

R-Factor™ for Companies

Frequently Asked Questions

These frequently asked questions are intended to provide you with further information about State Street Global Advisors' R-Factor™ score. With it, we offer additional guidance about how to interpret the score, as well as potential actions to take once you receive it.

What is R-Factor™?

"R-Factor™ is an ESG score developed by State Street Global Advisors that leverages multiple data sources and aligns them to the widely accepted, transparent Sustainability Accounting Standards Board Materiality Framework for over 12,000 publicly listed companies. SSGA uses R-Factor™ as a quantitative input to a variety of investment solutions and as a metric in relevant reports and factsheets. Additionally, a company may request its R-Factor™ score (instructions are posted on ssga.com) and may also request a related engagement with the SSGA Asset Stewardship team. Finally, R-Factor™ scores are among the many inputs the SSGA Asset Stewardship team may review when performing analysis on portfolio companies before engagements".

Why did State Street Global Advisors build R-Factor™?

Investors and companies are increasingly aware that although ESG factors have historically been considered "non-financial", they can have an impact on a company's long-term performance: for example, the way a retailer manages its supply chain, or how a pharmaceutical company manages its selling practices.

This need is reflected in the proliferation of third party data providers who score companies based on opaque and proprietary ESG frameworks. There is low correlation among the scores of different ESG data providers due to differences in how each provider treats materiality, issue weighting, and other factors. Because such considerations are typically proprietary, when investors make use of these scores, they are selecting the perspective of that data provider without full access to the underlying methodology. We also hear frequently from companies about the challenges with third party scoring systems. In addition to growing reporting fatigue from too many frameworks, companies feel they are scored based on immaterial information, or don't have access to what drives their scores, making it hard to know where to focus on improving.

We believe that companies should have control over the data that investors use about them. We define good ESG data as that which is financially material, consistently reported, comparable across firms, and as available and accessible as other financial information.

What makes R-Factor™ unique?

R-Factor™ has four defining characteristics and it is the combination of these four characteristics that makes R-Factor™ unique. They are:

- **Focus on Financial Materiality** Scores are based on a limited set of ESG issues that matter for your business by streamlining what your company should focus on.
- **Based on Commonly Accepted, Transparent Frameworks** R-Factor™ gives companies a concrete and transparent roadmap, with clarity about what investors are looking for.
- **Powered by Multiple Data Sources** R-Factor™ is powered by multiple sources of ESG data to reduce bias and increase the available information that powers the score.
- **Backed by Strong Stewardship** As partners on the journey, our Stewardship team provides you with your R-Factor™ score.

What does R-Factor™ communicate to our company, and what should we do next now that we've received it?

At a high level, we believe companies should incorporate material sustainability issues into their long-term strategy. In order to do that, companies need to:

- Have a perspective on the ESG factors investors consider material to their business
- Develop infrastructure to measure their initiatives against these material ESG issues
- Share information about those sustainability initiatives and goals with senior management, directors, and investors

R-Factor™ is designed to assist with this process. The score provides insights into ESG topics and sustainability issues considered financially material for your industry by the SASB Materiality Framework.

How are scores used? How does a high or low score impact a company? How will my score impact your vote on my proxy?

R-Factor™ scores will be used in three main ways at State Street Global Advisors:

- **Stewardship** R-Factor scores are amongst the various inputs our analysts leverage when performing due diligence on corporate entities, and to drive our engagement efforts. R-Factor™ one of our many elements that inform our portfolio company engagement efforts.

- **Solutions** R-Factor™ scores inform the Bloomberg/SASB indices, which are used to build investment solutions at State Street Global Advisors. These indices are also available for use by other investors. Additionally, R-Factor™ scores are being embedded across other investment solutions at State Street Global Advisors. Many of these solutions will weight companies' R-Factor™ scores in the portfolio construction process. R-Factor™ scores are generated at the issuer level, meaning they can be applied to both equity and fixed income solutions.
- **Client Reporting** R-Factor™ scores will be available to State Street Global Advisors' clients as part of routine client reporting.

Who can access our score? Will this information be made publicly available?

- **Investors** may receive R-Factor™ scores as part of client reporting on investment solutions.
- **Certain employees at scored companies** can request the score online by contacting the State Street Global Advisors Stewardship Team and may discuss the score when engaging with SSGA's Asset Stewardship team. Only employees affiliated with a company's Investor Relations, Chief Financial Officer, General Secretary, or ESG/Sustainability organizations will be provided with scores.

How often is the score updated if a company publishes new information?

Scores are updated monthly. For the purposes of State Street Global Advisors' asset stewardship activities (including engagement and sharing with companies), new scores will be available twice per year, in July and January. In our experience, companies require time to begin managing and disclosing ESG information, and this information does not typically change on a frequent basis, making a biannual update appropriate.

How did you decide on our industry classification?

R-Factor™ scores rely on SASB's Sustainability Industry Classification System (SICS®), intended to categorize businesses according to their sustainability risks. Each company is assigned a single SICS® code by SASB; SASB provides State Street Global Advisors with an updated list of companies' SICS® codes on a quarterly basis.

We are aware that single industry classifications have some limitations — for example, for conglomerates who operate in multiple industries, or companies that don't fit neatly in any industry. These are similar to the issues companies face with traditional GICS codes. If you feel you are mischaracterized, we encourage you to engage with SASB, both to ensure appropriate classification, and so that future standards better reflect the nature of the businesses in a given industry. We engage with SASB on this topic as well on an ongoing basis.

We have seen companies address the concern of not fitting neatly into a single SICS® industry by reporting on the financially material issues in multiple relevant industries. We welcome this additional disclosure.

My company uses a different materiality assessment than SASB (e.g. GRI), and as a result, we disclose a different set of issues from the ones SASB suggests for our industry. Can you score us based on this?

No. Many companies undertake bespoke materiality assessment exercises to identify ESG topics that matter to a broad group of their stakeholders. While this information is important for those audiences, we selected the SASB framework because we believe it uniquely offers the potential to provide investors with standardized, financially material ESG data. We define good ESG data as that which is financially material, consistently reported, comparable across firms, and as available and accessible as other financial information.

We consider SASB reporting a floor, not a ceiling, and encourage you to consider SASB disclosure as a primary ESG disclosure for investors, while continuing to draw on other frameworks as appropriate. If there are ESG issues you feel are material to your business which are not reflected in the SASB framework, we encourage you report against them, and to engage with SASB to share this information.

Can we provide SSGA with ESG information directly (e.g. send a copy of its CSR report) to ensure the R-Factor™ score is up-to-date?"

Because our purpose is to bring high-quality ESG data into the market for all investors, sending State Street Global Advisors your ESG disclosure directly will not impact the R-Factor™ score. The score reflects publicly available data, as collected by our data provider partners (Sustainalytics, Moody's V.E., ISS-ESG, Refinitiv and ISS-Governance).

Will engaging with the State Street Global Advisors Asset Stewardship Team impact my score?

R-Factor™ scores are driven by your public disclosure, and are a function of the information we receive from third party data providers.

Our Stewardship team leverages the score in their engagements. Engagements with the team may include discussions about incorporating financially material sustainability related information (materiality as defined by SASB) for long-term value creation.

Where should I be disclosing the information suggested by SASB and my corporate governance code? Do you have a preference?

We do not have a preference, and welcome you to disclose this information wherever makes sense for you. We see companies disclosing in sustainability / corporate responsibility reports, annual reports, and in their proxy filings. What matters is that you disclose it publicly, and that the material is easily accessible to investors.

I have issues with the data on my company provided by data providers. What should I do?

We encourage you to engage directly with the data providers to amend relevant information. Changes to R-Factor™ scores may take time as information gets updated in all systems.

What if my company has no R-Factor™ score?

We are continuously working to expand our coverage; at this time, we are constrained by the data available from our data providers. However, even if you are not yet covered by R-Factor™, you may still make use of the framework. Here are some steps you can take:

- Use the SASB materiality map to identify, manage, and disclose against the issues in the industry classification(s) that make sense for your business
- Use the corporate governance code for your region to evaluate and, if necessary, enhance your corporate governance practices (for a full list of regions and codes, see the appendix of this document)
- If you disclose ESG information and are not being covered:
 - Check with the ESG data providers that power the R-Factor™ score on their coverage of your company
 - Let us know at myfactorscore@ssga.com, so that we can provide that feedback to our data providers

Appendix

Corporate Governance Codes

Below are the corporate governance codes used to form the basis of the CorpGov Scoring Model.

National Market	Issuing Authority and Code
Australia	ASX: Corporate Governance Principles and Recommendations
Denmark	Committee on Corporate Governance: Recommendations on Corporate Governance
Finland	Securities Market Association: Finnish Corporate Governance Code 2015
France	AFEP & MEDEF: Corporate Governance Code of Listed Corporations
Germany	Regierungskommission: Deutscher Corporate Governance Kodex
Hong Kong	HKEX: Corporate Governance Code and Corporate Governance Report
Italy	Borsa Italiana Corporate Governance Committee: Corporate Governance Code
Japan	JPX: Japan's Corporate Governance Code
Netherlands	Monitoring Committee Corporate Governance Code: The Dutch Corporate Governance Code
Norway	Norwegian Corporate Governance Board: The Norwegian Code of Practice for Corporate Governance
Singapore	Monetary Authority of Singapore: Code of Corporate Governance
Spain	Comisión Nacional del Mercado de Valores: The Unified Good Governance Code of Listed Companies
Sweden	Swedish Corporate Governance Board: The Swedish Corporate Governance Code
Switzerland	Economiesuisse: Swiss Code of Best Practices for Corporate Governance
United Kingdom	Financial Reporting Council: The UK Corporate Governance Code
United States*	Investor Stewardship Group: Corporate Governance Principles
All Other Markets	
International*	International Corporate Governance Network: Global Corporate Governance Principles

*Denotes code designed by investors rather than by regulators.

Learn More

For more information, please contact GovernanceTeam@ssga.com.

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- Start with rigor
- 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 29 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US \$4.13 trillion[†] under our care.

* Pensions & Investments Research Center, as of December 31, 2022.

[†] This figure is presented as of December 31, 2023 and includes approximately \$64.44 billion USD 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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Marketing communication

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