non-Sterling currency exposure hedged back to Sterling	FTSE World ex UK ex Controversies ex CW Index, with 100% of the non-Sterling currency exposure hedged back to Sterling
Japan Equity (100% Hedged) Index Sub-Fund	Japan (100% Hedged) ESG Screened Index Equity Sub Fund	FTSE Japan, with 100% of the non-Sterling currency exposure hedged back to Sterling	FTSE Japan ex Controversies ex CW Index, with 100% of the non-Sterling currency exposure hedged back to Sterling
North America Equity (50% Hedged) Index Sub-Fund	North America (50% Hedged) ESG Screened Index Equity Sub-Fund	FTSE World North America, with 50% of the non-Sterling currency exposure hedged back to Sterling	FTSE World North America ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling
North America Equity (75% Hedged) Index Sub-Fund	North America (75% Hedged) ESG Screened Index Equity Sub-Fund	FTSE World North America, with 75% of the non-Sterling currency exposure hedged back to Sterling	FTSE World North America ex Controversies ex CW Index, with 75% of the non-Sterling currency exposure hedged back to Sterling
Asia Pacific ex Japan Equity (50% Hedged) Index Sub-Fund	Asia Pacific ex Japan (50% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Asia Pacific ex Japan, with 50% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling
Asia Pacific ex Japan Equity (75% Hedged) Index Sub-Fund	Asia Pacific ex Japan (75% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Asia Pacific ex Japan, with 75% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index, with 75% of the non-Sterling currency exposure hedged back to Sterling
Europe ex UK Equity (50% Hedged) Index Sub-Fund	Europe ex UK (50% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Europe ex UK, with 50% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Europe ex UK ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling
Europe ex UK Equity (75% Hedged) Index Sub-Fund	Europe ex UK (75% Hedged) ESG Screened Index Equity Sub-Fund	FTSE Developed Europe ex UK, with 75% of the non-Sterling currency exposure hedged back to Sterling	FTSE Developed Europe ex UK ex Controversies ex CW Index, with 75% of the non-Sterling currency exposure hedged back to Sterling
Net Global Equity (50/50) (Developed 50% Hedged) Index Sub-Fund	Net Global (50/50) (Developed 50% Hedged) ESG Screened Index Equity Sub-Fund	50% FTSE All-Share Index, 50% FTSE World ex UK Index with 50% of the non-Sterling currency exposure hedged back to Sterling	50% FTSE All-Share ex Controversies ex CW Index, 50% FTSE World ex UK ex Controversies ex CW Index with 50% of the non-Sterling currency exposure hedged back to Sterling
International Equity (50% Hedged) Index Sub-Fund	International (Developed 50% Hedged) ESG Screened Index Equity Sub-Fund	FTSE World ex UK, with 50% of the non-Sterling currency exposure hedged back to Sterling	FTSE World ex UK ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling
International Equity (75% Hedged) Index Sub-Fund	International (Developed 75% Hedged) ESG Screened Index Equity Sub-Fund	FTSE World ex UK, with 75% of the non-Sterling currency exposure hedged back to Sterling	FTSE World ex UK ex Controversies ex CW Index, with 75% of the non-Sterling currency exposure hedged back to Sterling

Current Fund Name	New Fund Name	Current Benchmark	New Benchmark
International Equity (GBP Dynamic Currency Hedged) Index Sub-Fund	International (GBP Dynamic Currency Hedged) ESG Screened Index Equity Sub Fund	FTSE World ex UK Index, 50% hedged to Sterling	FTSE World ex UK ex Controversies ex CW Index, 50% hedged to Sterling
Japan Equity (50% Hedged) Index Sub-Fund	Japan (50% Hedged) ESG Screened Index Equity Sub Fund	FTSE Japan, with 50% of the non-Sterling currency exposure hedged back to Sterling	FTSE Japan ex Controversies ex CW Index, with 50% of the non-Sterling currency exposure hedged back to Sterling
Japan Equity (75% Hedged) Index Sub-Fund	Japan (75% Hedged) ESG Screened Index Equity Sub Fund	FTSE Japan, with 75% of the non-Sterling currency exposure hedged back to Sterling	FTSE Japan ex Controversies ex CW Index, with 75% of the non-Sterling currency exposure hedged back to Sterling

About State Street Global Advisors

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- 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 \$2.69 trillion* under our care.

* This figure is presented as of March 31, 2020 and includes approximately \$51.62 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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