STATE STREET®

State Street Corporation

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The Transition Plan Taskforce (TPT) Secretariat

Submitted via e-mail: secretariat@transitiontaskforce.net

Re: Transition Plan Taskforce consultation on its Disclosure Framework and Implementing Guidance

Dear Sir/Madam:

State Street Corporation ("State Street")[1] welcomes the opportunity to comment on the draft recommendations contained in the Disclosure Framework and Implementing Guidance issued by the Transition Planning Taskforce (the "TPT").

State Street appreciates the development of Guidance which can *"[…] assist entities to disclose credible, useful and consistent transition plans […]*", building from recommendations outlined in global frameworks such as TCFD and ISSB. However, despite the stated intention to provide additional "specificity and granularity" with respect to institution-specific approaches to transition planning, we are concerned that the proposed recommendations assume a 'one-size-fits-all' approach. This is not appropriate considering the varied nature in which climate commitments have been, and can be, pledged. The ultimate goal should be to ensure transition plans are beneficial to investment decisions.

[1] State Street Corporation is one of the world's leading providers of financial services to institutional investors including investment servicing, investment management and investment research and trading. With $36.7 trillion in assets under custody and/or administration and $3.5 trillion* in assets under management as of December 31, 2022. State Street operates globally in more than 100 geographic markets.
*Assets under management as of December 31, 2022, includes approximately $59 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.

The purpose in our response today, therefore, is to emphasise the importance of tailoring recommendations for mandatory transition planning requirements to specific banking business models, particularly custody banks.

Custody bank approach to climate risk management

Global custody banks, including State Street, specialise in the provision of financial services to institutional investor clients, which include regulated and unregulated investment funds, public and private pension plans, sovereign wealth funds, endowments and official sector institutions. These clients contract with custody banks to ensure the proper management of their assets through safekeeping, securities settlement and asset administration services, as well as access to deposit accounts used to facilitate day-to-day transitional activities. Assets held by custody banks belong to clients and are fully segregated from the custody banks' own assets--hence, custody banks provide services to their clients as a directed agent, and therefore do not have discretion over assets, acting solely in accordance with explicit instructions received from clients.

The balance sheet of a custody bank is constructed differently than other banking business models that are more focused on retail, commercial, investment banking and capital markets operations. A custody bank's balance sheet is liability driven and built around client deposits derived from the provision of safekeeping and asset administration services. These deposits represent a stable source of funding, whose value is monetised through the purchase of large and well-diversified portfolios of high-quality and appropriately termed investment assets. In addition, custody banks make relatively few loans, do not engage in the asset securitisation process, or undertake significant trading activities, and do not rely extensively on sources of wholesale funding to manage their business activities.

Custody banks have limited direct exposure to the two main climate risk transmission channels. Based on common definitions established by the global network of central bankers and supervisors,[2] 'physical risk' is of most immediate concern due to possible damage to physical plant and property, as well as related potential disruptions to global operations. Transition risks are mitigated by limited balance sheet exposure to industries with material transition risk concerns and with the longer time horizons associated with climate-related financial risks that allow for management action to mitigate these risks.

State Street considers climate-related exposures across our physical footprint and core business lines, including:

1. *Our physical footprint and operations*. In addition to considering our impact on the environment through the emissions profile of our physical footprint and operations, we continue to assess the potential impact of climate risk on our operational resiliency. We believe that climate change imposes physical risks which

[2] https://www.ngfs.net/en

may impact our ability to service our clients and are establishing frameworks to assess and manage such risks.

2. *Our balance sheet*. As mentioned, as a custody bank, our direct exposure to material climate-related financial risk is limited. Nevertheless, we are establishing methodologies to assess areas of relatively higher climate risk exposure and developing policies and guidelines to better integrate climate risk considerations into our investment decision-making processes. We are also working with data providers, industry bodies and peers to provide meaningful disclosures around these risks.

3. *Assets we custody and service*. Climate change presents both opportunities and risks for our clients, so we aim to provide them with the services and tools to integrate climate change considerations into their investment activities.

4. *Assets we manage*. As a large-scale manager of assets, we have a fiduciary duty to act in the best interests of our clients, including assessing whether the value of assets being managed may be affected by direct and indirect climate change impacts or the transition to a low-carbon economy and, ultimately, impact the ability of those assets to generate long-term value. While our clients bear the risks of climate change in their portfolios, we are committed to helping them identify these risks and to offer investment solutions that can help address these risks.

In general, it is important to note that custody of assets does not afford a bank custodian any influence over custody clients or discretion over the securities they hold, and also does not convey climate risk per se upon the bank custodian, though it is recognised that there could be related second-order risk impacts that may need to be managed. Instead, we offer services to custody clients to ensure they have the tools to integrate climate risk issues into their strategic considerations. Many bank custodians are in a position to share insights on portfolio exposures and construction with their clients and this service is one that can support client education and awareness.

CONCLUSION

Thank you once again for the opportunity to comment on the draft recommendations for transition plans. To summarise, State Street welcomes the TPT's work to develop a global 'gold standard' for transition plans but urges the TPT to ensure that the final Guidance can be implemented in a way that is commensurate with institution-specific climate commitments, which are made in accordance with the specificities of their business models --- for custody banks, this would necessarily differ from banks with other business models.

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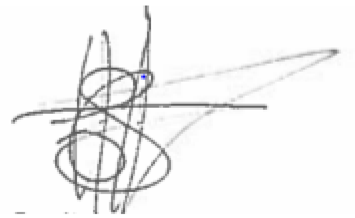
Please feel free to contact me at ccoulter@statestreet.com should you wish to discuss the contents of this submission in greater detail.

Yours sincerely,



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