Sustainable investing capabilities in fixed income

Helping investors to build sustainability-focused portfolios

STATE STREET INVESTMENT MANAGEMENT

Introduction

State Street Investment Management is a global asset manager offering index, cash, active, and multi-asset investment strategies, alongside a range of sustainable investing capabilities.

We recognize that sustainable investing is not one-size-fits-all, and investors may be at different stages of their sustainability journey. Our investment expertise, research, tools, data, and reporting capabilities are designed to provide information and transparency that support client decision-making across a range of sustainable investing objectives.

The sustainability factors we use can provide additional information about a company's risk-return profile and may be considered alongside traditional fundamental information as part of the investment decision-making process.

Our commitment and experience

$979B

in sustainable investing assets globally and across asset classes[1]

$126.5B+

sustainable fixed income assets managed by State Street Investment Management[2]

30+ years

of experience in building sustainable fixed income investment solutions

50+

professionals across sustainable investing strategy, research, operations and stewardship

Solutions designed to support client objectives

State Street Investment Management's fixed income solutions span a broad range of strategies and are designed to support the varied objectives of our clients across geography, sector, duration, and credit risk. We offer sustainable investing capabilities and integration across a wide range of fixed income strategies, including:

- **Corporate bonds:** Investment grade, high yield, leveraged loans and emerging markets debt
- **Sovereign bonds:** Developed and emerging market debt
- **Green, social, sustainability, transition and sustainability-linked bonds**
- **Custom indexing and active strategies**

Some investors prefer to benchmark passive portfolios to a third-party index, either through an off-the-shelf sustainability index or a customized version of an index that incorporates sustainability objectives into its methodology.

In recent years, we have seen increased client interest in custom portfolio solutions that integrate sustainable investing factors. In a custom portfolio solution, sustainability objectives are implemented directly in the portfolio construction process through explicit restrictions and targets. The portfolio remains benchmarked against a standard index and managed using either an active or indexing approach.

Customization

We use a consultative, iterative process and work closely with clients to reflect their objectives, constraints, and investment requirements when building investment solutions.

We recognize that investors have different needs, views, and beliefs, and offer flexibility to tailor solutions accordingly. For clients eligible to invest in a separately managed account, solutions can be customized at the index level and/or through a custom portfolio solution, where objectives are implemented directly in the portfolio construction process.

Examples of off-the-shelf fixed income indexes

	Conventional	Sustainability-focused
Corporate	Bloomberg Global Corporate Aggregate Index Bloomberg US Corporate Aggregate Index Bloomberg Pan Euro Corporate Aggregate Index	Bloomberg MSCI Corporate Screened Index FTSE TPI Climate Transition Index iBoxx EUR Corporates Net Zero 2050 Paris-Aligned ESG Index
Sovereign	Bloomberg Global Treasury Index FTSE World Government Bond Index	Bloomberg MSCI Euro Treasury ESG Index FTSE Climate Risk-Adjusted Government Bond Index
High yield	Bloomberg US High Yield Corporate Index Bloomberg Pan-European High Yield Corporate Index	ICE US High Yield Climate Transition CTB Index ICE Euro High Yield ESG Tilt Index
Emerging markets	J.P. Morgan GBI-EM Global Diversified J.P. Morgan EMBI Global Diversified	J.P. Morgan Screened Tilted and Reweighted GBI-EM Global Diversified (JSTAR GBI) J.P. Morgan Screened Tilted and Reweighted EMBI Global Diversified Index (JSTAR EMBI) J.P. Morgan Screened Tilted and Reweighted Asia Credit Investment Grade Index (JSTAR JACI IG)
Aggregate	Bloomberg Global Aggregate Index	Bloomberg MSCI Global Aggregate Index Bloomberg Green Social Sustainability Bond Index

Source: The indexes shown are provided for illustrative purposes only and do not represent an exhaustive list. State Street Investment Management does not claim to manage against every benchmark shown.

Investors might choose a custom portfolio solution for the flexibility to change objectives over time and incorporate multiple data sources directly into the investment process, while maintaining a disciplined approach to managing risk and tracking error relative to the reference benchmark.

We offer proprietary frameworks and work with our clients to define and calibrate parameters based on individual client requirements.

Proprietary climate-thematic frameworks for corporate bond strategies

Our in-house climate-thematic solutions include:

- **Low-carbon corporate bond strategies:** Customizable corporate bond exposure with a client-defined greenhouse gas (GHG) reduction target. These strategies seek to maintain key benchmark characteristics while targeting a reduction in the GHG emissions associated with corporate bond portfolios.
- **Climate-transition corporate bond strategies:** Designed to support client-defined objectives using a range of data and metrics that address current climate risks and future opportunities, including the use of forward-looking climate metrics.

For more information on our frameworks, please contact your State Street Investment Management representative.

Sovereign bond strategies

Assessing sustainability-related risks and opportunities in sovereign debt can present challenges because of limitations in data coverage and differences in the available metrics, methodologies, and tools. Investors may use specialized scoring models and data to assess factors such as governance quality, climate vulnerability, and social development indicators.

Case study: Customized climate bond strategy with forward-looking metrics for a Nordic pension fund

An institutional investor sought to align its existing US corporate bond indexed strategy, benchmarked to a 1 percent issuer-capped version of the Bloomberg US Corporate Bond Index, with a sustainable investing framework. The investor wanted the framework to incorporate both forward- and backward-looking metrics into a customized version of the State Street Climate Transition Corporate Bond Beta Strategy.

Working closely with the client, we constructed a portfolio that applied the climate investment framework and the client's core exclusion list. Key features included:

1 **Climate**

- 50% reduction in Scope 1 and 2 carbon intensity relative to the benchmark, with an annual 7.6% year-over-year reduction starting from 2030
- Targeted lower exposure to fossil fuel reserves and brown revenues
- Implied temperature rise target of 2°C or lower, based on current portfolio metrics and assumptions; this is not a guaranteed outcome
- Carbon risk rating assessment

2 **Exclusions**

- Controversies: Violations of UN Global Compact Principles and severe environmental, social, and governance (ESG) controversies
- Business involvement: Civilian firearms, controversial weapons, thermal coal, Arctic oil and gas, oil sands, tobacco

3 **Green bonds**

- Targeted a green-bond weight twice that of the benchmark

While investors often use carbon-intensity metrics to assess climate-related risk exposures in corporate bond and equity portfolios, the “carbon intensity” figures reported for sovereign bond portfolios are not directly comparable. Sovereign emissions metrics are based on national accounting frameworks, which can create double-counting issues and differ conceptually from corporate carbon-intensity measures.

International organizations, investor-led initiatives, non-governmental organizations (NGOs), academics, and governments have contributed to the development of methodologies for assessing sovereign emissions.

Governments also issue green, social, and sustainability (GSS) bonds, as well as sustainability-linked bonds. Investors may seek to use these instruments to align portfolios with green or social objectives and/or the United Nations (UN) Sustainable Development Goals (SDGs).

The number of sovereign issuers that investors can consider for investment is typically more limited than the number of corporate issuers. As a result, the extent to which sustainability preferences can be applied in a portfolio will depend on the breadth of the eligible investment universe, data coverage, the objectives and targets selected, and the need to maintain the intended risk-return characteristics relative to the chosen index.

Evolving our sustainable investing capabilities

We continue to develop our sustainable investing capabilities across research and insights, reporting and analytics, and investment solutions. This includes refining the data, tools, and frameworks we use to help clients incorporate sustainability considerations in ways that reflect their investment objectives and requirements.

Further information can also be found on our website.

Supporting client requirements

In addition to our sustainability data and internal expertise, we draw on external resources to support clients' sustainable investing requirements.

Reporting capabilities: We provide monthly sustainability reports for both corporate and sovereign portfolios. These reports include , climate metrics (such as carbon emissions, Implied Temperature Rise, and Climate Value-at-Risk) and business involvement breakdowns .

Thought leadership: We regularly publish insights and research to help our clients inform their investment considerations. For our latest thinking, please refer to our Insights hub.

External partnerships: When doing so enhances our ability to support clients, we partner with academic and industry organizations to deepen our expertise and access high-quality information on sustainability, material risks, and investment opportunities.

Our centralized sustainability factor database: We believe data is an important part of sustainable investing. The sources and metrics in our centralized database reflect client needs and preferences, as well as investment research, reporting, and risk oversight, and stewardship.

Our centralized database includes data covering a range of sustainability factors, including climate, governance, controversies, business involvement, and fixed income-specific factors.

We use data-quality checks and reporting to assess coverage, consistency, and historical correlations across thousands of sustainability metrics and scores before the data is distributed internally. Sustainability data providers are also subject to the firm's Third-Party Risk Management (TPRM) program, which includes structured ongoing monitoring.

Stewardship: Fixed income stewardship differs from equity stewardship. In fixed income, engagements are sometimes issuer-initiated—for example, when companies approach us with proposed changes to bond terms or convene bondholder meetings. This differs from the routine voting events associated with equity funds.

Engagements typically focus on:

- Understanding the rationale behind proposed changes
- Assessing how the company reached this point
- Evaluating the impact on bondholder rights and investor outcomes

Where our funds have material holdings and additional disclosure is needed, we may engage with issuers to understand topics such as the use of labeled bonds, including GSS and sustainability-linked instruments.

We also engage with sovereign, supranational, or agency (SSA) issuers on labeled bonds, including GSS and sustainability-linked bonds. These instruments have grown significantly and are now included in both sustainable investing and standard funds. Through engagements, we exchange information and seek clarity on disclosures to better understand the inclusion of these bonds in our indices and our clients' portfolios.

Contact us

To learn more about our investment capabilities, please contact your State Street Investment Management representative.

Endnotes

1 As of 30 June 2026. Please see the important disclosure at the end of this document.

2 As of 30 June 2026. Please see the important disclosure at the end of this document.

About State Street Investment Management

At State Street Investment Management, we have been helping create better outcomes for institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over $6 trillion in assets managed*, clients in 60 countries, and a global network of strategic partners, we use our scale to deliver a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

* This figure is presented as of June 30, 2026 and includes ETF AUM of $2,203.98 billion USD of which approximately $156.81 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.

State Street Global Advisors (SSGA) is now State Street Investment Management. Please see our website for more information.

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Marketing Communication

State Street Investment Management Worldwide Entities.

Important Disclosures

All the index performance results referred to are provided exclusively for comparison purposes only. It should not be assumed that they represent the performance of any particular investment.

This document may contain certain statements deemed to be forward-looking statements. All statements, other than historical facts, contained within this document that address activities, events or developments that SSGA expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analyses made by SSGA in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances, many of which are detailed herein. Such statements are subject to a number of assumptions, risks, uncertainties, many of which are beyond SSGA's control. Please note that any such statements are not guarantees of any future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Sustainable Investing AUM by Asset Classes

Estimated and unaudited State Street Investment Management ("State Street IM") Sustainable Investing assets under management as of June 30, 2026 are $979 billion as calculated by State Street IM for Sustainable Investing Accounts. State Street IM defines a "Sustainable Investing Account" as a client account (i.e., fund or separately managed account managed by State Street IM) that utilizes an investment strategy that falls into one of the following three categories, which are not mutually exclusive:

1. Negative Sustainable Investing Screen, as defined below
2. Positive Sustainable Investing Screen, as defined below
3. Third-Party ESG/Sustainable Investing Index Investment Strategies, as defined below

Note: ESG/sustainability data coverage limitations or other factors may result in positive or negative screening being applied to less than 100% of a Sustainable Investing Account. The assets under management (AUM) of an account are classified as Sustainable Investment (SI) AUM, irrespective of the percentage of those assets that have been subject to negative or positive screening. There are several ways in which an issuer can be considered to be involved in a particular product or service, and a screening methodology, along with ESG/sustainability data coverage limitations, may result in a negatively screened portfolio having some exposure to the screened criteria.

1. Negative Sustainable Investing Screen: A "Negative Sustainable Investing Screen" (also known as an exclusionary screen) is a screen incorporated into the investment strategy utilized for the management of a portfolio that results in the exclusion from the portfolio of securities of issuers that fail to satisfy certain sustainability criteria (e.g., because the issuers comprise part of a sector or industry). Negative Sustainable Investing Screens include but are not limited to State Street IM Point of View ("POV") screens, norms-based screens, Socially Responsible Investing (SRI) screens, and screens provided by other third parties (including client-directed screens). Where a client's investment agreement and/or investment guidelines specify, or the client otherwise communicates to State Street IM that the application of a negative screen is to satisfy a purpose other than sustainable investing (e.g., diversification), such screens do not qualify as a Negative Sustainable Investing Screen.

2. Positive Sustainable Investing Screen: A "Positive Sustainable Investing Screen" is a screen incorporated into the investment strategy utilized for the management of a portfolio that intentionally includes securities of issuers identified as having positive sustainability characteristics relative to the issuer's industry or sector peers. Positive Sustainable Investing Screens target an improvement of a portfolio's sustainability profile as compared to a benchmark or stated investment guideline, measured by a sustainability score or a sustainability metric, or invest only in issuers within an industry or sector that score higher within that industry or sector than the issuer's peers.

3. Third-Party ESG/Sustainable Investing Index Investment Strategies: An index-tracking client account qualifies as a Sustainable Investing Account if it tracks a Third-Party ESG/Sustainable Investing Index. An index is deemed to be a "Third-Party ESG/Sustainable Investing Index" if the index methodology incorporates ESG/sustainability factors or characteristics that are utilized by the third-party index provider to determine which securities and/or how much in weight are included as index constituents. A client account that utilizes a Third-Party ESG/Sustainable Investing Index as a reference benchmark for performance or reporting purposes, but does not seek to track such index as an investment strategy, does not qualify as a Sustainable Investing Account unless it meets at least one of the first two prongs of the definition of "Sustainable Investing Account" set forth above.

The methodology used by State Street IM to identify Sustainable Investing AUM may differ from the methodology used under certain classification and disclosure regulatory regimes. State Street IM makes no representation that an account identified as a "Sustainable Investing Account" satisfies all Sustainable Investing categories under the State Street IM Sustainable Investing Account Identification Policy. A Sustainable Investing Account may satisfy only one of the three categories described above, and within that category it may incorporate a single sustainability factor or exposure. State Street IM's Sustainable Investing AUM may include AUM of client accounts for which a negative screen is applied at the request of the client for regulatory or other purposes, which may not be disclosed to State Street IM, that State Street IM believes results in the exclusion from the client's portfolio of securities based on sustainability criteria.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates raise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

The returns on a portfolio of securities which exclude companies that do not meet the portfolio's sustainable strategy criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's sustainable strategy criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

Investing involves risk including the risk of loss of principal.

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The case studies presented above are for illustrative purposes only, actual results could differ substantially based on the investors' individual circumstances and investment goals. The above targets are estimates based on certain assumptions and analysis made by State Street Global Advisors. There is no guarantee that the estimates will be achieved.

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Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations.

Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

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