

Investor Sustainability Interest Evaluation - Climate Change Focus

Shareholders of X-OT-Test



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Overview

This report summarises the interest of asset managers relevant to X-OT-Test in the issue of climate change.

Specifically, it aims to answer – in respect of each investor – the following questions:

About sustainable investment in general

- How can we summarise (briefly) how this investor / research provider has engaged with sustainable investment through [a] policy commitments and demonstrable leadership intentions, [b] resources engaged and [c] products offered?
- What is the nature and extent of the SRI/ESG investment funds and strategies offered by this firm?
- To what extent (and how) does this asset manager discuss sustainability directly with companies as part of its investment decision-making?
- How many people does this firm employ with a specific focus on sustainable investment? For how many others is sustainable investment a significant part of their role?

About climate change in particular

- Has this investor published a specific climate change commitment in its own name? If so, what are the key points of the commitment?
- Does this investor offer investment funds with a specific climate change focus within their mandate?
- (How) does this investor take climate change into account within its mainstream investment research and decision-making?
- Through what engagement activity does this asset manager encourage companies to mitigate climate change-related risks and opportunities?
- What climate change related investor initiatives does this investor participate in?

Capital Group

Sustainable investment overview

Sustainable investment commitment (summary)

Capital Group's investment approach is based on analysis of a company's financial and business indicators, including environmental, social and governance (ESG) issues. An important part of this analysis is understanding how a company impacts its community, customers, suppliers and employees. Capital says that it has found that companies that are proactive and forward-thinking around these relationships can often provide attractive investment opportunities. Further details on Capital's ESG approach can be found in its latest Stewardship Report published June 2023.

Segregated SRI / ESG funds and strategies	Mainstream integration
SRI-C has not been able to identify any segregated SRI/ESG funds or strategies managed by Capital Group.	<p>Capital argues that its long-term approach to investment fits naturally with the time horizons associated with ESG risks and opportunities'.</p> <p>The average holding period of equity funds managed by the firm is over four years - "nearly 130% longer than our peers".</p> <p>The incorporation of material ESG risks and opportunities is 'deeply woven' into The Capital System and the firm has developed 30+ sector-specific investment frameworks that distil its thinking on material ESG issues, supported by 50+ data sources.</p>

Level of Direct Company Engagement	Clients, reporting & other activity
<p>The Capital Group investment team participated in 830+ ESG-related engagements across 500 companies in 2022. The top five engagement topics for the year, by frequency, were:</p> <ul style="list-style-type: none">• Shareholder rights• Board composition and leadership• Discussion of annual meeting agenda items• Executive compensation• Climate change	

Specialist SRI Resource

Capital Group has a dedicated 45-person ESG team, led by the global head of ESG. This team is responsible for driving the implementation of ESG initiatives across Capital Group. Team members have experience in research, issuer engagement, proxy voting, and client reporting.

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	<p>SRI-C's lead contact for sustainable investment research at Capital Group is:</p> <p>Jessica Ground (Portfolio Manager - SRI)</p>

Sustainable investment: Participations



Climate change

Climate change: Policy commitment

In its TCFD report, Capital Group writes "we are actively evaluating material climate-related risks and opportunities in our portfolios, including investing in companies that strive to be part of a cleaner, greener future as they pursue advances in alternative and renewable energy."

Climate change: Investment funds

SRI-C has not identified any segregated funds or investment strategies that focus specifically on climate change mitigation or adaptation.

Climate change: Integration activity

Capital Group's TCFD report identifies short, medium and long term climate risks and opportunities across various sectors and its Stewardship Report highlights several specific climate risks and opportunities, including stranded assets, regulation, extreme weather, divestment, EVs and energy transition.

While there is no "house view" on climate change scenario modeling, CG states that "we are investing in research to systematically identify and assess climate-related risks. A variety of teams have come together in a cross-functional effort to systematically identify and evaluate climate risks and opportunities across our investment strategies."

Climate change: Engagement activity

CG says that "as a supporter of the Task Force on Climate-Related Financial Disclosure (TCFD), we routinely encourage issuers to start and continue to improve their TCFD disclosures."

CG has expressed support for TCFD in its response to the SEC consultation on Climate Change Disclosures and decided to formally communicate this to companies in high-impact sectors which had not yet produced a TCFD report.

In 2022 CG identified six companies and sent a letter to each, signed by the Investment Analyst most familiar to each company. The letter described support for TCFD and requested further engagement on the prospect of climate disclosures.

Climate change: Other notes

Climate change: Participations



[Ceres](#)



[Net Zero Asset Managers Initiative](#)

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect:
[Capital Group](#)

Fidelity Investments

Sustainable investment overview

Sustainable investment commitment (summary)

Fidelity offers "products that pursue different strategies to meet clients’ needs, including sustainability-focused products." The firm also notes that "financially material environmental, social and governance (ESG) factors can impact market risks and returns, influencing the long-term performance of the securities" in which they invest.

Segregated SRI / ESG funds and strategies	Mainstream integration
Fidelity offers a number of sustainable equity, bond and ETF funds, a list of which can be identified by accessing its proxy voting web page.	In its Sustainable Future Fund factsheet, Fidelity notes how it uses "a proprietary ESG ratings process to evaluate the current state of an issuer's sustainability practices using a data-driven framework that includes both proprietary and third-party data, and also provide a qualitative forward looking assessment of an issuer's sustainability outlook provided by [...] fundamental research analysts and ESG team."

Level of Direct Company Engagement	Clients, reporting & other activity
<p>Fidelity states that they actively engage with issuers’ management and directors on topics that "we believe could affect long-term performance, including, when appropriate, topics related to financially material ESG factors."</p> <p>Engagement is backed by "fundamental and sustainable research, and proxy voting is an integral part of its stewardship process". Votes are informed by research and issuer engagement, including research and engagement on topics related to sustainability.</p>	

Specialist SRI Resource

SRIC was not able to find disclosures on size of the SRI/ESG team at Fidelity Investments.

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C’s lead contact for sustainable investment research at Fidelity Investments is: Jeannie Chun (Head of Research - SRI)

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

Climate change is explicit focus of the ESG rating system deployed by Fidelity thus: "Fidelity's "ESG ratings of issuers are derived from multiple factors, including an issuer's environmental profile, which may include, but is not limited to, carbon and toxic emissions, water management, waste management, vulnerability to the physical impacts of climate change, and research and investment into products, services, and energies that reduce emissions and/or provide opportunities to transition to less carbon-intensive products or operations."

Climate change: Investment funds

Fidelity manages a Climate Action Fund, an Environment & Alternative Energy Fund and a Clean Energy ETF.

The firm also manages a 'Sustainable Future Fund which mentions "vulnerability to the physical impacts of climate change, and research and investment into products, services, and energies that reduce emissions and/or provide opportunities to transition to less carbon-intensive products or operations."

Climate change: Integration activity

As noted elsewhere, climate change seems likely to form a significant component of Fidelity's broader approach to integrating sustainability factors into investment decision-making.

Climate change: Engagement activity

SRI-C has not been able to identify what ownership activity or engagement Fidelity undertakes around climate change issues specifically.

Climate change: Other notes

Climate change: Participations



[Ceres](#)



[Climate Action 100+](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [Fidelity Investments](#)

JP Morgan Asset Management

Sustainable investment overview

Sustainable investment commitment (summary)

JP Morgan Asset Management (JPMAM) states it offers "ESG focused products that seek to meet financial goals while also meeting client objectives for sustainable outcomes through our sustainable investing solutions". The firm also says that "managing financially material ESG risks and opportunities is an important part of our investment processes".

Segregated SRI / ESG funds and strategies	Mainstream integration
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JPMAM offers a range of Global, US and European sustainable equity funds (available to search here) - including 'ESG Promote', positive tilt, exclusions, best-in-class, thematic and impact funds.	JPMAM has developed an ESG Integration Approach that is overseen by an 'ESG & Climate Research Working Group that "requires: <ul style="list-style-type: none">• (1) portfolio management teams to consider proprietary research on the financial materiality of ESG issues on the strategy's investments;• (2) documentation of the research views and methodology throughout the investment process; and• (3) appropriate monitoring of ESG considerations in ongoing risk management and portfolio monitoring."
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Level of Direct Company Engagement	Clients, reporting & other activity
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JPMAM takes the view that understanding how companies are managing major ESG risks and encouraging them to take action to mitigate those risks, has the "potential to create significant value for clients over time". JPMAM considers that such an approach "can be more effective at generating returns and promoting sustainability than simply excluding (or divesting from) stocks in sectors that rank lowly on ESG measures". As a result, JPMAM believes that the key to building value portfolios that meet the SFDR Article 8 criteria "is not to exclude or divest, but to engage."	
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Specialist SRI Resource

There are '30+ analysts' in a centralised sustainable investing team and the firm notes that "engagement efforts complement, and expand upon, the stock-level information gained from our 100+ fundamental equity analysts, who cover approximately 85% of the MSCI World Index (by market capitalisation) in great detail."

This stock-level analysis is described as including "a thorough understanding of each firm's ESG profile."

Sector coverage	Sustainable investment research lead
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No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at JP Morgan Asset Management is:
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Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

JPMAM claims significant investments in climate-related investment capabilities and has "enhanced efforts to help clients consider the material implications of climate change within their portfolios."

JPMAM became a signatory to the Net Zero Asset Managers initiative in 2021, and participates in Climate Action 100+ and IIGCC.

Climate change: Investment funds

SRI-C has not identified any segregated funds or investment strategies that focus specifically on climate change mitigation or adaptation.

Climate change: Integration activity

Although climate change is not explicitly referenced within JPMAM's integration process, the name of the working group that oversees this activity (the 'ESG & Climate Research Group') implies that the issue will be given prominence within the evaluation.

Climate change: Engagement activity

Almost 20% of engagements in 2021 were centred on climate change.

More details on the firm's climate engagement strategy may be found here. Key points include:

- Establish a long-term strategic commitment to products and services that provide climate solutions.
- Measure effectiveness of products and services providing climate solutions.

Climate change: Other notes

Climate change: Participations



[Asia Investor Group on Climate Change](#)



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [JP Morgan Asset Management](#)

Legal and General Investment Management

Sustainable investment overview

Sustainable investment commitment (summary)

The LGIM approach can be summarised as follows: * A consistent approach, across its 'entire book, to voting and engagement'; * Innovation in tackling climate change, from modelling the energy transition to targeted engagements; * A wide range of responsible investment strategies, across different asset classes.

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>LGIM investment strategies reflect a spectrum of ESG objectives, these include incorporating reductions in carbon-emissions intensity, an increased allocation to 'green opportunities' and targeted objectives related to clean water, healthcare breakthroughs and clean energy.</p> <p>Since the launch of the LGIM Future World fund in 2017, LGIM has designed sustainable investing strategies with ESG objectives, eg, across the LGIM Real Assets portfolio, new fund-level strategies have included carbon-intensity targets and other enhanced ESG criteria.</p> <p>19 new responsible investment strategies were launched in 2022 according to the latest Active Ownership Report and, as at year-end, managed £332.2 billion of assets in responsible investment strategies. About 95% of all new product development activity is ESG-related.</p>	<p>LGIM has developed custom data tools to understand climate-related exposures and to integrate these within investment decision-making.</p>

Level of Direct Company Engagement	Clients, reporting & other activity
<p>In its Stewardship Report for 2022, LGIM reports that there were "902 companies with which our Investment Stewardship team engaged."</p> <p>Previously, in 2019, LGIM ran a targeted engagement campaign focused on social, governance and transparency issues at large companies with poor ESG scores (from third party providers).</p> <p>After giving them an opportunity to improve their scores, LGIM took take a quantitative look at the results in this follow-up paper published in 2021 to identify whether progress has been made (68% of firms did improve their ESG scores).</p>	

Specialist SRI Resource

There are c.90 LGIM employees with roles dedicated exclusively to ESG activity.

This includes leadership positions to implement responsible investing strategy across Investment Stewardship, Investments, Distribution, Product, and ESG IT and Change teams.

In addition, there are a further 65 people whose roles involve a contribution to responsible investing capabilities and whose objectives reflect this, although they have broader responsibilities.

The Active Ownership report mentions there are 39 sector research analysts with the objectives of:

- Research into structural industry changes and risks
- Identification of key themes and engagement topics

Sector coverage

No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.

Sustainable investment research lead

SRI-C's lead contact for sustainable investment research at Legal and General Investment Management is:

[Angeli Benham](#) (Investment Analyst - CorpGov)

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

LGIM has made a 'Climate Impact Pledge' available here and which provides the following highlights:

- 5,000+: The number of companies across 20 climate-critical sectors assessed in 2022
- 299: Companies identified as subject to voting sanctions for not meeting minimum standards
- £158 billion: The amount of assets subject to an exclusion list

LGIM is a founding signatory of the Net Zero Asset Managers Initiative (NZAM) and an active participant of the Glasgow Financial Alliance for Net Zero (GFANZ).

Climate change: Investment funds

In 2021, LGIM launched a climate-tilted index equity strategy, which seeks to significantly reduce its exposure to carbon emissions in alignment with 2050 net zero goals.

There is a related [Multi-Factor Climate Transition Equity Fund](#)

More broadly the firm has these targets across its portfolios:

- Reaching net-zero greenhouse gas emissions by 2050 or sooner across all assets under management
- Setting an interim target of 70% of eligible AUM7 to be managed in alignment with this net-zero ambition by 2030
- Achieving net-zero carbon across the real estate portfolio by 2050
- LGIM also manage some mandates against specific climate objectives.

Climate change: Integration activity

LGIM has developed two custom tools:

- LGIM Destination@Risk - developed as a proprietary toolkit to assess climate related risk for its investments.
- LGIM Temperature Alignment - provides a tool for measuring and managing the impact of investments on climate change.

LGIM ESG scores (which are publicly available, are used for LGIM index fund construction and to support LGIM engagements), capture companies' carbon emissions intensity, carbon reserve intensity (from fossil fuels) and exposure to 'green' revenues, as well as levels of transparency and certification around carbon and ESG data.

In real estate equity, analysis is informed by net-zero audits and assessment of other material ESG indicators, with improvement opportunities feeding into asset sustainability plans.

Climate change: Engagement activity

In its Q1 2023 Impact Report, LGIM notes that as part of a "collaboration of approximately 35 investors organised by Share Action, representing over US\$7 trillion, we have been engaging

Climate change: Other notes

with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies."

In Q1 2023, the Investment Stewardship team held 275 meetings in relation to its climate impact pledge and another 35 relating to climate change generally. The Active Ownership report 2022 features several engagements with oil and gas companies.

In 2022, LGIM voted on 48 companies' 'Say on Climate' proposals. On 32 of these they voted against (66.7%).

Climate change: Participations



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [Legal and General Investment Management](#)

Pictet Asset Management

Sustainable investment overview

Sustainable investment commitment (summary)

Pictet's sustainable investment strategy is described as follows:

- "Integration of ESG factors and sustainability risk have become the norm in our investment processes.
- We also apply a list of exclusions across all our strategies, for example excluding companies that produce controversial weapons and extract thermal coal.
- For investors who want to go further, our responsible investing strategies focus on companies with stronger governance, as well as cleaner operations and products."

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>Pictet offers a range of different responsible investing strategies including:</p> <ul style="list-style-type: none">• ‘ESG focused strategies’ which “promote environmental and/or social characteristics.”• ‘Positive impact strategies’ which target economic activities that are environmentally and/or socially sustainable, such as providing solutions to climate change, energy transition or water scarcity.• ‘Best-in-class strategies' and• ‘Thematic strategies’ “that invest in companies helping to solve environmental and societal challenges including strategies for Water, Clean Energy Transition, Timber, Global Environmental Opportunities and ReGeneration.	<p>See: Climate change: Integration activity</p>


Level of Direct Company Engagement	Clients, reporting & other activity
<p>Interaction with issuers takes the form of:</p> <ul style="list-style-type: none">• One-to-one discussions• Shareholder/bondholder meetings• Investor roadshows and/or conference calls <p>The firm's 2022 engagement (in numbers) comprised:</p> <ul style="list-style-type: none">• 352 companies engaged,• 552 ESG engagement cases.	

Specialist SRI Resource

Pictet's ESG team comprises 7 members as at end of 2022. The firm also has an internal network of 50 ESG champions across various investment teams.

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at Pictet Asset Management is: Eric Borremans (Head of Research - SRI)

Sustainable investment: Participations


[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

Pictet has joined the NZAM initiative, SBTi and TCFD.

It has also published a [climate action plan](#) stating: "Our commitment is that by 2040, 100% of our assets under management will be in issuers that have themselves committed to net zero by 2050 (vs. 20% today)."

In line with its Climate Investment Principles, the firm says 'strategic asset allocation should embed the risks and opportunities linked to climate change in our evaluation of all investible assets.'

Climate change: Investment funds	Climate change: Integration activity
<p>Pictet states that "We recognise the importance of expanding our range of products that actively contribute to the low-carbon transition."</p> <p>It adds that "As pioneers in thematic investing, we will continue to offer strategies focused on climate change-mitigation, as well as on key areas for adaptation and nature. We are actively working to broaden such solutions across other asset classes."</p>	<p>Pictet has developed a set of 'climate investment principles' and notes that capital allocation is 'needed to support the growth of companies and opportunities (including in hard-to-abate areas), which can exist within or contribute towards a low-carbon economy.'</p> <p>Part of its strategy is to invest in net-zero transition leaders, and also to invest in high-emitting companies with the ability to transition and engaging with them, to use their influence to accelerate the shift to a low-carbon economy.</p> <p>Pictet also say that 'We will continue to collect information through our ESG due diligence questionnaire to get visibility on the climate-change policies of third-party funds and will determine priority engagement targets for 2023.'</p>

Climate change: Engagement activity	Climate change: Other notes
<p>Climate is one of Pictet's engagement themes with an 'angle' of 'low carbon transition'.</p> <p>The firm takes part in collaborative engagements via Climate Action 100+.</p> <p>The 2022 RI report features several engagement case studies concerning climate mitigation.</p>	

Climate change: Participations



[Ceres](#)



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [Pictet Asset Management](#)

Schroders Asset Management

Sustainable investment overview

Sustainable investment commitment (summary)

Schroders was one of the first multi-asset managers to fully integrate sustainability in its investment process, taking account of the potential impact of climate change.

It has a long-term track record in managing sustainable strategies with over £4.7 billion (as at 31 October 2022) invested across its ESG solutions range.

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>Schroders has 6 sustainable model portfolios. The funds are described as:</p> <ul style="list-style-type: none">• ESG integrated funds• Funds investing to deliver a positive impact• Funds targeting specific sustainability themes• Funds that screen out certain types of companies (i.e those involved in armaments, tobacco, alcohol, gambling, fossil fuels, high interest rate lending)	<p>Schroders was one of the earliest and most active proponents of integrating sustainability factors into valuation and the investment decision-making of 'mainstream' funds.</p> <p>The firm reports that it continues to "invest heavily in developing proprietary analysis and tools that help our analysts and fund managers to integrate climate factors into investment decisions."</p>
Level of Direct Company Engagement	Clients, reporting & other activity
<p>The firm engaged with 3,400 companies in 2022. There are 6 core engagement themes:</p> <ul style="list-style-type: none">• climate change• natural capital and biodiversity• human rights• human capital• DEI• corporate governance	

Specialist SRI Resource

Schroders employs 32 'global sustainability team members'.


Within this, the firm has a central internal Sustainable Investment team who are primarily responsible for systematically monitoring ESG issues for the firm.

Operating along sector lines, these Sustainable Investment Analysts aim to gain a deep understanding of relevant material ESG issues and work with investment research analysts and portfolio managers around the business to incorporate this work in their idea generation, analysis and forecasts.

The ESG specialists work with investment teams rather than operating in a silo, which facilitates regular dialogue with analysts and investors.

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at Schroders Asset Management is: Andy Howard (Head of Research - SRI)

Sustainable investment: Participations


[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

"Schroders has "established a climate change strategy that we expect will allow the investments we manage to benefit from the value that can be unlocked as companies cut emissions.

Instead of avoiding companies with higher emissions, we identify them and encourage them to establish and deliver their own transition plans."

The firm has made a number of climate and nature-related commitments to support achieving net zero by 2050, or sooner. The firm's goal is to align its portfolios to a 2.2°C pathway by 2030 (2.6°C achieved to date) and to align portfolios to a 1.5°C pathway by 2040."

Climate change: Investment funds	Climate change: Integration activity
<p>The Schroder International Selection Fund Global Climate Change Equity invests "primarily in equities and equity related securities of companies who benefit from effort to accommodate or limit the impact of global climate change."</p> <p>Schroder ISF Global Climate Change Equity was one of the first in its field and has been running since 2007.</p>	<p>Schroders reports that it continues to "invest heavily in developing proprietary analysis and tools that help our analysts and fund managers to integrate climate factors into investment decisions."</p>

Climate change: Engagement activity	Climate change: Other notes
<p>During 2022, Schroders "engaged over 700 companies, responsible for around half of the financed emissions of the asset classes in scope of our targets." This is a whole-firm effort, with analysts and fund managers across Schroders' global offices speaking to hundreds of companies to explain our views and goals."</p> <p>In its latest responsible investment report for Q1 2023, Schroders notes that "we ... are excited to support the shared objectives of the Net Zero Engagement Initiative. Encouraging companies to develop credible transition plans is the key focus of this initiative;"</p> <p>This document also features insights on the emissions profile of shipping, and an assessment of voluntary carbon markets.</p> <p>In March 2023, Schroders hosted IIGCC Engage.</p>	

Climate change: Participations



[Asia Investor Group on Climate Change](#)



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect:
[Schroders Asset Management](#)

State Street Global Advisors

Sustainable investment overview

Sustainable investment commitment (summary)

State Street Global Advisors (SSgA)'s stewardship philosophy can be summarised as follows:

- "Clearly communicate how we carry out our commitment to responsible investing on behalf of our clients through quarterly and annual reports, voting and engagement guidelines, bulletins explaining our decisions, thought leadership, and other public communications.
- Fulfill our fiduciary responsibilities by engaging with companies about material risk factors and exercising our shareholder rights.
- Report on the impact of our stewardship activities."

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>SSgA ESG funds are listed here. Across different geographies, these include equity, equity index and bond strategies, plus a green real estate strategy.</p> <p>Article 8 classed funds can be viewed here.</p> <p>The firm offers a four pronged ESG approach via the following strategies:</p> <ul style="list-style-type: none">• Climate investing• Screened• Best in class• ESG integration <p>Within ESG integration the firm offers active, index and 'smart beta' strategies.</p> <p>According to its ESG investment statement the "Active Fundamental Equity Value Team seeks to identify and incorporate ESG Factors into its investment decision-making processes".</p>	<p>See Climate change: Integration activity.</p>

Level of Direct Company Engagement	Clients, reporting & other activity
<p>SSgA's latest annual stewardship report (from May 2023) describes the following priority areas for stewardship/engagement:</p> <ul style="list-style-type: none">• Effective board oversight• Climate risk management• Human capital management• DEI issues <p>956 'comprehensive engagements' were conducted in 2022 - with 2/3 of these on corporate governance issues.</p>	

Specialist SRI Resource

SSgA employs a team of "20+ [...] dedicated ESG and Asset Stewardship staff who devote 100% of their time to this exercise.

In addition, ESG resources exist across the business within individual (Investment, Legal, Compliance, Marketing, Operations, and Reporting) teams who are considered to "devote a significant portion of their time to ESG-related matters."

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at State Street Global Advisors is: Stefano Maffina (Investment Analyst - SRI)

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

SSgA is signatory to the Net Zero Asset Managers initiative and writes that "we believe that climate change may present both risks and opportunities and should be well understood and managed."

The firm has set the following three targets for in-scope assets, based on the IIGCC Paris Aligned Investment Initiative's Net Zero Investment Framework:

- Increase AUM invested in assets in material sectors (carbon-intensive sectors) that are (i) achieving net zero or (ii) aligned to net zero to 100% by 2040.
- Ensure that 70% of financed emissions in material sectors are net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions and increase this ratio to at least 90% by 2030.
- Reduce financed Scope 1+2 carbon emissions intensity 50% by 2030 relative to 2019 baseline at portfolio level.

Climate change: Investment funds	Climate change: Integration activity
<p>SSgA has a range of climate funds including:</p> <ul style="list-style-type: none">• Climate emerging markets enhanced equity fund• Climate euro corporate bond fund• Climate US corporate bond fund• Climate US equity fund• Climate World equity fund• Climate transition index equity• ... and several others. <p>A climate fund brochure has also been published.</p> <p>The Sustainable Climate Bond Strategy uses a mitigation + adaptation methodology to build climate change thematically into fixed income portfolios while tracking the performance of the index, and offers a customisable framework.</p> <p>Looking forward, SSgA intends to "develop more low carbon and climate-aligned investment solutions, products, and analytics "in response to client demand".</p>	<p>In its TCFD report (of June 2023), SSgA differentiates between the ways that different asset class strategies apply ESG factors (and, by extension, climate change) to their investment decision making:</p> <p>"The Active Quantitative Equity team has incorporated signals derived from ESG metrics into its forecasts of stock returns, where available, and uses these for all strategies managed by the team. The ESG signals are included in their model of expected return forecasts alongside measures representing other themes, such as value, company quality, and investor sentiment."</p> <p>"The Active Fundamental Equity - Growth/Core uses R-Factor scores and other ESG data metrics to help isolate specific issues and assess the quality of companies and the sustainability of their growth."</p> <p>"The Active Fundamental Equity Value team seeks to understand the underlying ESG Factors and their potential impact on earnings power, balance sheet strength, and the value of the business."</p>

Climate change: Engagement activity

SSgA say that their primary lever on climate change is engagement with investee companies, clients, and market participants including policymakers and index vendors.

As part of this, SSgA encourages investee companies to:

- disclose their de-carbonization goals and/or energy transition plans,
- advocate policy-makers to promote climate related disclosures, and
- work with index vendors to offer net- zero-aligned indices.

Stewardship efforts are focused on driving 'broad climate disclosure in the market across sectors'.

There were 182 climate reporting engagements in 2022.

Climate change: Other notes

Climate change: Participations



[Ceres](#)



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [State Street Global Advisors](#)

T Rowe Price [Asset Manager]

Sustainable investment overview

Sustainable investment commitment (summary)

T Rowe Price (TRP) consider that ESG factors "comprise a broad spectrum of considerations - positive and negative - that our investment analysts, supported by our ESG specialist teams, consider in the context of any company, industry, or region of the world".

TRP offers ESG reports, proxy voting summaries and carbon footprint assessments for all of the funds that it manage.

These ESG reports detail how ESG is integrated into each fund and also describe any fund objectives that have an ESG perspective."

Segregated SRI / ESG funds and strategies	Mainstream integration
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TRP's Global Impact Equity Fund seeks long-term capital growth by seeking positive environmental or social impact. The investment universe is defined by applying the proprietary T. Rowe Price Sustainable fund exclusion list with added categories determined not possible to generate positive impact and industry-specific impact inclusion criteria, guided by three investment pillars and eight sub-pillars aligned to the UN SDGs.	Each ESG team helps the analysts and portfolio managers identify, analyse, and integrate the ESG factors that TRP consider most likely to have a material impact on an investment's performance.
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Level of Direct Company Engagement	Clients, reporting & other activity
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<p>TRP has an 'investment-driven engagement program' that identifies targets through its proprietary RIIM analysis, governance screening, and analysts' fundamental research.</p> <p>ESG engagement meetings are carried out by portfolio managers and analysts from the equity and fixed income teams as well as by the ESG specialists.</p> <p>ESG engagement focuses on 'learning about, influencing, or exchanging perspectives on the environmental practices, corporate governance, or social issues affecting their businesses.'</p> <p>According to the most recent Annual ESG Report throughout the course of 2021, TRP engaged with companies on 788 separate occasions, sometimes more than once with the same company.</p>	
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Specialist SRI Resource

A team of 18 investment professionals (as of March 31, 2022) is dedicated to ESG governance research. They are organized across three specialist teams:

- responsible investing (RI),
- governance, and
- regulatory research.

These ESG teams are supported by an operations team focused on proxy voting execution and a technology team focused on ESG data integration.

Sector coverage

No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.

Sustainable investment research lead

SRI-C's lead contact for sustainable investment research at T Rowe Price [Asset Manager] is:

[Jocelyn Brown](#) (Investment Analyst - CorpGov)

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

TRP has not - it appears - published a specific policy on climate change but does note that in respect of net zero targets, "understanding how our investments are positioned in this changing landscape is essential to fulfilling our role as an asset manager.

Similarly, many of our clients recognize this potential investment risk and want to understand how their portfolios are positioned regarding the energy transition."

Climate change: Investment funds

Although the firm does not yet have specific climate mandates, it declares that through signing up to the Net Zero Asset Managers initiative "we are illustrating our commitment to developing products with 'net zero' objectives.

It also underlines our intention to help promote best practices and create industry standards around net zero portfolios."

Climate change: Integration activity

As illustrated elsewhere in this profile, all TRP funds employ an integrated ESG approach.

In most cases, TRP reports, climate change issues analysis does feature within some of those funds.

TRP argues that "When we find companies that describe climate change as a serious risk to their business yet are also members of trade associations known to resist legislative solutions to the problem, we ask how they prioritize these competing objectives."

Climate change: Engagement activity

Engagements on climate are carried out across various TRP funds, two examples are [available here](#) for a natural resources fund.

Climate change: Other notes

Climate change: Participations



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [I Rowe Price \[Asset Manager\]](#).

Troy Asset Management

Sustainable investment overview

Sustainable investment commitment (summary)

Troy Asset Management's approach to sustainable investment can be summarised by these priority commitments:

- "For long-term investors environmental, social and governance (ESG) analysis is a key component of assessing the sustainability and quality of a company's returns.
- The way in which a business approaches sustainability risks and opportunities gives us valuable insight into a company's culture and strategy.
- ESG analysis is integrated in our firm-wide research process. Understanding these factors for investments helps us build confidence in the businesses that we believe will be successful over decades.
- Stewardship of our clients' assets involves active monitoring, engagement and voting.

Troy has a Responsible Investment & Climate Committee. All members of the Investment Team have responsibility for ensuring investments are made in line with Troy's established investment approach, which includes: Integrating analysis of ESG factors, including climate-related risks and opportunities, into the investment and stewardship process.

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>Troy Asset Management's flagship Trojan Fund integrates ESG and stewardship "in accordance with Troy's Responsible Investment & Stewardship Policy and also adheres to Troy's Climate Change Mitigation Policy, in accordance with article 8 of SFDR."</p> <p>The firm also manages the Troy Ethical Fund and the Troy Ethical Income Fund.</p>	<p>Although Troy states that "ESG analysis is integrated in our firm-wide research process", SRI-C has not been able to establish how this manifests in fundamental bottom-up valuation and investment decision-making.</p>
Level of Direct Company Engagement	Clients, reporting & other activity
<p>Troy has adopted an engagement approach with the following parameters:</p> <ul style="list-style-type: none">• Size of holding• Materiality of ESG risk• Probability of achieving desired outcomes• Time sensitivity of voting decisions <p>Specific examples of engagement activity and case studies are highlighted in quarterly responsible investment reports.</p> <p>Troy has a custom voting policy with ISS.</p>	

Specialist SRI Resource

SRIC has not been able to identify the size of the sustainable investing team from company disclosures.

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at Troy Asset Management is: Sian Evans (Investment Analyst - SRI)

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

Climate change is one of five priority ESG issues for Troy, and encompasses:

- Carbon pricing
- Energy mix
- Technological disruption
- Net zero alignment
- Physical risk.

The firm publishes a detailed climate report to:

- "... lay out Troy's approach to integrating climate-related risks and opportunities into both our business and our investment process as described by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- Secondly, [...] to outline Troy's ambitions for decarbonising, reflecting our commitment as a signatory to the Net Zero Asset Managers' initiative (NZAM)."

Troy assesses all equity holdings for climate exposures.

Climate change: Investment funds	Climate change: Integration activity
SRI-C has not identified any segregated funds or investment strategies that focus specifically on climate change mitigation or adaptation.	
Climate change: Engagement activity	Climate change: Other notes
<p>In the Q4 2022 Quarterly RI report, Troy AM discloses that it "started the year with 14 portfolio companies that had yet to make a commitment to achieve net zero emissions by 2050 or sooner.</p> <p>We have engaged with all these companies and in the last year have seen seven of them either committing to align with the goals of the Paris Agreement or announcing climate targets....</p> <p>This now leaves only six companies (as one was sold) across Troy's portfolios that we classify as 'not aligning' to a net zero pathway.</p> <p>All these companies remain the subject of ongoing engagement. We also continue to engage with other holdings to encourage them along the path to net zero."</p>	<p>Troy has "assessed the current exposure of our portfolios to transition and physical risk under different scenarios using MSCI's Climate Value-at-Risk (CVaR) tool.</p> <p>More specific targets are available in Troy's inaugural Sustainability & Social Responsibility Report, including companies having net zero alignment and emissions reduction targets."</p>

Climate change: Participations



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [Troy Asset Management](#)

Vanguard Group (Investor)

Sustainable investment overview

Sustainable investment commitment (summary)

The broad market diversification of Vanguard's funds means that - by necessity - the firm's investments are exposed to climate and other ESG risks.

Stewardship activities are the primary way in which the firm monitors, oversees, and works to mitigate these risks.

The Investment Stewardship program engages directly with portfolio company executives and board members to understand better how companies are addressing climate and other material risks.

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>Vanguard highlights how "some of our funds [...] follow an exclusionary strategy that omits companies that don't meet certain ESG criteria. We also have three active funds that invest in companies with leading or improving ESG practices."</p> <p>There are three actively managed mutual ESG funds, one indexed mutual fund and three indexed ETFs.</p>	<p>The majority of Vanguard's active equity funds and some multi-asset funds are managed by external firms, more than 25 different asset management firms serve as investment managers and investment stewards for Vanguard's actively managed funds.</p> <p>The manager search team considers how managers gather information, how their research efforts are structured to account for ESG and climate considerations.</p>

Level of Direct Company Engagement	Clients, reporting & other activity
<p>Vanguard states that "...we engage, or hold discussions, with company boards and management teams to share our expectations of best governance practices and understand how companies look after shareholder value; and ultimately, we vote proxies at shareholder meetings on behalf of the funds."</p> <p>Stewardship efforts are mainly focused on four areas of traditional corporate governance.</p> <p>The Stewardship Report for 2022 noted that Vanguard conducted 1,802 engagements with 1,304 portfolio companies in 34 markets around the world. The funds voted on 184,521 proposals at 13,490 companies in the 12 months ended December 31, 2022.</p>	

Specialist SRI Resource

SRI-C research did not identify disclosure on team size.

Sector coverage	Sustainable investment research lead
<p>No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.</p>	<p>SRI-C's lead contact for sustainable investment research at Vanguard Group (Investor) is:</p> <p>Fong Yee Chan (Management & Strategy - SRI Business)</p>

Sustainable investment: Participations



[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

In April 2022, Vanguard submitted its initial disclosure of the alignment of Vanguard fund assets to the goals of the Net Zero Asset Managers initiative (NZAM), covering a number of actively managed funds.

The firm has recently published its first [climate report](#) setting out in detail its investment approach to climate.

Climate change: Investment funds

The Vanguard Global Environmental Opportunities Stock Fund will seek to invest in companies which derive at least 50% of their revenue from activities deemed by the fund's advisor to contribute positively to environmental change 'and that are involved in the process of decarbonization'.

Climate change: Integration activity

"During 2022, we focused on understanding boards' approaches to managing two material risks identified among portfolio companies operating in sectors with high exposure to climate risks:

- lack of Scope 1 and 2 greenhouse gas disclosure and
- significant exposure to thermal coal".

Climate change: Engagement activity

Vanguard says that "In 2022, we undertook an analysis of our index equity portfolio to identify companies in sectors with high exposure to climate risk that were not reporting on their Scope 1 and 2 emissions.

Following thorough research, we prioritized a subset for engagement based on our funds' risk exposure. We conducted outreach to confirm whether each company had provided disclosure or was in the process of doing so, or whether there were reasons why the company was not disclosing this information."

Vanguard's Stewardship Report provides several climate engagement case studies.

Climate change: Other notes

Climate change: Participations



[Asia Investor Group on Climate Change](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Investor Group on Climate Change \(Aus\)](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect:
[Vanguard Group \(Investor\)](#).

Wellington Management

Sustainable investment overview

Sustainable investment commitment (summary)

Wellington says that 'Sustainability is a strategic priority for our firm and an integral part of our commitment to our clients. By focusing on our clients' objectives and pairing intellectual curiosity with discipline, we believe we can help our clients meet their long-term goals in a changing world.' It adds that "data-driven technologies, climate maps, portfolio reviews, and dashboards are increasingly being drawn-on by our investors to conduct ESG research."

Segregated SRI / ESG funds and strategies	Mainstream integration
<p>Wellington reports that it has four areas of strategic ESG investment focus:</p> <ul style="list-style-type: none">• ESG forefront investing - The ability to distinguish potential ESG leaders from laggards is important for risk management and alpha generation• Impact investing - The most recent impact report highlights 11 focus area which on the environmental side include alternative energy, resource efficiency and resource stewardship.• Climate investing• Sustainable thematic investing (changes over time but most recently focused on education and climate adaption) <p>A range of ESG equity and credit funds conforming to article 9 may be searched here.</p> <p>Several are badged as 'stewards funds' and are accompanied by detailed fund reports including engagement reviews.</p>	<p>At Wellington, the ESG, equity, and credit analysts discuss and debate their views on security-level risks in their respective industries, while the climate and macro analysts contribute industry insights via thematic lenses.</p> <p>The result is described as "a holistic research process that helps our investors appreciate the material and interconnected nature of various topics including climate change and social factors."</p> <p>This work is supported by the firm's SI Technology and Analytics Platform is designed to offer investors simple, comprehensive access to the latest SI and ESG research.</p>

Level of Direct Company Engagement	Clients, reporting & other activity
<p>Wellington's 2023 engagement policy document notes that 'Portfolio teams increasingly track key engagements to monitor progress toward outcomes. The Sustainable Investment Team, which has responsibility for executing proxy voting and collaborates with portfolio teams on engagements, reviews engagement outcomes and assesses the effectiveness of engagement tracking on material topics. This monitoring can help inform voting or escalation strategies and policy changes.'</p> <p>As at end of 2022 Wellington had undertaken 18,500 company meetings with 4,500 public-market issuers in 86 countries. At 43% of general meetings the firm did not support management recommendation on at least one resolution.</p>	

Specialist SRI Resource


Full details on team size and structure according to the latest sustainability report are as follows:

- 72 professionals dedicated full time to sustainability across the investment, client, and infrastructure platforms, including 13 ESG analysts and associates and another four investment professionals on the Private Investments ESG team

- Investment Stewardship Committee (ISC) with representation across functions and regions
- Sustainable Investment Governance Committee (SIGC), chaired by CEO Jean Hynes
- Sustainable Investment Management Team (SIMT) with representation across functions and regions

Sector coverage	Sustainable investment research lead
No analysts covering the sector: Aerospace & Defense have identified themselves on SRI-C.	SRI-C's lead contact for sustainable investment research at Wellington Management is: Michael Shavel (Investment Analyst - SRI)

Sustainable investment: Participations


[Principles for Responsible Investment](#)

Climate change

Climate change: Policy commitment

Wellington notes that "because climate change poses risks to economies, markets, and therefore, our clients' portfolios, we seek to study the science, engage with clients and companies, and develop related tools and investment approaches."

The firm was a founder member of the Net Zero Asset Managers Initiative and produces an [annual climate report](#). It has written a large number of research articles on the issue.

Climate change: Investment funds	Climate change: Integration activity
<p>Wellington reports that they 'continue to build out our climate platform with strategies that invest in various areas of climate resilience and the low-carbon transition' with the following characteristics:</p> <ul style="list-style-type: none"> • Physical-risk adaptation • Transition-risk mitigation • Climate technologies <p>Other climate-sensitive opportunities include:</p> <ul style="list-style-type: none"> • Low-carbon/Paris-aligned equities and fixed income • Climate-aware municipal bonds • Climate-aware real estate • Sustainable commodities <p>The climate report includes a large number of 'long-only' funds that provide data on their carbon footprints.</p> <p>Wellington offers a number of climate funds including a climate strategy fund and climate market neutral fund.</p>	<p>Wellington has created a Climate Exposure Risk Application (CERA), an integrated spatial finance software that helps its investment teams visualize and quantify physical climate risks. Further details are available here.</p>
Climate change: Engagement activity	Climate change: Other notes
<p>Wellington has a number of ESG engagement areas, among them building resiliency to physical climate risks, establishing targets to reduce greenhouse gas emissions and mitigation of</p>	

climate transition risks.

Engagement dialogue on climate risk leverages research collaboration with the Woodwell Climate Research Center and the Massachusetts Institute of Technology.

The latest climate report contains full details on all climate-related engagements. In 2021, they engaged with over 600 companies in 48 countries where climate change was among the discussion topics.

Climate change: Participations



[Asia Investor Group on Climate Change](#)



[Ceres](#)



[Climate Action 100+](#)



[Institutional Investors Group on Climate Change \(IIGCC\)](#)



[Net Zero Asset Managers Initiative](#)

Full profile

For further information on this firm's wider approach to sustainable investment please refer to its full profile on SRI-Connect: [Wellington Management](#)