

State Street's approach to negative sustainable investing screening

In some cases, clients may want to exclude specific companies, industries, or countries from an investment portfolio based on sustainability criteria. While this type of screening may sound relatively simple, the process may involve judgment on the part of asset managers or the third-party data providers with whom they partner to conduct the screening.

The Complexities of Sustainable Investing Screening

Investors who seek screened portfolios often express a desire for screening in a specific area—for example, seeking to screen tobacco from a portfolio. But there are a variety of ways that a company might be involved in tobacco: for example, as a manufacturer, licensor or retailer.

Additionally, there are multiple potential thresholds for what it means to be “involved” in tobacco. Should a business that derives 1 percent of its revenue from tobacco-related products count as “involved”? What about a business that owns a significant portion of a tobacco manufacturer but does not conduct its activities directly?

There are several ways in which a company can be considered to be involved in a particular product or service. Drivers of product involvement might be described in terms of:

- **Revenue thresholds:** What percentage of a company's total revenue is derived from this industry, product or topic?
- **Activities:** What part of the value chain is the company involved in?
- **Significant ownership relationship with a company:** Is the company an owner of, or owned by, another company with involvement in this issue?

To address this complexity, State Street Investment Management has created an approach to evaluating commonly screened sustainability criteria for investors who seek screened portfolios. This approach has incorporated the input of our investment teams across active and index investment styles in equity, fixed income and alternatives. The application of any screening criteria described herein depends on the specific client mandate and investment strategy and may not be applied consistently across all portfolios. State Street Investment Management's approach is guided by the following principles:

- **Systematic and transparent approach:** We follow a well-defined methodology that can be flexibly applied to different use cases depending on client mandates and available data.
- **Leverage available third-party data:** We use inputs from multiple data providers where accessible to us. This broadens our overall coverage universe, and it reduces the potential biases of a single data provider.
- **Awareness of impact on risk and return objectives:** Our point of view is attentive to the impact of excluded securities on a broader set of investment considerations.

Topics screened and data used

To date, we have applied this approach to fourteen screening topics:

1. Arctic drilling	6. Civilian firearms	8. Extreme sustainability controversies	10. Tobacco
2. Oil sands	7. Controversial weapons	9. UN Global Compact violators	11. Cannabis
3. Thermal coal			12. Alcohol
4. Oil & gas			13. Gambling
5. Shale energy			14. Adult entertainment

Below, we outline the data sets used for our approaches to each of these topics. We generate a restricted list from the relevant data provider(s)* on a quarterly basis using the metrics and thresholds outlined below, using multiple data providers when that is accessible to us. Under client direction, we screen issuers that are flagged by either or both data providers, in order to improve overall coverage and help mitigate potential biases associated with any single provider.

* Data from third-party providers may involve estimates, assumptions, and differing methodologies and may not be complete or consistent across providers.

1. Arctic drilling

Companies that are involved in oil and gas exploration in Arctic regions are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Arctic oil and gas exploration, level of involvement $\geq 10\%$	The company derives revenue from oil and gas exploration and extraction in the Arctic.

2. Oil sands

Companies for whom a meaningful portion of their average daily production comes from oil sands are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Oil sands extraction, level of involvement $\geq 10\%$	The company derives revenue from the extraction of oil sands.

3. Thermal coal

Companies involved in the extraction of, or power generation from thermal coal are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Thermal coal extraction, level of involvement $\geq 10\%$	The company derives revenue from thermal coal extraction.
	Thermal coal power generation, level of involvement $\geq 10\%$	The company derives revenue from generating electricity from thermal coal.

4. Oil & gas

Companies involved in the extraction of or power generation from oil & gas are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Oil & gas extraction, level of involvement $\geq 10\%$	The company derives revenue from oil & gas exploration, production, refining, transportation and/or storage.
	Oil & gas power generation, level of involvement $\geq 10\%$	The company derives revenue from generating electricity from oil & gas.

5. Shale energy

Companies involved in the extraction and/or production of oil and/or gas shale energy are screened.

Metrics and thresholds

Data Source	Indicator	Definition
Sustainalytics product involvement	Shale energy extraction, level of involvement $\geq 10\%$	The company is involved in shale energy exploration and/or production.

6. Civilian firearms

Companies involved in the manufacturing and/or retailing of small arms and associated ammunition/components for civilian use are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Small arms, civilian customers, assault weapons, level of involvement $\geq 10\%$	The company derives revenue from manufacturing and selling small arms to civilian customers.
	Manufacture of key components, level of involvement $\geq 10\%$	The company derives revenue from manufacturing and selling key components of small arms.
	Small arms, retail and distribution of assault weapons, level of involvement $\geq 10\%$	The company derives revenue from retailing and/or distribution of small arms.
MSCI business involvement screening research	Firearms production maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the production of firearms and small-arms ammunition intended for civilian markets as a percentage of total revenue in its most recently completed fiscal year.
	Firearms retailer maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the wholesale or retail distribution of firearms or small-arms ammunition intended for civilian use as a percentage of total revenue in its most recently completed fiscal year.

7. Controversial weapons

The following types of weapons are covered by State Street Investment Management's screen:

- Cluster munitions
- Antipersonnel mines and land mines
- Biological and chemical weapons
- Nuclear weapons
- Depleted uranium
- Incendiary weapons and white phosphorus
- Blinding laser weapons
- Non-detectable fragments

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics controversial weapons radar	Controversial weapons noted above for which: • There is evidence of activity • The weapon is a core weapon system or a core weapon activity • The product has a dedicated scope • The scope is key to the production of the weapon	The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.
	Any controversial weapon for a subsidiary in which the company has $\geq 50\%$ ownership	The company is involved, through corporate ownership, in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.
MSCI business involvement screening research	Cluster munitions manufacturer = True	Companies that produce cluster munitions whole weapons systems, intended-use components, dual-use components, or delivery platforms.
	Land mines manufacturer = True	Companies that produce whole weapons systems or essential intended-use components for anti-personnel landmines and anti-vehicle landmines.
	Nuclear weapons manufacturer maximum revenue percentage $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from nuclear weapons, intended and dual-use components for such products, delivery platforms capable of deploying nuclear weapons, essential components for such delivery platforms, and support services for such products as a percentage of total revenue in its most recently completed fiscal year.
	Depleted uranium manufacturer = True	Companies involved in the production of depleted uranium weapons, ammunition and armor.
	Incendiary weapons (white phosphorous) = True	Companies that produce incendiary weapons using white phosphorus.
	Biological/chemical weapons maximum revenue percentage $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the production of biological and chemical weapons and components for such products as a percentage of total revenue in its most recently completed fiscal year.
	Blinding laser weapons = True	Companies that produce blinding laser weapons, that cause permanent blindness to the target.
	Non-detectable fragments = True	Companies that produce weapons that use non-detectable fragments.

8. Extreme sustainability controversies

Companies involved in incidents/events that may pose business or reputational risk due to potential impacts on stakeholders, the environment, or the company's operations are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics controversies	Category 5—severe controversies	The event has a severe impact on the environment and society, posing serious business risks to the company. This category represents exceptionally egregious corporate behavior, high frequency of recurrence of incidents, very poor management of sustainability-related risks, and a demonstrated lack of willingness by the company to address such risks.

9. United Nations Global Compact Violators

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative. It sets forth 10 responsible business principles for companies to follow.¹ Companies who are in violation of the UNGC principles are screened.

United Nations Global Compact Responsible Business Principles

Human rights

- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 They should make sure that they are not complicit in human rights abuses.

Labor

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 They should promote the elimination of all forms of forced and compulsory labor.
- 5 They should endorse the effective abolition of child labor.

- 6 They should support the elimination of discrimination in respect of employment and occupation.

Environment

- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 They should undertake initiatives to promote greater environmental responsibility.
- 9 They should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics Global Standard Screening (GSS)	Global compact principles breached = Noncompliant	A company is assessed as Noncompliant when it is found to be responsible for egregious and severe violations of commonly accepted international norms related to human rights, labor rights, the environment and business ethics. In other words, a company is assessed as Noncompliant when it does not act in accordance with the UN Global Compact Principles and its associated standards, conventions and treaties. GSS also assesses companies that facilitate third parties in human rights violations due to their involvement in weapons with disproportional and/or nondiscriminatory impact on citizens and society as Noncompliant (with Principle 2 of the UN Global Compact). However, this assessment is limited to companies involved in the production and development of antipersonnel mines, cluster munitions, and chemical and biological weapons, or producers of nuclear weapons who support their proliferation outside of the five designated nuclear states or who violate UN sanctions/ International Atomic Energy Agency rules.

10. Tobacco

Companies that are involved in the production, manufacturing, retailing and/or distribution of tobacco and tobacco-related products/services (including vaping, pipes and other related products) are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Tobacco production, level of involvement $\geq 10\%$	The company derives revenue from the production of tobacco and tobacco-related products.
	Tobacco products retail, level of involvement $\geq 25\%$	The company derives revenue from the distribution and/or retail sale of tobacco products.
	Tobacco products related products/services, level of involvement $\geq 25\%$	The company supplies tobacco-related products/services.
MSCI business involvement screening research	Tobacco production maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the production of tobacco products as a percentage of total revenue in its most recently completed fiscal year. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products.
	Tobacco retailer maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the retail of tobacco products as a percentage of total revenue in its most recently completed fiscal year. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products.
	Tobacco distributor maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the distribution of tobacco products as a percentage of total revenue in its most recently completed fiscal year. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products.

11. Cannabis

Companies involved in the production and retailing of cannabis products are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Production of medical cannabis, level of involvement $\geq 10\%$	The company is involved in the development and/or cultivation of medical cannabis.
	Production of recreational cannabis, level of involvement $\geq 10\%$	The company is involved in the development and/or cultivation of recreational cannabis.
	Cannabis retail (medical cannabis), level of involvement $\geq 25\%$	The company derives revenue from the distribution and/or retail sale of medical cannabis.
	Cannabis retail (recreational cannabis), level of involvement $\geq 25\%$	The company derives revenue from the distribution and/or retail sale of cannabis for recreational purposes.
MSCI business involvement screening research	Cannabis production maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the production of cannabis products as a percentage of total revenue in its most recently completed fiscal year.
	Cannabis retailer maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the retail of cannabis products as a percentage of total revenue in its most recently completed fiscal year.

12. Alcohol

Companies involved in the production, retailing and/or distribution of alcoholic beverages and related products/services are screened.

Data source	Indicator	Definition
Sustainalytics product involvement	Alcoholic beverages production, level of involvement $\geq 10\%$	The company is involved in the manufacturing of alcoholic beverages.
	Alcoholic beverages retail, level of involvement $\geq 25\%$	The company derives revenue from the distribution and/or retail sale of alcoholic beverages.
	Alcoholic beverages related products/services, level of involvement $\geq 25\%$	The company is a supplier of alcohol-related products/services to alcoholic beverage manufacturers.
MSCI business involvement screening research	Alcohol production maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from alcohol production as a percentage of total revenue in its most recently completed fiscal year.
	Alcohol retailer maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the sale of alcoholic products, excluding distribution, as a percentage of total revenue in its most recently completed fiscal year.
	Alcohol distributor maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the distribution of alcohol as a percentage of total revenue in its most recently completed fiscal year.

13. Gambling

Companies deriving revenue by owning and/or operating gambling establishments or specialized equipment exclusively for gambling, or by supporting product and/or services to gambling operations are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Gambling operations, level of involvement $\geq 10\%$	The company owns and/or operates a gambling establishment, and/or offers gambling services (operation of casinos, lotteries, bookmarking, online gambling, etc.).
	Gambling specialized equipment, level of involvement $\geq 10\%$	The company manufactures specialized equipment used exclusively for gambling.
	Gambling supporting products/services, level of involvement $\geq 25\%$	The company provides supporting products/services to gambling operations.
MSCI business involvement screening research	Gambling operations maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from gambling operations, including online or mobile gambling, in its most recently completed fiscal year.
	Gambling support maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from products or support services fundamental to gambling operations as a percentage of total revenue in its most recently completed fiscal year.

14. Adult entertainment

Companies involved in the production, retailing and distribution of adult entertainment, and ownership/operations of adult entertainment establishments are screened.

Metrics and thresholds

Data source	Indicator	Definition
Sustainalytics product involvement	Adult entertainment production, level of involvement $\geq 10\%$	The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments.
	Adult entertainment distribution, level of involvement $\geq 25\%$	The company is involved in the distribution of adult entertainment materials.
MSCI business involvement screening research	Adult entertainment production maximum revenue $\geq 10\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from adult entertainment production as a percentage of total revenue in its most recently completed fiscal year.
	Adult entertainment retailer maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from the retail of adult entertainment products as a percentage of total revenue in its most recently completed fiscal year.
	Adult entertainment distributor maximum revenue $\geq 25\%$	The company's reported revenue (or, where not disclosed, maximum estimated revenue) from adult entertainment distribution as a percentage of total revenue in its most recently completed fiscal year.

Updating the sustainable investing screens

The restricted lists are typically updated quarterly using the input data available in the first two weeks of the month. (Example: Screens are updated for October 15, 2025, using input data that is updated between October 1st and 15th, 2025). Corporate actions that occur intra-quarter may not always be reflected in the restricted lists until the following quarter.

We conduct periodic evaluations of our approach to ensure the methodology continues to meet client requirements and reflects vendor methodology updates.

As we continue to expand our sustainable investing capabilities and offerings, we look forward to partnering with clients who seek screened portfolios to implement this approach to screening in portfolios. For more information, please contact your State Street Investment Management relationship manager.

Contributors

Stefano Maffina

Sustainable Investing Research

Jean Zhou, CFA

Sustainable Investing Research

Endnote

- 1 <https://unglobalcompact.org/what-is-gc/mission/principles>.

About State Street Investment Management

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* This figure is presented as of March 31, 2026 and includes ETF AUM of \$1,940.32 billion USD of which approximately \$184.18 billion USD in gold 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 Investment Management are affiliated. Please note all AUM is unaudited.

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