



STATE STREET®

2014 Corporate
Responsibility Report



Joseph L. Hooley
Chairman and
Chief Executive Officer

To Our
Stakeholders

State Street CR Report – 2014

I. Strategy and Purpose	2
Jay Hooley’s Letter Pat Centanni Interview Shareholder Value Integrated Reporting The Way Ahead	
II. Report Scope and Focus	8
About this Report Stakeholder Engagement Strategy EMEA APAC	
III. Active Engagement	12
Responsible Marketing and Client Satisfaction Public Policy and Advocacy Strengthening Communities Proxy Voting	
IV. Innovative Product Offerings	17
Environmental, Social and Governance Analytics Leading the Way in ESG Tax-Advantaged Investments Interview with Jeff Conway	
V. Professional Excellence	21
Talent Recruitment and Retention Professional Development and Training Oversight of Compensation Diversity and Inclusion	
VI. Responsible Operations	25
Human Rights Policy and Training Health, Safety and Well-Being Environmental Sustainability Vendor Management	
VII. Ethical Management	29
Compliance Essential for Success Monitoring Risks Increased Attention to ESG Risks Anti-Corruption Policy and Training	

I. Strategy and Purpose

Letter from Jay Hooley, Chairman and CEO

At State Street, corporate responsibility is an integral part of who we are, what we believe and how we act. Being a responsible corporate citizen is essential to the long-term success of our business, and we're committed to creating value not only for our employees, clients and shareholders, but also for society at large.

Our business is built on trust. Our clients expect us to serve them fairly, whether we are conducting transactions on their behalf, servicing or managing their assets, or delivering advice. We know we must earn their trust every day.

Maintaining a trusted reputation starts with strict adherence to the highest ethical standards and all applicable laws and regulations. In 2014, we significantly increased investment in our regulatory compliance and risk management infrastructure and processes to respond to heightened regulatory requirements. And we partnered with our clients to help them do the same. We also appointed a Chief Ethics Officer to lead our Ethics Office and introduced a framework to strengthen ethical awareness, training and oversight, including enhanced compliance monitoring and enforcement. We will continue to devote significant attention and resources to these areas in 2015, with the goal of making risk excellence a competitive strength for State Street.

Strengthening our communities

We know the success of our business is directly linked to the well-being of the communities where we live and work, and we take great pride in contributing to the health and stability of our communities. In 2014, our State Street Foundation invested \$18.8 million in grants to nonprofit organizations around the world, including \$3.3 million to match employee contributions to more than 2,000 charitable organizations. Our employees are passionate about supporting social causes and giving back to their communities. During the year, more than a fifth of our employees participated in company-approved volunteer activities, devoting more than 100,000 hours of their time to charitable causes.

Just as we've evolved from service provider to solutions partner with our clients, we're forging strategic partnerships with nonprofit organizations to address critical social needs. We take a holistic approach to our community relationships — looking at the full picture of how we can support an organization, including financial aid, employee volunteerism and board service.

Since 2010, we've focused our charitable giving on education and workforce development. We partner with nonprofit organizations to prepare young people and adults from low-income urban neighborhoods for professional jobs, place them in internships, and provide mentoring and counseling support. We also work with these community partners to identify candidates for internships and jobs at State Street. As a result, we've increased our pipeline of diverse talent. In 2014 we partnered with Year Up to provide more than 130 local youth with internships. For our 2007 Year Up class of interns — the first year we have data — we hired 62 percent for full-time positions.

Operating responsibly

We took a number of steps in 2014 to demonstrate our commitment to operating our business responsibly.

We signed the United Nations Global Compact, a global initiative whose signatories share the conviction that responsible business practices contribute to a more stable, equitable and inclusive global market and help build prosperous societies. By signing the compact, we committed to align our business operations and strategy with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

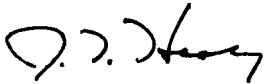
We continued to explore new ways to conserve resources and reduce waste at our facilities in support of our targets to reduce greenhouse gas emissions and water usage by 20 percent and send zero waste to landfills by January 1, 2020. Twenty-one "green teams" at our facilities around the world are working to engage their fellow employees to promote environmentally friendly policies.

Two more of our buildings attained ISO 14001 certification in 2014, bringing the number of our facilities with this designation to 16. Our new Channel Center building in Boston, with its open work environment, energy-efficient use of natural light and access to green space, has become our global standard for new and redesigned buildings.

Environmental, social and governance (ESG) factors are important indicators of investment stability and performance, so we devote considerable attention to analyzing how ESG factors affect client portfolios. At the end of 2014, we were managing more than \$200 billion in ESG assets for our clients. Late in the year, we introduced the first low-carbon ETF product, designed to allow institutional investors to reduce exposure to investments in companies with high-carbon emissions.

Making a positive impact

Together with our clients, we support the financial security and retirement of billions of people around the globe. We're proud of the role we play in the global financial system, and we're committed to conducting our business in a responsible manner so we can be sure we're having a positive impact on the world.

A handwritten signature in black ink, appearing to read "D. J. Henry". The signature is written in a cursive style with a large initial "D" and a long, sweeping underline.

Interview with Pat Centanni, EVP, Chair of Executive Corporate Responsibility Committee

Patrick Centanni is an executive vice president, manager of State Street Global Realty, Procurement & Continuity Services and chairman of State Street's Executive Corporate Responsibility Committee. We talked to him about how corporate responsibility adds value for State Street and its stakeholders, from responsible portfolios to employee volunteering and environmentally friendly work environments.



How does corporate responsibility create value at State Street?

As a financial services provider, building strong relationships and meeting the needs of our stakeholders in innovative ways is critical to our business. Doing this in a manner that creates long-term value is the essence of corporate responsibility (CR).

For example, our clients ask us to create new capabilities that help them make responsible choices, including environmental, social and governance (ESG) investment products. So we've put a strong focus on analyzing how ESG factors impact portfolios. As of the end of 2014, our clients trusted us to manage more than \$200 billion in ESG assets.

How do you develop ESG capabilities?

We'll often test ESG investment opportunities ourselves before we invite our clients to participate. Since our balance sheet investments give us some lending capacity, we're using part of those to help finance projects with environmental and social benefits. This includes "social bonds" that secure funding for public transit projects, alternative energy installations and low-cost housing. Social bonds benefit society, offer strong return and have low risk based on public-agency sponsorship.

ESG investments are just one of many components in State Street's CR program. How do you coordinate CR activities across the organization?

Many groups and individuals play important roles in managing our CR commitments, including the Executive Corporate Responsibility Committee, which I'm honored to chair.

We're working to merge our different CR initiatives into a central program with consistent governance oversight and management responsibilities. We've integrated board-level presentations on philanthropy, employee engagement and environmental efficiency that used to be separate. We've also started to set more explicit targets for environmental and social topics, and plan to increase senior management involvement and engagement in CR issues.

How do employees fit into your CR strategy?

We're committed to developing human capital, and one of the ways we do this is by creating an inclusive and rewarding culture. By encouraging growth and creativity, we help our employees develop invaluable skills, find new ways to meet our clients' needs and play active roles in our communities.

Our employees are involved with many of our CR activities, including volunteering, which is key to giving back to the communities where we live and work. I'm humbled by the time and effort our employees around the globe commit to charitable causes. We reached a record high in recorded employee volunteer hours in 2014 and will continue to develop more opportunities for our employees to engage in their communities.

Do you give your employees incentives to participate in CR activities?

Yes, we want to fully integrate CR into how we motivate our people, so we've started to introduce Corporate Citizenship goals into our employees' performance reviews.

Changing performance goal processes for almost 30,000 people is challenging and takes some time. We've set up a global site on our social intranet where employees can make suggestions for ESG activities and related employee goals. With this information, we're preparing a menu of ESG performance goals that supervisors can discuss with each employee as part of their overall performance metrics. We're also increasing our CR training efforts throughout the company to help provide the resources employees need to meet their goals.

How are you evolving your charitable efforts across the company?

We've started to align volunteering opportunities more closely to focus our corporate giving on education and workforce development. We've also replaced our large annual giving event with a continuous matching gift program, to integrate financial giving and volunteering into our day-to-day business.

How do your CR efforts extend to your office space?

We opened our new Channel Center building in Boston in 2014. Its open work environment relies less on personal space assignments and more on mobility and flexible work. It's an enormous experiment, but it encourages collaboration among managers and teams. We use tools such as virtual desktops to further encourage and enable work from home and strengthen our continuity capabilities. The building's environmental features include increased natural light, access to green space and 130 bike racks for commuters. We're proud that seven of our buildings around the globe have LEED certification.

The Channel Center is now our global standard for new buildings and redesigns. We currently have plans to bring these design concepts to offices in New York, San Francisco and Quincy, Massachusetts.

Shareholder Value

Corporate responsibility (CR) activities add value for State Street and all of our stakeholders. Since shareholder value is particularly pertinent for a public company, we strive to make our CR efforts significant to this key constituency.

Our Investor Relations team is central to making sure State Street is appropriately valued, maintains credibility in the industry and upholds fair disclosure practices. Its primary objective is to share developments in our management and fiscal activity, and keep lines of communication open with shareholders so they can make informed decisions about their investments.

Through recent conversations with our investors, we've learned they're interested in better understanding analytical modeling related to their investments. Recognizing this as an opportunity for improvement, we've been developing innovative ways to conduct analyses and convey this information to our wider shareholder population.

The Way Ahead

Together with our clients, we build the foundations for the financial security and retirements of billions of people. As markets evolve, technology changes and regulations increase, we must be stable and innovative. The Way Ahead is our strategy and road map for the future. It's a framework to help us embrace change and lead by example. It's designed to move our business forward, bringing success to all of our stakeholders.

The Way Ahead is supported by our strong foundation of talent, culture, innovation and risk excellence, and is designed to drive our long-term financial growth. It's driven by four pillars: build on our strong core, achieve a digital enterprise, maintain our capital strength and pursue new opportunities.

The Way Ahead How We're Defining Our Future



Integrated Reporting

Our strong CR programs demonstrate our commitment to responsible corporate citizenship, while also adding value for our stakeholders. To make sure our CR activities are valuable across our business, we're developing clear connections between our corporate strategy and the material CR topics we manage and report on.

To achieve this, we incorporate elements from the integrated reporting framework developed by the International Integrated Reporting Council (www.theiirc.org) as guidance. Sharing our business model and strategy with stakeholders, including the environmental and social considerations embedded in our strategy, puts us in a stronger position to demonstrate what we stand for as an organization.

Our Four Strategic Priorities:

1. **Build on our strong core** by aligning solutions with client needs, continuing to innovate, capture value and improve efficiency.

CR Connection: Ensuring regulatory compliance and increasing our environmental efficiency enhance this strategic priority.

2. ***Achieve a digital enterprise*** by building on what we achieved with our IT and Operations program to drive greater transformation that benefits our employees, our clients and our shareholders.

CR Connection: To responsibly achieve this, we must prioritize data protection — an important CR topic. In addition, a digital enterprise may reduce our physical footprint and contribute to climate change mitigation.

3. ***Maintain our capital strength*** by consistently prioritizing our strong capital position so that we can grow and deliver returns to our shareholders.

CR Connection: The economic value we generate is the long-term foundation for a business environment that flourishes, allowing us to successfully pursue a strong capital position.

4. ***Pursue new opportunities*** by focusing on prospects for growth that are informed by future trends.

CR Connection: ESG investments and environmental and social products are CR topics that contribute to this priority.

These four strategic priorities rest on a set of foundational capabilities: to attract and develop top talent, to create a corporate culture that protects our reputation and enhances our speed of decision making, and to promote an environment that drives innovation and risk excellence. The CR topics that support these capabilities are talent recruitment and retention, and professional development and training.

We will continue to explore the connections between our corporate strategy and our CR activities, and build on these preliminary insights in our ongoing development of CR reporting.

II. Report Scope and Focus

Materiality

Our 2014 CR Report reflects the issues most important to our stakeholders. Every two years, we update our list of material topics, and in 2013, we asked an independent organization to facilitate a materiality assessment workshop.

The topics in the materiality assessment were based on the sustainability reporting guidelines provided by the Global Reporting Initiative (GRI), the ISO 26000 Guidance on Social Responsibility and topics identified in the Sustainability Accounting Standards Board (SASB) initiative.

Participants included:

- Employees from our three areas of operation: North America; Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC)
- Representatives from key internal functions, including Client Relationship Management, Corporate Citizenship, Human Resources, Legal, Proxy Voting and Risk
- External stakeholders, such as a socially responsible investment firm, a global client and a Boston-based charitable organization

The assessment also incorporated benchmarking results of our peers and competitors.

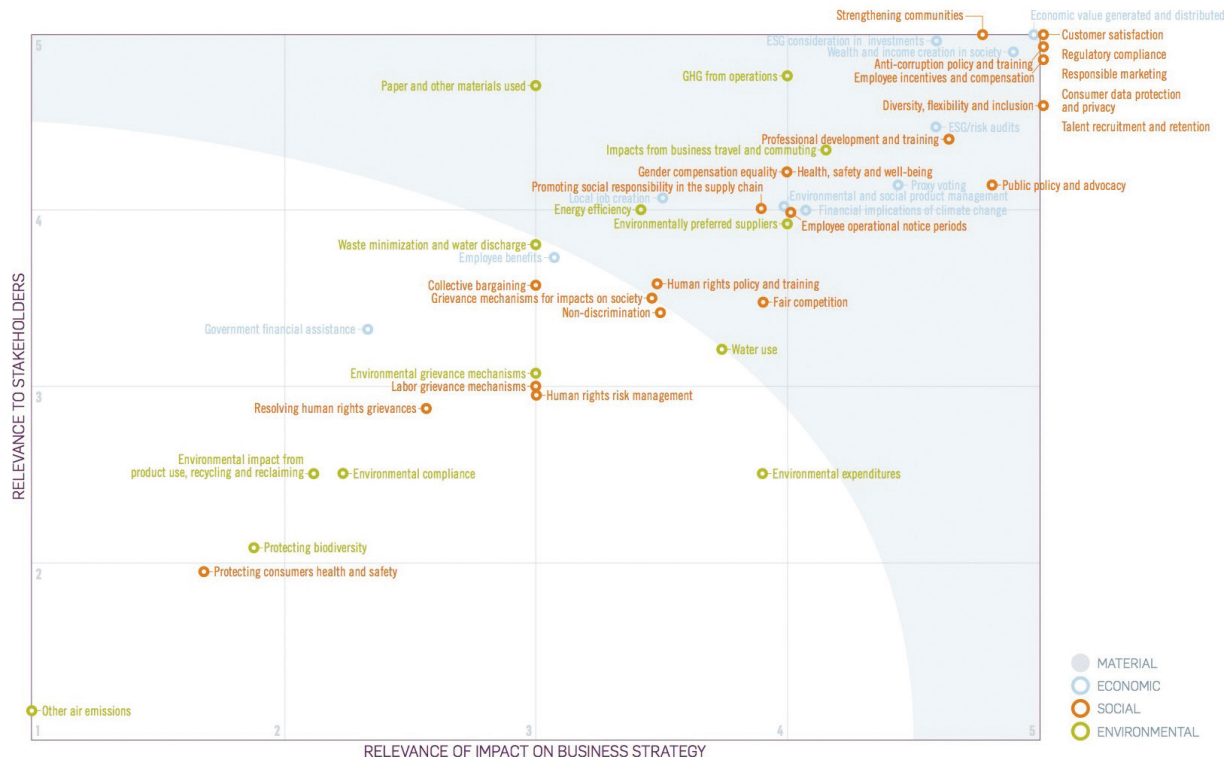
A Clear Focus

This report only includes the topics that were deemed most material. We continue to monitor and address other CR issues, with less focus than those matters deemed material. We also asked our longtime partner, Ceres, a nongovernmental organization focused on sustainability issues, to validate our materiality assessment with a group of external stakeholders. Our current reporting and future strategy aims to reflect participants' comments. The feedback recommended we show that materiality is a dual process of evaluating how our company impacts economic, environmental and social issues and how these factors influence our resilience.

Our process is focused on accounting for financial implications of sustainability issues and the relevance of key issues:

- Incorporate broader external feedback earlier in the process
- Prioritize highly relevant issues
- Use the materiality assessment results to develop a formal sustainability strategy
- Define what the issues mean to State Street's business model

Materiality Matrix



Stakeholder Engagement Strategy

Our employees, clients, shareholders and communities each play a major role in our business and have certain expectations of our CR performance. Since 2006, we've been working with stakeholders to gather feedback on our CR Report and how well we address CR-related aspects. Wherever possible, we aim for personal communication.

This year we saw an opportunity to re-assess our engagement strategy, and enlisted the support of Business for Social Responsibility (BSR) to help develop a more effective, cohesive structure for stakeholder engagement that we look forward to rolling out in 2015.

This strategy will allow us to:

- Put greater emphasis on the importance of CR across our business
- More clearly define the role of our governing bodies in addressing stakeholder feedback
- Improve the consistency of engagement planning and approaches across different stakeholder groups
- Establish a better mix of permanent and rotating participants
- Outline a three-year engagement plan with milestones
- Give staff more time to engage with stakeholders on CR issues

Europe, Middle East and Africa Perspectives

Although representatives from all regions helped determine the most relevant CR reporting topics, we asked senior management from our regional teams to give us their perspectives to help balance any bias toward a North American perspective.

Rising expectations on CR performance and transparency

In the aftermath of the global financial crisis, clients, regulators and other stakeholders demand greater transparency. In the Europe, Middle East and Africa (EMEA) region, regulations were passed that require all companies listed on the Johannesburg Stock Exchange in South Africa to publish integrated reports about governance, strategy and sustainability. In addition, the European Union has adopted a directive that will make reporting on nonfinancial environmental matters, social issues and diversity, mandatory for thousands of companies by 2018.

Differences within EMEA

Across the region, more requests for proposals (RFPs) are asking companies about their CR policies. By incorporating CR in our business proposals, we align our values with those of our current and prospective clients.

Social inclusion

Initiatives on social inclusion include Black Economic Empowerment (BEE), a program launched by the South African government to redress legacy inequalities and transform the economy to represent the demographics of the country. We embrace these principles through our employment practices, skills training and discretionary procurement. In addition, we know clients expect us to meet suitable BEE credentials as a prerequisite for working with us.

London's Borough of Tower Hamlets includes Canary Wharf, where our London office is located, and much of the traditional East End. Today, it's one of the three most deprived boroughs in the United Kingdom, facing issues of child poverty, income disparity, overcrowding and unemployment. Our employees volunteer widely across the area, and we're currently focusing our efforts on supporting skills needed for securing employment.

Shared approach to enhance diversity and inclusion

Working with Citibank, we've developed a program to enhance women's career progression in the UK. The program provides mentoring for high-potential, mid-career women at one organization with senior leaders from the other, as well as employment opportunities for talented young female students from socially disadvantaged backgrounds.

Integrating CR into our regional and global management processes

CR initiatives are regularly on the agenda of our European Management Committee. Topics include establishing offices in new areas, reviewing business relationships with organizations based in countries with problematic human rights records and considering to what extent CR engagement is considered in promotion decisions.

Asia-Pacific Perspective

Expectations for client support are high in Asia Pacific, and we put a strong emphasis on making sure our clients have a positive experience working with us. This year, we invited a group of senior client representatives to give us their feedback on topics specific to the region, including talent recruitment and retention, strengthening communities, regulatory compliance and business ethics.

Battle for talent and the increasing role of diversity

Asia Pacific has been on a strong growth trajectory for the past several years. Competition for talent is strong, and new companies entering the region are trying to attract staff from established firms. To keep employees engaged, salary and professional development are important, but so are CR initiatives. Employees value being part of a company that cares and gives back to the community.

Diversity in the workplace reflects the breadth of talent sources a company taps into, and is increasingly important in the region. We're proud the Asia-Pacific Economic Cooperation (APEC) organization chose State Street as one of "50 Leading Companies for Women in APEC."

Opportunities to strengthen communities

Despite high growth rates in the region, economic development isn't always equal in APAC. By engaging our regional staff of almost 3,400 people, we have a great opportunity to positively impact these communities. For example, about 20 percent of our Hong Kong employees are involved in the Oxfam Trailwalker charity event.

Head start on regulatory compliance

In the aftermath of the Asian financial crisis, a lot of work was done to strengthen and enforce regulation of regional financial markets. The tightening of financial regulations in the US and Europe after 2008 was felt to a lesser degree in Asia Pacific. Given the global nature of today's economy, our APAC management remains vigilant in this area.

Strong business ethics and a commitment to good governance

The region has a number of economies in transition that show fast-paced change and strong growth. Unfortunately, this can also lead to corruption risks. Taking a strong stance on the prevention of corruption, money laundering or financing terrorism is crucial. Our strong business ethics programs are not only important for risk control, but also set us apart in the marketplace. For strong corporate governance, we partner with the Board of Directors' Training Institute (BDTI) in Japan for capacity building and to help us better understand obstacles to development in the region.

III. Active Engagement

Interview with Hannah Grove, Chief Marketing Officer

Effective and responsible marketing is essential for the sustainable development of our business. Hannah Grove, executive vice president and chief marketing officer, discusses how the Global Marketing team supports State Street's revenue growth, client acquisition and retention, and all our constituencies' understanding of the company.



What sets State Street apart in its approach to marketing and client communications?

We always lead with the client's challenge. A common downfall in marketing is when companies mainly talk about themselves. The value we deliver to our clients is always front and center in our communications. We try to do this in a voice that is jargon-free and accessible.

How do you execute a value-driven marketing strategy?

We've worked for more than five years to understand the challenges and opportunities facing our clients in five major sectors: asset managers, asset owners, insurance, official institutions and alternative asset managers. Our proprietary research in these areas serves as the foundation to design tailor-made services. Before we propose solutions, however, we talk directly to our clients to understand their underlying needs and determine what would bring them the most value.

How do you balance listening and proposing concrete, technical solutions in one conversation?

Often, we don't in one conversation. To get the ball rolling in understanding key needs, we focus on thought leadership. For example, we talk with leaders in insurance companies about how new technology, like biometrics or telematics, is affecting their business. These conversations on the latest trends deepen our client relationships.

If the client knows we share a view on the future of their industry, they're more likely to think of State Street when looking for partners.

How else do you stay relevant in your client communications?

We stay part of the dialogue on important industry issues. How we deliver our ideas is also important, and a key element here is our partnership with TED. Rather than inundate clients with sales communications, we send playlists of TED talks we think will be interesting to them. And we've heard great feedback from clients about these talks.

How do you organize your marketing team to be sure you keep a finger on the pulse of the market?

Marketing is a global function at State Street, so only about half of the team is working in the US. The other half is based in other regions of the world to make sure we're always close to our clients. Unlike more traditionally organized marketing organizations structured by communications channels, we structure our team by business sectors to be closely aligned with the needs of different types of clients.

What role does corporate responsibility play in State Street's marketing?

Corporate responsibility is very important for credible and effective marketing. We know many people didn't think the financial sector covered itself in glory during the financial crisis. Behaving ethically and responsibly is critical to supporting our reputation and brand in the marketplace.

This also requires that our marketing team behaves ethically at all times. Our team strictly adheres to the State Street Standard of Conduct and in 2015 we plan to take this a step further. We'll provide a customized version of the code, including marketing-specific examples and more detailed interpretations within a marketing context. We aspire to be the most ethical marketing team in the business.

Is corporate responsibility relevant to employee communications as well?

Absolutely. Strong corporate responsibility is highly relevant for employees, and employees are motivated by working for a company with the same ethos.

In addition, internal and external communications are closely connected. The best ambassadors for our company are our 30,000 employees. It's essential that they understand our corporate strategy and our products, and also believe in our company and have confidence in our values.

How does social media factor into this?

Having a clear presence on Twitter, LinkedIn and similar platforms is important. This can't happen meaningfully with a monolithic State Street presence — many social ambassadors help us paint the picture of how we're perceived in the markets. We also have to make sure policies and procedures for responsible marketing are strictly followed. We educate our employees on the role of regulation in regards to how they operate on social platforms.

How do you measure the success of your marketing initiatives and client communications?

We embed marketing metrics across our campaigns. We're also piloting a net promoter system approach to fully understand drivers of client loyalty — essentially clients' likelihood to recommend us to a colleague.

The net promoter system is about more than gathering feedback and measuring results. Relationship managers discuss each client's feedback with them shortly after it's received, so these surveys contribute directly to enhancing the client relationship. With about 75 percent of our revenue coming from existing clients, that's important to our ongoing business development.

Public Policy and Advocacy

We operate in a complex, highly regulated global environment, as do our clients. While it's a challenge, regulation can be an opportunity and has actually led to the development of much of our business. For example, the current US pension fund market emerged from the Employee Retirement Income Security Act (ERISA), which protects individuals in these plans and defines fiduciary responsibilities for those who manage plan assets.

Industry voice in regulatory debates

We want to lend our expertise to help policy makers reach their goals in a way that's efficient, cost-effective and provides sufficient risk protections. Given our expertise and size, policy makers and our clients expect us to have a voice in these debates.

Regulatory reform

We're in the middle of regulatory reforms that began with the G20 summit in 2009. They'll continue until full implementation of the third installment of the Basel Accord on bank capital adequacy, stress testing and market liquidity risk. At this point, about 60 percent of the rulemaking required by the Dodd-Frank Wall Street Reform and Consumer Protection Act in the US has been completed, and about 30 out of 40 EU Commission regulatory reform initiatives are underway. Some initiatives such as derivatives reforms in the US, the EU and Asia Pacific are still in early development.

Our Regulatory, Industry and Government Affairs team works to understand these complex potential implications and positions us to serve regulatory entities as a meaningful discussion partner.

Contributions to ongoing regulatory debates

Our team of public policy and technical experts monitors regulatory debates and evaluates 800 to 900 proposed legislative items every year to determine what is relevant to State Street and our clients.

When a proposal has relevance, we work with industry associations and collectively publish approximately 60 position papers a year. We also send a similar number of comment letters annually on proposed regulations or laws, often focusing on technical market issues where we can add value. In addition, we provide input to individual legislators who collect information from multiple sources to rule on a range of issues, including healthcare, the environment and finance. In these interactions, we respect all rules on lobbying that govern formal engagements with lawmakers.

Expected developments

In shadow banking, traditional banking functions are carried out by less-regulated, non-bank entities. Examples include securities financing transactions, which is the lending of securities from one party to another. Regulatory requirements will continue to increase around the world. More stringent requirements may include the need for higher capital levels, pressure on return on equity and more balance sheet liquidity needs.

Compliance costs can be expected to go up as a result, but there's also an upside for us because stricter regulation tends to increase barriers to entry in our field of business. It also gives us the opportunity to offer new products and services that help our clients navigate the increasingly complex regulatory landscape.

Strengthening Communities

Local community engagement has lasting positive effects — for our neighbors and our own business. Our company values of “stronger together,” “always finding better ways,” and “global force, local citizen” reinforce our commitment to local communities. We achieve this through the State Street Foundation (SSF), employee engagement in the community and corporate responsibility practices.

Investing in our communities

The SSF is the charitable arm of State Street Corporation and responsible for making impactful investments in the communities where we live and work. The SSF is supported by a team of management and staff, and supplemented by 33 internal committees across the globe. In 2014, the SSF funded 350 local organizations with more than \$11 million in grant donations.

Measuring impact

Since 2010 we've been focused on education and workforce development, emphasizing the strong economic stake we have in our communities and our deep interest in preparing diverse, local talent pools for employment. To make sure our resources effectively promote economic self-sufficiency for less advantaged communities, we use an impact framework that defines a range of outcomes and metrics. Any organization that receives our grant funding must provide documented reporting of their performance and metrics every year. This allows for a common approach to measuring results across all SSF grants.

SSF grantees reported on the following outcomes for fiscal year 2013 for North America and EMEA:

- Success in basic education
- Attainment of industry-recognized credentials

- Increase in employment experience
- Increase in job placement

We also ask our grantees to track their progress in developing life and job skills. This impact framework encourages grantees to take a holistic approach to training, including support services and mentoring.

In analyzing data, we realized some grantees had challenges tracking and reporting metrics. To help them, in 2014 we partnered with United Way of Massachusetts Bay and Merrimack Valley to launch Project IMPACT (Intentionally Measuring Performance to Achieve Core Targets). This program will provide capacity support for 16 grantees in the Boston region to enhance data collection systems and possibly streamline how we assess performance metrics. In 2015 our regional grant managers will work with their grantees to clarify and improve the quality of data collection. This will give us stronger impact reporting and provide new models of data management for all grantees.

Grantee impact in EMEA, Massachusetts and North America

In 2014, 196 grantees reported the impact of the State Street Foundation grants received in 2013:

2013 Results	EMEA	North Am.	Mass.	Total SSF
Students on track to attain a secondary degree	5,221	2,981	4,152	12,354
Students who attained a secondary degree	995	1,360	1,110	3,465
Participants on track to attain credentials	639	276	3,182	4,097
Participants who attained credentials	393	203	1,331	1,927
Participants who completed transitional employment assignments	499	1,483	3,077	5,059
Participants placed in permanent jobs	201	2,022	1,919	4,142
Community investments	\$1,956,388	\$888,575	\$2,184,000	\$5,028,963

Developing a talented workforce

We also partner with local nonprofit organizations to help local citizens build employment skills.

For more than 30 years, we’ve offered summer internships to local high school students in Massachusetts through the Boston Private Industry Council (PIC). Each year, we help more than 180 young people develop skillsets important to their careers. Many of these trainees have since become permanent employees.

This year in the UK, we successfully implemented a mentoring program, Momentum, in collaboration with a peer firm and key business partners within the financial services industry. High-potential, mid-level women and talented female undergraduates from local London state schools were invited to partake in this structured 12-week pilot mentorship program. The feedback was resoundingly positive with 100 percent of participants indicating they would recommend the program to other students, women peers and senior managers.

Employees giving back

Our deep connection to local communities can also be seen in our employees who share common values. In October 2014, we introduced our global employee giving program, Giving, Investing, Volunteering by Employees (G.I.V.E), to offer employees choice around how and where they direct their philanthropy — whether financially or through volunteer time. This approach puts a year-round focus on giving and has sparked greater participation among employees.

The primary mission of G.I.V.E. is to educate employees on how to engage with Corporate Citizenship programs. In the inaugural year of the program, the main focus was on volunteering and the matching gift programs. Twenty-one percent of employees logged more than 100,000 volunteer hours compared to 87,000 in 2013, and

11 percent of employees took advantage of the matching gift programs. As the G.I.V.E. program evolves, we look forward to enhancing the online platform employees use to capture their volunteering time and request matching gifts. This will also help us measure the impact our employees have on their local communities.

For the first time in 2014, we participated in the global charitable giving movement #givingtuesday across our UK, Singapore, Australia, Canada and US offices. Through involvement with such initiatives, we hope to build a solid foundation for spreading goodwill with external stakeholders.

Proxy Voting

Active management through proxy voting

One of the key roles of Corporate Governance through State Street Global Advisors (SSGA) is to manage proxy voting activities and issuer engagement. More than 14,000 shareholder proxy meetings require our participation in proxy voting each year. To support the decision-making process, we use an overarching policy supported by six supplementary guidelines that are adapted for cultural and economic differences on a regional basis. And we make sure we're maximizing our influence and acting in the best interest of all clients by voting consistently across all holdings and investment strategies.

Corporate engagement

As asset managers, we have a fiduciary responsibility to be good stewards of our clients' assets. This requires us to remain well informed of investment strategies and regularly engage with the companies our clients invest with. In 2013, we coordinated with approximately 377 companies; in 2014 this increased to more than 600. Through company engagements we better understand a company, its prospects and primary risks, and the governance structure used to deliver long-term sustainable performance.

IV. Innovative Product Offerings

Environmental Social and Governance (ESG) Analytics

ESG screening

Staying ahead of the curve so that we anticipate risks and identify opportunities can be challenging. We believe environmental, social and governance (ESG) factors are important indicators of investment stability and performance. In 2014, we expanded our screening for corporate engagement from traditional governance topics to include environmental and social factors.

ESG analysts examine the relative position we have in an investment, along with specific considerations for the industry and the region as they relate to ESG elements. Based on these assessments, we strategize how best to engage with companies, which often involves educating them on ESG factors we're most interested in and what may carry more weight in our proxy voting decisions. If we identify companies with inadequate ESG management, we provide our expectations and make suggestions for how they can enhance their approach.

Communicating progress in our stewardship activity

To demonstrate our credibility as a steward for our clients' assets, we provide transparent communication about our progress. Every quarter, we produce publicly available reports on our activity, with summaries of our votes and engagement overviews. We also highlight voting tendencies, industry trends and a comprehensive list of the companies we interact with. Annually, SSGA publishes a comprehensive overview of our engagement and voting activities, and outlines our priorities for the coming year.

Leading the Way in ESG

Building our ESG offerings

We introduced ESG solutions in response to our clients' demands for these types of investments and our recognition that ESG performance was directly affecting the financial performance of investments. Providing these products and services has been an excellent business opportunity.

Our approach to ESG investing had focused mainly on a High-Quality Green Bond Strategy and a US Community Investing Index Strategy. This offers investors an opportunity to make fixed income investments in climate solutions or a strategy that positively screens for companies with strong track records in engaging the economically underserved. We've had success in these offerings and are eager to develop other unique solutions.

In the fourth quarter of 2014, we were pleased to introduce our own low-carbon fund (LOWC), the SPDR MSCI ACWI LOWC. As the first low-carbon ETF in the US, this product may be suitable for institutional investors concerned with minimizing the exposure from carbon assets. By investing in this ETF, investors may be able to reduce carbon emissions and fossil fuel reserves without sacrificing market returns.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Prospectus contains a more detailed description of the limited relationship MSCI has with SSGA Funds Management, Inc. and any related funds. Distributor: State Street Global Markets, LLC, member FINRA, SIPC, a wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and receive fees from the SPDR ETFs. Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus that contains this and other information, call 1-866-787-2257 or visit spdrs.com. Read this information carefully. Not FDIC Insured * No Bank Guarantee * May lose Value.

Project Delphi

Through Project Delphi, an SSGA-sponsored initiative that developed out of our relationship with CSR Europe, we are researching ESG and the impact these factors have on our investment portfolios. Additionally, with the

support from our partners at leading academic institutions like Massachusetts Institute of Technology and Harvard University, we use our advisory services to conduct an analysis on the impact of ESG factors on portfolios. Also, we're designing investment strategies that work within the confines of ESG principles to help our clients understand how socially responsible investing practices can mitigate exposure to unexpected factors and actually improve long-term investment performance.

UN Principles for Responsible Investment (PRI)

By improving our understanding of the risks and opportunities for ESG factors and educating our clients about them, we complement our commitment to the UN Principles for Responsible Investment (PRI). We encourage our clients to carefully consider ESG factors when determining their investment objectives. They not only impact a company's reputation, operational risks and costs, but can also enhance efficiency and productivity, leading to growth in shareholder value.

Financing municipal projects

In addition to specific ESG products, we also contribute to responsible investments by offering bonds that create long-term capital for municipal utilities. One of our long-term engagements is with the San Francisco Airport. We provided a letter of credit support to the Airport Commission in 2006 and recently extended its credit to May 2019. This credit was used to finance capital improvements including a renovation in Terminal 2 and construction of the Airport Business Center, both of which received the Leadership in Energy and Environmental Design (LEED) gold certification from the U.S. Green Building Council.

Tax-Advantaged Investments

Through tax-advantaged investments in renewable energy and low-income housing, we finance projects that offer a strong economic return in the form of subsidies from the federal government. Not only do these investments closely align with our interest in ESG investments, they give us a return on our equity through a combination of tax benefits and cash distributions. We currently hold \$633 million in low-income housing tax credits (as of December 31, 2014) as a part of our affordable housing investing strategies providing equity investments to developers of low-income housing. To date, we've invested more than \$1 billion in tax-advantaged investments to drive our socially and environmentally responsible business objectives.

Low-income housing projects

As part of the Tax Reform Act of 1986, Congress created the Low Income Housing Tax Credit (LIHTC) that offered a federal tax credit in exchange for private equity investment in the construction and maintenance of affordable housing. This approach transformed how projects were funded, and made the LIHTC the longest-running, most effective housing program in US history.

We have participated in the LIHTC program since its inception, and conduct due diligence to ensure projects are eligible for tax credits and appropriately underwritten. In our process, we evaluate the feasibility that the low-income housing development will be active for a minimum of 15 years, and that tenants will meet the housing criteria.

Renewable Energy Investments

Newly constructed renewable energy facilities have difficulty competing with traditional energy sources like coal. However, carbon-heavy energy sources like coal often have a number of environmental costs. In the US, there aren't formal methods for transferring pollution externalities from nonrenewable energy sources on to the energy providers. So we take advantage of the government's tax incentives for renewable energy production by investing in the design and implementation of durable, long-lasting solar and wind energy solutions. For solar

energy, we typically underwrite residential and commercial rooftop solar arrays, where we see a return of capital over a 5–10 year term. Given this timescale, we conduct extensive due diligence on these projects.

Projects for wind-generated energy are typically utility-scale wind farms. The return on these projects is usually through a mix of production tax credits (PTCs), which are primarily based on how much energy is produced over a 10-year period.

Phased out crediting schemes

While we don't foresee any near-term changes to the low-income housing crediting structures, tax credits for renewable energy investments have gone through periodic expiry and renewal. Renewable energy tax credits are scheduled to expire, or face substantial reduction, in the next year or two unless they're renewed by the US Congress. What actually occurs will directly impact the type of engagement we have in these projects. For example, to continue financing renewable energy projects, we may have to migrate toward more traditional debt financing lending.

Interview with Jeff Conway, EVP, Newly appointed Head of State Street EMEA

Jeff Conway is an executive vice president and the newly appointed head of State Street across Europe, the Middle East and Africa (EMEA). In his capacity as the former head of State Street Global Exchange, our data and analytics organization, he explains how we're helping clients transform big data into useful information for enhanced portfolio and risk management, and improved decision making.



Why is State Street Global Exchange's work in the area of data and analytics so important in today's market?

Our industry is rapidly evolving, and we need new solutions — new ways to help our clients navigate in this environment and drive performance. Our clients are overrun by data, and they must be able to manage and analyze it for more-effective decision making. Heightened regulatory requirements require advanced reporting, risk modeling and strong data governance. And we have new market entrants from outside the traditional financial industry — think Google, Amazon and Facebook.

The players leading the charge with new technological capabilities have a competitive advantage. We must turn noise into information and big data into smart data to solve our clients' challenges.

How are you using data solutions to help maintain existing and develop new business relationships?

One way is by helping our clients make more-informed investment decisions. For example, take private equity funds. Until now, available data was dependent on survey responses about portfolios. Our new GX Private Equity Index links actual accounting data with analytics software and investment strategy research. And by working closely with our clients to develop the tool, we can make sure it meets their needs.

How did you take this index from an idea to a reality?

We were able to link our deep market intelligence and technological capabilities with a rich set of actual data, which mostly came from clients who allowed us to use it for this purpose. We relied on relationships based on trust to get their permission.

Can you talk more about the importance of trust in the safe handling of data?

Much of what we do is custodial in nature, and that means holding data, as well as cash and securities. Data is an incredibly valuable asset for our clients and it's our responsibility to keep it safe. We're committed to complying with all data security and privacy requirements, including those set by our internal risk management and IT functions.

Is State Street making internal changes to drive innovative product development?

Yes, we're working on our own digital enterprise using client insight to enhance our IT solutions. We're continuously working to link information and workflows to bring powerful new tools to our clients, faster than ever. By automating processes, we can provide more real-time data and offer greater risk management across portfolios. We've also improved our own infrastructure, which creates operating efficiencies and enhances security.

How do employees react to having a more digitized business?

If you ask our newer and younger employees how they define financial services, they focus less on banks and asset managers, and more on websites and applications.

Digitization means our future employees must have different skillsets, and they expect a different work environment. If we want to employ and keep the best talent, we need to stay at the forefront of the industry.

Continuous innovation sounds challenging. Do you seek external inspiration for this?

External partnerships are vital for us. We have a long history of working with leading academics — for example Harvard University and Massachusetts Institute of Technology — to bridge the worlds of financial theory and practice. In 2015 we hope to finalize partnerships with Stanford University and University of California, Berkeley, and be a founding member of the Berkeley Institute for Data Science (BIDS).

BIDS is designed to bring together faculty and students from different data science disciplines — including life, social and physical sciences, and methodological experts — to create one central hub of world-class research.

What are your plans for the coming year?

One goal for 2015 is to continue bringing information apps and next-generation risk tools to market, including solutions that help our clients apply our research to their investment process.

We're also working on making sure we're offering our people the right incentives. A new, dynamic organization like ours needs to include traditional business metrics to evaluate performance, but also how employees engage with new products, develop new external partnerships, and discuss challenges and solutions with clients.

The future for Global Exchange looks both promising and exciting. The speed of change in our industry is rapid, and we're using innovation, data science and investment strategy expertise to help our clients drive transformation and get ahead of competitors.

V. Professional Excellence

Talent Recruitment and Retention

Recruiting Top Talent

Attracting people with the right skillsets and growth potential is a top priority for us.

One source of new talent is our partnership with organizations through the State Street Foundation that provide internship opportunities to underprivileged young professionals. The advantage for us is that we support our local communities and also find excellent candidates for full-time employment.

In 2014, we introduced a new entry-level development program called Future Focus. This program applies new rigor in our recruitment and selection process along with new employee development and training. The initial pilot class of 26 has shown great promise in contributing to a strong future leadership pipeline. In 2015, we expect this program to expand to 100 new hires.

Our highly competitive Professional Development Program continues to attract undergraduates, Master of Business Administration and Doctor of Philosophy degree holders from academic programs around the world. In 2014, this leadership development and rotational program had the largest class to date with 37 participants (57 percent women and 46 percent individuals of color) from an applicant pool of 2,500.

Retaining talent for our future workforce

Building an exceptional workforce goes beyond recruiting highly skilled individuals — it requires ongoing internal development.

That’s why we regularly monitor employees’ performance and look at factors like:

- How readily employees adapt to changes in our business
- Employees’ sense of alignment with day-to-day activities and the overall corporate strategy
- Level of engagement through pride and optimism in their work

Our Global Human Resources (GHR) team plays an important role in helping us find ways to enhance our skillsets. GHR business partners work closely with talent consultants to consider the business needs relative to succession, diversity, and specific skills and capabilities we need. Our competency model of 17 criteria helps us get there, and accounts for specific needs across the team and expectations for changes in the business. This is especially important in helping us reach the corporate strategy goals we’ve set for ourselves in The Way Ahead.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Rate of employees leaving employment	13%	12.0%	10.7%

Professional Development and Training

Strategic professional development for an evolving business

We always try to fill talent needs from within the company. This philosophy of hiring helps us anticipate future needs of our employees and ensures we offer the right professional development opportunities.

Our Performance Planning Review (PPR) process has been instrumental in monitoring the value of each position and helping employees focus on where they can excel in their roles. If we identify positions that are not required for our long-term success, we’ll work to find alternative roles so employees can transfer their skills. For employees who need to strengthen certain skillsets before beginning a new role, we provide development training as support.

Seventy percent of our learning opportunities are hands-on job experiences, 20 percent are mentorships and 10 percent are formal training programs. Managers work with employees to develop a plan that addresses both the employees' aspirations and use our existing resources to meet business needs. At a minimum, these discussions occur annually during the PPR process, and employees have access to online learning resources at all times through the State Street University.

State Street's Talent Development organization is committed to creating and shaping a performance-based culture, built on strong leadership, excellent management practices and a global mindset. We believe that building the management and leadership capabilities of all State Street employees improves organizational and business performance, fosters a passion for the business that encourages people to give their best, and creates a fulfilling workplace. We partner and consult with senior business leaders and business partners through global virtual teams to encourage strategic thinking about talent development, talent management, and organizational change. We provide a wide range of development resources to enable employees, at all levels and in all locations, to achieve their personal and professional development goals.

Highlights/Trends:

- Management Development Programs: We continued to see steady participation of new and experienced mid-level managers in our leadership training programs- *The Manager's Journey* and *Transitioning to Strategic Management*, respectively. In 2014, there were 780 managers enrolled in the programs in North America, EMEA and APAC. We offer these programs in two modalities, virtually and in person, to give the participants choice and flexibility. The programs, now in their fifth year, were piloted in 2010 and launched one year later.
- Talent Development is a major contributor of content on our internal State Street University intranet page. Our resources for both employees and managers are accessible through this site and our learning management system. Employees can find access to our eLearning library of business skills, financial services industry and desktop online modules, along with access to business eBooks and video clips, and specialized content focused on leadership development and performance management.

Supporting women through mentorship

A prominent example of a successful professional growth opportunity we offer is the Leading Women mentorship program. Through this program, women executive vice presidents serve as mentors to senior vice presidents, providing guidance and insight on development, growth and visibility. All participants gain an opportunity to expand their network, and this program has been a wonderful complement to our commitment to gender equality in the workplace.

Expanding skillsets while giving back to the community

Another example of how we've helped employees develop professionally while addressing other corporate goals is through the State Street on Board program. This program pairs employees with local nonprofit organizations seeking support at the board level. Our employees are given the opportunity to serve on a board of directors, while we give back to our communities by offering our expertise and skillsets to help the organization achieve further success.

The future of learning and professional development

Feedback from our employee surveys tells us they want additional resources to further their professional development. In response to this, we're enhancing our online offerings and other development programs to help employees achieve their professional goals.

Oversight of Compensation

Compensation is a way to reinforce our corporate values and expectations relative to our corporate strategy. It also helps us stay competitive so that we can attract and retain top talent.

Employees are eligible to receive a bonus each year following their performance review. The bonus scale is determined almost entirely at the discretion of managers. Since 2013 for Management Committee members and since 2014 for executive vice presidents, bonuses are based on specific incentive compensation targets that reflect our corporate goals. These goals cascade from senior leadership down to the management committee, and are applied to each organization within the company.

Closing the gender gap

We know there's a widespread gap in compensation between men and women across most professions, particularly in the US, and are committed to avoiding this disparity.

As a signatory of the Boston Women's Compact, we are tasked with understanding the extent and causes of a potential gender wage gap at State Street, introducing evidence-based interventions that would improve conditions and evaluating the success of our efforts through a third-party assessment.

We also believe providing professional development opportunities for women to grow in their careers and advance to more senior, higher-paid management positions is an effective way to avoid the gender wage gap. This is one of the areas included in our revised diversity goals, and we'll continue to offer programs like the Leading Women mentorship initiative to meet our goals for women in senior leadership positions.

Diversity and Inclusion

Our Global Inclusion program builds an inclusive workplace where all employees feel valued and engaged in their work. We celebrate diversity across our team and believe our differences have a positive impact on our overall culture and ability to conduct work efficiently. We see the benefit when our clients, and even competitors, request our guidance for improving their own programs.

One way we find diverse candidates is through our partnerships with organizations where we operate. Programs we have in place through our State Street Foundation are an excellent resource of diverse candidates for training and onboarding.

Progress in 2014

Over the past year, we're proud to have been recognized with 12 awards for our leadership in diversity. Still, we have room to create a more diverse team through ethnicity, gender, age, disability and veteran status.

This past year, we paid special attention to embracing disabilities as part of our diversity model, participating in two programs celebrating National Disability Awareness Month in the US. The first was a reception featuring a keynote speech by a victim of the Boston Marathon bombings whose powerful story of resilience and positive thinking was inspirational. The vice president of Employee Relations and Compliance also spoke during this event, reinforcing the importance of hope in conquering obstacles, and articulating our eagerness to support employees living and working with disabilities.

The second event was co-sponsored by the Disability Awareness Alliance Network Group and our Human Resources' Global Inclusion Department. This "lunch and learn" speaker series was part of State Street's continued focus on promoting career opportunities to individuals with disabilities and educating employees about disabilities.

Employee networks

Through more than 30 employee networks with over 100 global chapters, our employees use affinity groups as platforms to coordinate events and volunteer efforts that align with their interests. These networks, many of which work in partnership with senior executives, form the foundation of our inclusion and diversity-building efforts. Over the past year, our employee networks have hosted hundreds of events focused on employee development, engagement, networking and community service.

The future of Global Inclusion

Working with a wide range of internal stakeholders, we've revised our goals for diversity and inclusion. We distributed our revisions in early 2015, and intend to implement them by 2017. We hope the whole organization will understand the importance of these efforts and embrace our vision for diversity.

VI. Responsible Operations

Human Rights Policy and Training

Our Global Human Resources team, and in particular our Risk and Compliance and Legal areas, oversees important aspects of employee conduct, including policy management. We regularly review existing policies to make sure they're addressing our business needs and external requirements, and work closely with our service centers to understand trends, concerns and new areas of interest that may warrant revisions to our policies. Recently, this has led to our anti-bullying policy, as well as updates in our Equal Employment Opportunity and Anti-Harassment policies that now use more inclusive language for "gender expression."

Upholding human rights through policies

Well-defined policies are fundamental to helping us stay compliant with regulations, and ensuring we operate as a responsible corporation and treat employees fairly. Our Non-Discrimination and Equal Employment Opportunity policies reflect fundamental human rights issues. We're exposed to few risks related to human rights violations, but exceptions are discrimination and sexual harassment risks. Our policies provide clear guidance for preventing related misconduct.

Informing employees on policies

Making our policies understandable and readily available for reference is important to help employees uphold the terms of these policies. While this has been challenging in the past, in 2014 we introduced our Corporate Policy Center (CPC). Hosted on Collaborate, our internal social media platform, employees now have easy access to all Global HR and corporate policies, allowing us to efficiently communicate updates across the company.

We also provide training sessions on certain policies to ensure employees understand what's expected of them. The content and requirements for completing training sessions depend on employee functions. Our Standard of Conduct, however, is a fundamental corporate policy that guides us in ethical business conduct. We require each employee to complete an exam on this policy annually.

Improving our collective understanding

In 2014, we introduced a new case management system to track situations where employees have not adhered to policies. Although still relatively new, we've noticed a trend that indicates some employees do not fully understand our Standard of Conduct. As a result, we've rewritten the Standard of Conduct to present the key elements in more relatable terms, avoiding legal jargon wherever possible. Our goal is to enhance our collective understanding of how to conduct our work in a way that meets legal standards and resonates with State Street's values.

Health, Safety and Well-Being

Giving employees the support they need to sustain their overall wellness is a critical part of creating a desirable place to work. As part of this, we recently reviewed our offerings to identify where we could enhance benefits. The result was that we improved communication and revamped a company-wide wellness program.

Maximizing the value of our benefits

One of the primary areas we focused on was healthcare due to its complexity and significant costs. Each year, we spend approximately \$110 million on employer contributions to healthcare in the US alone. We recognized an opportunity to minimize costs by proactively providing employees with tools and support networks to stay healthy and happy. In this way, we've enhanced productivity and retention while reducing costs from medical premiums.

To help our employees better understand the range of healthcare options we offer, we repackaged all employee benefits under one wellness program — BeWell. This program (currently available for US employees) is designed to help employees proactively manage their physical, emotional and financial health. Details about employee benefits are now on a central Collaborate site for easy reference. Employees can take advantage of benefits like gym membership reimbursements, child/parental care support and ergonomic evaluations, to name a few.

A great example of how our wellness program can unite healthy and charitable activities to enhance employee well-being is a walking challenge we introduced in 2014. More than 2,800 employees participated with a goal of logging at least 8,000 steps five days per week. Information was captured on Collaborate and the five teams with the highest average number of steps per participant earned funds from the State Street Foundation that were donated to the charity of their choice. At the end of the challenge, our employees logged more than 333,000 miles and the five winning teams collectively donated \$10,000.

Meeting our teams' needs

We also talked directly with representatives from our facilities to make sure our employees' needs are being met at regional and cultural levels. We hired a third-party agency to conduct these focus-group discussions in the US to better understand which factors employees felt were most important in enhancing their well-being. We also coordinated with focus groups in other regions to roll out the wellness program throughout other parts of North America, EMEA and APAC in 2015.

In the future, we'd like to include questions related to satisfaction with our wellness program in our employee engagement survey. These responses would help us introduce further improvements that reflect the changing needs of our global team. We also hope to introduce additional benefits such as improved cross-referencing support so employees can easily take advantage of the full breadth of their healthcare package.

Environmental Sustainability

The Office of Environmental Sustainability is an important part of our overall corporate responsibility mission. Our approach to environmental sustainability includes paying close attention to the natural resources we use and our impacts on the planet. This not only manages our environmental impact, it has a positive effect on our brand and benefits our bottom line.

Managing our environmental impacts and opportunities

Through our environmental sustainability program, we identify ways to limit our negative environmental impact and find opportunities to make a positive influence. We have a number of policies and goals in place to keep the momentum going. These include the Environmental Sustainability Policy, a Climate Change Statement and a set of global 20/20 goals that outline targets for 20 percent reductions in greenhouse gas (GHG) emissions and water usage, and zero waste to landfills by January 1, 2020.

We've set some aggressive standards for ourselves and are excited to report our progress ⁽¹⁾:

- Materials Goal: 90% diversion from landfill by 2020, reached 71%
- Water Goal: 20% reduction in water consumption per employee by 2020, achieved 13% reduction ⁽²⁾
- Greenhouse Gas Goal: 20% reduction in carbon emissions per employee by 2020, achieved 6% reduction ^{(2) (3)}
- Buildings Goal: Achieve ISO 14001 at controlled sites, achieved certification at 16 of 19 sites

⁽¹⁾ All figures reflect actual or metered data only.

⁽²⁾ Does not include data centers.

⁽³⁾ Percentage is based on direct and indirect energy. We used a location-based approach to calculate indirect energy.

Improving energy efficiency at our facilities offers significant opportunities to reduce our overall environmental impact while also reducing operating costs. This has led to the development of our new energy policy and pursuit of certifications under ISO 50001, an energy management standard. This year, two more of our facilities attained ISO 14001 certifications for a total of 16. We've also been working to develop a paper use policy to limit the volume of paper consumed and guide us in purchasing low-impact paper. For the paper we do use, we've implemented a shred-all policy, which directs used paper to recycling streams rather than landfills in support of our zero waste goal.

In addition to paper and waste, we're making strides to reduce water consumption with smart metering solutions, and are expanding our business travel assessments to include impacts from lodging and air travel.

Engaging stakeholders

Environmental sustainability has become a mainstream element in our engagements with stakeholders, as well as a business evaluator and differentiator. We're often asked about specific elements of our environmental performance relative to our supply chain, business partnerships and relationships with other stakeholders such as clients, employees and non-government organizations. These requests are an excellent opportunity to build stronger relationships with stakeholders who share a common interest in environmental stewardship.

Our employees have actively participated in many of our initiatives. Flex work arrangements that reduce employee commuting, a focus on recycling and participation in community challenges have helped us achieve a net positive impact in 2014. Involvement from our employees has been integral to the success of our environmental sustainability programs.

Supporting this engagement from employees is a well-established network of 21 global "green teams" that lead their local colleagues in taking environmental action. Recognizing that each team is experienced in the successes and failures of employee engagement, we will continue to work with the teams to share insights and advice.

Expanding our reach

We also have unique opportunities to apply our environmental commitments in our business strategy. As our clients' interest grows in ESG products, like green bonds and low-carbon indices, diversifying our offerings is a significant business opportunity.

We also have opportunities to better integrate environmental sustainability into our operations. With a strategic focus on building a digital enterprise, we can improve how environmental sustainability management connects with emerging IT solutions.

Stakeholders commonly ask about our board-level oversight of environmental sustainability issues and related performance goals tied to the compensation of managers. We haven't yet adapted a management approach to this, but we may consider it in the future — in response to stakeholder requests and to demonstrate our company-wide commitment to corporate citizenship.

Vendor Management

Global Procurement Services facilitates the vendor selection process for State Street's business units and manages the corresponding terms and conditions. The objective is to establish relationships with business partners that will deliver affordable, high-quality services and demonstrate flexibility when confronted with the changing demands of our business. By setting procurement standards, identifying suitable suppliers, negotiating

favorable price and contract terms, and instituting processes, technology and tools considered to be “best in class,” we deliver on our goals of spend management, risk mitigation, asset governance and corporate responsibility.

Screening for responsible partners

In 2013, we expanded the standard questions included in our requests for proposals to include information on suppliers’ environmental and social programs. Today, we continue to explore industry best practices so that we can make meaningful recommendations in our supplier selection process.

Our Environmentally Preferred Purchasing program also guides us in selecting vendors that can help us mitigate our environmental impact. One example of this is the vendors we selected for our new Channel Center. We actively sought those that could provide compostable or recyclable products in support of our zero waste goal.

Mitigating risk in our supply chain

Our Risk Assessment Management Program (RAMP) helps us monitor our supply chain for risks, including those related to environmental and social issues. Covering 75 percent of our total supply chain by spend, this analysis gives a helpful glimpse into potential areas of concern. Topics in our assessment include fair labor, ethical sourcing practices, anti-corruption, environmental management systems and hazardous waste handling.

VII. Ethical Management

Compliance Essential for Success

Regulatory compliance is essential for our business, shareholders and business partners. That's why we strive to not only meet but exceed regulatory requirements.

Global trends with regional differences

The financial industry is experiencing rapidly increasing regulation around the globe, with some regional specifics. For example, the US has strict requirements on capital standards and money laundering prevention, and Europe was an early adopter of privacy rules. While most European regulation is done at the European Union level, regulation is most often country specific in Asia.

Data challenges and business opportunities

The depth and speed of information requirements under today's regulations are skyrocketing. Regulators want almost real-time information, sometimes coupled with scenario analysis. To handle these requirements, we must make significant investments to enhance our data systems.

The increasing compliance requirements we face are also imposed on many of our clients. System innovations we introduce to stay compliant often end up in our products, helping our clients solve their own compliance challenges.

The role of talent and incentives

Today, there is a shortage of compliance and risk professionals in the industry. We're looking for talent outside of the company and use creative ways to develop, train and re-train internal talent.

To make sure that compliance is understood as a key requirement, it's included in our employee goals. At the highest level, each Management Committee member has a risk management goal that includes management of regulatory risk and compliance issues.

Supporting our people with clear guidelines

Privacy issues are a perfect example of how we ensure compliance throughout our workforce. Each employee is responsible for upholding our Privacy Program as they serve clients. Their interactions are determined by our Written Information Security Program, developed by our Privacy Office. The efficacy of our Privacy Program is independently assessed by our corporate audit function as part of our overall compliance oversight program.

Monitoring Risks

Our Corporate Audit team provides our board of directors and management with independent and objective assessments of how State Street's controls are designed and operate. These assessments include the integrity of financial statements and managerial compliance with laws, policies and regulations.

With the addition of a new office in Ireland in 2014, we now have audit offices in 10 countries with a staff of more than 200. The Audit Department heads manage major business lines including Global Advisors, IT, Global Services, Global Markets, Global Treasurer and Enterprise Risk Management (ERM). In addition to this focused approach, we also conduct horizontal assessments across units.

The entire Corporate Audit team is free of influence from any other element of the corporation so they can maintain independence and objectivity. This, along with unrestricted access to all personnel and sources of

corporate information, helps the team investigate where risks may be present. To identify threats to our stability, profitability and overall well-being, the team uses a sophisticated risk assessment process. As they identify areas of concern, they coordinate with managers to confirm that appropriate internal controls will effectively manage those risks.

Adhering to industry best practices

From a broader perspective, our industry-standard model for risk management has three lines of defense. First, we apply business management rules to assess, control and mitigate risks at the corporate level. Next, we monitor functions with support from ERM, Compliance and Legal teams. These teams facilitate and monitor our risk management practices and help report related information across the organization. Finally, our Corporate Audit team provides assurance on how the first and second defense mechanisms are operating.

Our Internal Audit Quality Assurance Group, a team that's independent from our auditing staff, oversees the effectiveness of our corporate auditing approach. Through their assessments of quality assurance, we review all our auditing practices to ensure they are effective and compliant.

Our Corporate Audit team also adheres to the Institute of Internal Auditors' guidance, including its code of ethics and the International Standards for the Professional Practice of Internal Auditing. These guidelines require us to complete formal internal quality assessments every five years. Most recently completed in 2014, we hired an independent external auditor to review all aspects of our auditing including our positioning, our people policies and practices, and records. We received the highest possible rating overall.

Improving our auditing processes

In 2014, we entered the third and final phase of a multi-year project to update our IT platform that will help us to better track corporate auditing and related materials, and make them more easily accessible. We hope to complete this project in 2015 and eventually integrate this platform with other corporate-wide IT solutions.

We also look forward to enhancing other areas of our corporate auditing processes. Influenced in part by the recent assessment from our external auditors, we'll be working to improve the depth of our data analytics so we can identify risks and understand trends with greater ease. Additionally, we're enhancing training opportunities for the auditing staff so they can better understand the underlying business aspects and regulatory impacts related to the units they are auditing. We believe these continuous improvements will mitigate risk and uphold our reputation as a trustworthy partner.

Increased Attention to ESG Risks

Risk assessments are conducted across all accounts managed through SSGA on an absolute basis and relative to benchmarks. This is a fairly new area of consideration for assessing risk that we apply to our asset management and our own operations. As a result of our continued research and stronger messaging on ESG risk mitigation, our external stakeholders' interest in these issues has grown and we continue to evolve our business to respond accordingly.

As ESG investments are introduced in our business, we train staff on the intricacies of these funds and specific ESG features. We believe this educational investment prepares asset managers to respond to clients' questions more efficiently and also helps them identify sources of risk.

Assessing ESG risks at State Street

In managing our ESG risks, factors are primarily qualitative and assessed by our internal Corporate Responsibility Committee. To understand our performance in more quantitative terms, we rely on the expert

assessment from MSCI ESG Research Intangible Value Assessment (IVA). In its assessment, MSCI considers the perceived market value of ESG elements and rates State Street relative to our peers' performance.

These results help us understand our progress over time and identify areas where we should focus our attention in the future. From the 2014 MSCI assessment, we received the second highest rating at the AA level and have not seen any new recent controversies related to ESG risks.

Identifying areas for improvement

Recognizing there's room for improvement in our MSCI ratings, we would like to further develop our ESG risk management. For instance, while there are already a number of efforts to share our knowledge with employees through activities like brown bag lunches, there are likely additional opportunities to take advantage of our team's ESG expertise. We know we can also better communicate our achievements and results of risk assessments to increase both internal and external momentum on the subject.

Anti-Corruption Policy and Training

Being a trustworthy partner to our clients is imperative. A strict focus on conducting our work ethically and remaining compliant with regulations is key to upholding our reputation. To support our evolution in ethical behavior management, we hired a new Chief Ethics Officer to lead our Ethics Office. The two main areas of focus under development are promoting an ethical culture through ethical awareness and leadership skills training, and improving policy oversight, including compliance monitoring and enforcement.

We're anticipating additional industry regulations in the future, some of which will be tied directly to the culture of ethics. We've introduced a new ethics framework to prepare for this increased scrutiny that includes defining what an ethical culture means and how ethics can be optimally integrated into our business.

Training employees on ethics

All employees are required to take annual anti-bribery and anti-corruption trainings and a test. In 2014, we rewrote this test to include more contextual information so employees understand the regulatory background to our code of ethics. The test also uses case study examples so employees can apply the standards to real-life examples.

We also introduced additional training for our regional leadership teams. Our Ethical Business Decision Making course uses a new five-question ethical decision making template. Using case study examples, senior leaders can test their understanding of corporate ethics and use the decision-making framework to guide their responses. Finally, we hold ad-hoc "tips and tricks" trainings for small groups to address specific regulations or ethical concerns relative to their areas of work.

Measuring ethical behavior

To understand how well our ethics standards are being implemented, we examine matters of ethical concern when they are identified. If an individual recognizes their involvement in an ethically questionable matter and acts on it immediately, this clearly demonstrates our ethical standards and trainings are successful. However, if an individual does not recognize or act to remediate unethical behavior and this is brought to light by either an internal or external auditor, this would suggest improvements to the ethical standards or trainings are needed. By understanding how well we recognize ethical issues, we can respond accordingly through additional trainings and supportive frameworks.

Independent Assurance Statement by ERM

State Street – Corporate Responsibility 2014 Report

Environmental Resources Management (ERM) was retained by State Street to provide an independent review and assurance statement for State Street's 2014 Corporate Responsibility Report (CR Report).

Scope of Work

ERM was engaged to provide moderate level, Type 2 assurance, covering:

- The evaluation of adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles); and
- The reliability of the following specified environmental performance information: Scope 1 greenhouse gas emissions (CO₂e from natural gas); Scope 2 greenhouse gas emissions (CO₂e from purchased electricity and district heat); Scope 3 greenhouse gas emissions (CO₂ and CO₂e from business travel and employee commuting); electricity and natural gas used; water consumption; waste generated; recycling; paper shredded; paper and cardboard recycling; and composting.

In addition, ERM reviewed the Report and GRI Index to test alignment with the GRI's G4 Sustainability Reporting Guidelines (the GRI G4 Guidelines).

The intended user of this statement is the reader of the CR Report.

Responsibility

State Street was responsible for the preparation of the CR Report and this statement represents ERM's independent opinion. ERM's responsibility was to express assurance conclusions within the agreed scope.

Assurance Methodology

ERM planned and performed work to obtain all the information and explanations that were believed to be necessary to provide a basis for assurance conclusions as to whether the reported information and data set out in the scope of work was appropriately reported (moderate assurance as defined by the AA1000AS [2008]).

The review was conducted during the period January 2015 to April 2015 and covers the calendar year ending December 31, 2014; it included interviews with personnel at State Street's headquarters in Boston, Massachusetts and via conference call.

ERM interviewed key State Street individuals representing the following offices: Municipal Finance, Government Affairs, Global Human Resources, Diversity and Global Inclusion, Community and University Recruiting, US Benefits, ESG Investing, Corporate Governance, US Real Estate Services, State Street Global Advisors, Corporate Social Responsibility, Global Exchange, Public Policy and Advocacy, Audit, Marketing, Investor Relations, Global Realty, Procurement and Ethics.

During this review, ERM focused on:

- Understanding the State Street business context and its sustainability strategy;
- Reviewing the CR Report and GRI Index and other relevant supporting documents;
- Understanding State Street's environmental data collection and reporting processes and systems;
- Checking the accuracy of a sample of data from selected offices; and
- Reviewing the mechanisms for checking and verifying data.

Adherence to AA1000AS

ERM tested the company's policies, procedures and initiatives against the AA1000AS principles regarding aspects material to State Street's business through management interviews, and review of the text of the CR Report and GRI Index.

Alignment with GRI

ERM reviewed the GRI Index and the CR Report to test alignment with the GRI G4 Guidelines.

Review of environmental performance data

ERM conducted a review of environmental performance data through a desktop review and interviews with property management teams from North America; Europe, Middle East and Africa (EMEA); and Asia Pacific. The review of the data included a comparison against prior year's data and industry benchmarks, identification of outliers, a representative sampling of operating records and utility bills, assessment of estimation and greenhouse gas emission factors, and an assessment of aggregation methodologies, including the corporate data collection process and information management system.

State Street made a number of changes to the data collection methodology to further improve the dataset. ERM reviewed the application of the revised methodology and the restatement of 2012 (baseline year) and 2013 values.

Environmental data was assured against the following criteria:

- The sustainability data reporting program and specific metric definitions as prepared by State Street; and
- General consistency with World Resources Institute/World Business Council for Sustainable Development's Greenhouse Gas (GHG) Protocol Corporate Standard, relevant Global Reporting Initiative indicators, CDP-approved ERM GHG Performance Data Assurance Methodology and ISO14064-3 Specification with guidance for the Validation and Verification of Greenhouse Gas Assertions.

A material error is defined as any process or methodology that would result in a deviation in excess of 5 percent of the total value (e.g., energy use, greenhouse gas emissions) in comparison to the criteria listed in our assurance methodology above.

During the review period, ERM identified a number of issues which were subsequently addressed by State Street in the final drafts of the CR Report and GRI Index.

Assurance Findings

Evaluation of Adherence to AA1000AS (2008)

ERM evaluated State Street's adherence to the three AA1000AS principles of inclusivity, materiality and responsiveness and provided the following findings and conclusions on adherence to each principle.

Inclusivity

State Street has robust processes for effective and quality stakeholder engagement. State Street engages a wide range of stakeholders — including clients, employees, community members, regulators, charitable organizations and nongovernmental organizations — through a number of normal business channels, and continues to evolve its processes over time. In many cases, these interactions cover topics critical to corporate responsibility and are used to inform strategy. For example, the company has signed on to the Boston Women's Compact to promote equal pay between men and women.

Materiality

State Street has established robust processes for identifying the material issues for the company. State Street conducts a materiality assessment every two years and the most recent assessment was conducted in 2013. The assessment was based on the sustainability reporting guidelines provided by GRI, ISO 26000 and SASB and resulted in the identification of topics deemed most material. The approach and results of the 2013 assessment were validated by an external group of stakeholders coordinated by Ceres. The issues identified in the 2013 materiality assessment were confirmed to be the material issues for the current reporting period.

Responsiveness

State Street has the processes in place for developing appropriate and timely responses to material issues that address the needs, concerns and expectations of stakeholders. State Street demonstrated appropriate levels of response with resources, programs and strategy development for all of the company's most material issues. Responses are detailed in the CR Report and GRI Index.

Evaluation of Alignment to the GRI G4 Guidelines

State Street has developed a GRI Index and has included responses for each of the disclosures required for a core level report under the G4 Guidelines. During the review, ERM identified several opportunities to further develop the disclosures on management approach and provide complete disclosure for some of the indicators to ensure full alignment with the G4 requirements.

ERM Conclusions

On the basis of the work undertaken, nothing came to ERM's attention to suggest that the CR Report does not properly describe State Street's adherence to the AA1000 AS (2008) and GRI principles.

In terms of environmental data accuracy, nothing came to ERM's attention to suggest that environmental data has not been properly collated from information reported from State Street occupied properties and business travel partners.

The opportunities to further develop State Street's reporting approach and the associated recommendations are included in detail in a separate assurance project report to State Street management.

ERM Competence

ERM operates under strict conflict of interest checks and has confirmed our independence to work on this engagement with State Street. The members of the review team have not provided consulting services to State Street and were not involved in the preparation of any part of the CR Report. The review team has the required combination of education, experience, training and skills for this engagement.



Guy Roberts
Partner in Charge
Oxford, England

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past three years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.



STATE STREET®

State Street Corporation
State Street Financial Center
One Lincoln Street
Boston, MA 02111

www.statestreet.com

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without State Street Corporation's express written consent.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

© 2015 State Street Corporation

CORP-1394
Exp. April 30, 2016

