



# STATE STREET®

2019 Corporate  
Responsibility Report

# 2019 Corporate Responsibility Report Snapshot

---



## Leadership and Governance

**25+**

Countries with State Street Offices

**33%**

Female Board Members

**25%**

Non-US Board Members

**92%**

Independent Board Members



## Business Model and Innovation

**\$1.9<sup>B</sup>**

Investment Management Total Revenue

**\$9.8<sup>B</sup>**

Investment Servicing Total Revenue

**\$381<sup>B</sup>**

ESG Assets Under Management



## Human Capital

**39,103**

Employees Worldwide

**24**

Employee Networks

**120**

Employee Network Chapters Globally



## Social Capital

**\$15.9<sup>M</sup>**

Foundation Philanthropic Contributions

**\$5.1<sup>M</sup>**

Foundation Matching Gifts

**82,897**

Employee Volunteer Hours



## Environment

**-31%**

Greenhouse Gas Emissions (Goal: -30%)

✔ Complete

**-21%**

Water Usage (Goal: -10%)

✔ Complete

**72%**

Recycling Rate (Goal: 80%)

Note 1: All data is as of December 31, 2019 except data for Leadership and Governance, which is as of January 1, 2020.

Note 2: The amount of Foundation philanthropic contributions excludes foundation matching gifts.

Note 3: All three environmental goals are set against 2015 baseline.

# Table of Contents

- Statement from Ron O’Hanley** ..... 7
- Letter from Rick Lacaille** ..... 8
- Corporate Responsibility Goals & Progress ..... 12
- Introduction** ..... 13
- A Holistic Approach to Corporate Responsibility** ..... 13
- Driving Long-term Value for Our Stakeholders ..... 13
- Sustainability Accounting Standards Board (SASB) Materiality Framework ..... 14
- Task Force on Climate-related Financial Disclosures (TCFD) ..... 15
- Global Reporting Initiative (GRI) ..... 15
- Reporting Boundaries ..... 16
- Materiality Assessment** ..... 16
- Methodology ..... 16
- Key Results ..... 17
- Materiality Matrix ..... 18
- Our Business** ..... 19
- Investing in Innovation ..... 19
- Interview with Francisco Aristeguieta** ..... 20
- Integrating ESG Considerations across Strategies and Investment Teams ..... 23
- State Street ESG Affiliations ..... 23
- ESG Thought Leadership in 2019 ..... 24
- SSA 2019 ESG Research: Decarbonization Factors ..... 25
- Our ESG-related Products and Services** ..... 25
- State Street Global Advisors ..... 25
- Monitoring ESG Risks through Asset Stewardship ..... 26
- Fearless Girl and Gender Diversity ..... 27
- Human Capital Management ..... 28
- Climate Risk Strategies ..... 29
- Integrating R-Factor™ into Asset Stewardship ..... 29
- Offering ESG Products and Services to our Asset Management Clients ..... 30
- State Street Global Exchange ..... 31
- Tax-Advantaged Investments and Municipal Financing ..... 32
- Governance** ..... 34
- Board Governance** ..... 34
- Board Independence** ..... 35
- Board Diversity** ..... 36
- Interview with Talinn Demirjian** ..... 37

<b>Risk Excellence and Compliance</b> .....	<b>40</b>
<b>Risk Excellence and Compliance Governance</b> .....	<b>40</b>
<b>Guiding Codes and Standards</b> .....	<b>40</b>
<b>A Balanced Approach</b> .....	<b>40</b>
<b>Compliance Regulation</b> .....	<b>41</b>
Targeted Conduct Program and Compliance Risk Culture Review .....	42
Compliance Training .....	42
<b>Cultivating a Culture of Risk Excellence</b> .....	<b>43</b>
Speak Up/Listen Up .....	43
<b>Operational and Cyber Resiliency</b> .....	<b>43</b>
<b>Governance</b> .....	<b>43</b>
<b>Adapting to Changing Regulations and Standards</b> .....	<b>44</b>
<b>Looking Ahead</b> .....	<b>44</b>
<b>Responsible Sourcing</b> .....	<b>45</b>
Key Products and Services .....	45
<b>Integrating Diversity into Our Supply Chain</b> .....	<b>45</b>
<b>Human Rights Risks with the Supply Chain</b> .....	<b>46</b>
<b>Human Capital</b> .....	<b>47</b>
<b>Talent Recruitment and Retention</b> .....	<b>47</b>
<b>Attracting the Best Talent</b> .....	<b>47</b>
<b>Ensuring Competitive Benefits</b> .....	<b>48</b>
Maintaining a Healthy and Safe Work Environment .....	49
<b>Helping Employees Maximize their Potential</b> .....	<b>49</b>
Developing & Training the Workforce of the Future .....	50
Enhanced Learning Curricula .....	50
Employee Engagement and Satisfaction .....	50
Increasing Dialogue Between Employees and Managers .....	51
<b>Interview with Amy Armstrong</b> .....	<b>52</b>
<b>Inclusion and Diversity</b> .....	<b>55</b>
<b>We're Better Together</b> .....	<b>55</b>
<b>Our Inclusion and Diversity Policy</b> .....	<b>55</b>
<b>A Holistic Approach to Inclusion and Diversity</b> .....	<b>55</b>
Communication .....	56
Talent Pipeline .....	56
Accountability .....	56
Learning and Development .....	56
<b>Courageous Conversations</b> .....	<b>56</b>

<b>Progress Against Our Inclusion and Diversity Goals</b> .....	<b>57</b>
<b>Pay Equity</b> .....	<b>59</b>
What We Are Doing to Reduce Our Pay Gap .....	60
<b>Engaging Stakeholders to Advance our Goals</b> .....	<b>61</b>
Employee Networks .....	61
<b>Looking Ahead</b> .....	<b>61</b>
<b>Strengthening Communities</b> .....	<b>62</b>
<b>State Street Corporate Citizenship</b> .....	<b>62</b>
<b>The GIVE Program – Giving, Investing and Volunteering by Employees</b> .....	<b>62</b>
Giving Their Talent .....	62
Investing in a Cause .....	62
Volunteering Their Time .....	63
Volunteering in 2019 .....	63
Skills-based Volunteering .....	63
<b>Wealth and Income Creation</b> .....	<b>64</b>
High Impact Investments .....	65
<b>Our Footprint</b> .....	<b>67</b>
<b>Sustainability at State Street</b> .....	<b>67</b>
Our Environmental Goals .....	67
Environmental Sustainability Policy .....	68
Environmental Management Framework .....	68
Environmental Sustainability Employee Network .....	68
Carbon Neutrality .....	68
<b>Interview with Dustin Sarnoski</b> .....	<b>69</b>
<b>Climate Change</b> .....	<b>73</b>
Evaluating Physical Risks of Climate Change .....	73
<b>Energy and Greenhouse Gas Emissions</b> .....	<b>73</b>
2019 Carbon Offset and Renewable Energy Credit (REC) Program .....	74
Greenhouse Gas (GHG) Emissions .....	75
Improving Energy Efficiency .....	77
<b>Reducing Our Building Stock Footprint</b> .....	<b>77</b>
Data Center Energy Innovations .....	77
Fuel Cell Microgrid Project .....	77
Zombie Server Program .....	78
Offering Sustainable Transportation Choices .....	78
<b>Reducing Our Waste</b> .....	<b>78</b>
Waste Generation .....	79
Plastic Crediting Project .....	79
Our New Global Recycling Strategy .....	79
<b>Reducing Our Water Usage</b> .....	<b>80</b>
<b>Appendix Contents</b> .....	<b>82</b>

<b>Sustainability Accounting Standards Board Report</b> .....	<b>86</b>
<b>Asset Management and Custody Activities</b> .....	<b>86</b>
Introduction .....	86
Transparent Information and Fair Advice for Customers .....	86
Employee Diversity & Inclusion .....	87
Incorporation of Environmental, Social and Governance Factors in Investment Management & Advisory .....	88
Business Ethics .....	92
Systemic Risk Management .....	94
<b>Software and IT Services</b> .....	<b>96</b>
Introduction .....	96
Environmental Footprint of Hardware Infrastructure .....	96
Data Privacy & Freedom of Expression .....	97
Data Security .....	97
Recruiting & Managing a Global, Diverse & Skilled Workforce .....	100
Intellectual Property Protection & Competitive Behavior .....	102
Managing Systematic Risks from Technology Disruptions .....	102
Activity Metrics .....	103
<b>Task Force on Climate-related Financial Disclosures Report</b> .....	<b>105</b>
<b>Introduction</b> .....	<b>105</b>
<b>Governance</b> .....	<b>105</b>
<b>Strategy</b> .....	<b>105</b>
Climate-related Risks and Opportunities: .....	106
Impact on our Business, Strategy and Financial Planning .....	106
<b>Risk Management</b> .....	<b>106</b>
Physical Risks Associated with Climate Change .....	106
Investment Risks Associated with Climate Change .....	107
<b>Metrics and Targets</b> .....	<b>109</b>
Energy Use and Savings .....	109
GHG Emissions .....	110
Emissions Intensity .....	110
Other Metrics .....	110
<b>United Nations Global Compact</b> .....	<b>112</b>
<b>UN Sustainable Development Goals</b> .....	<b>116</b>
<b>SDG4: Quality Education</b> .....	<b>116</b>
<b>SDG8: Decent Work and Economic Growth</b> .....	<b>116</b>
<b>SDG 5: Gender Equality</b> .....	<b>117</b>
<b>SDG 7: Affordable and Clean Energy</b> .....	<b>117</b>
<b>SDG13: Climate Action</b> .....	<b>117</b>
<b>Global Reporting Initiative Index</b> .....	<b>120</b>
<b>EU Directive on Non-financial Reporting Content Listings</b> .....	<b>144</b>
<b>EEO-1 Report</b> .....	<b>146</b>
<b>Assurance Letter</b> .....	<b>148</b>

# Statement from Ron O'Hanley



Ron O'Hanley is Chairman and Chief Executive Officer of State Street Corporation.

I am pleased to introduce you to our Corporate Responsibility (CR) Report, which outlines our commitment to integrating sustainability into more aspects of our business.

This report includes disclosures relevant to topics we have deemed material to our business and our stakeholders and is aligned with several frameworks: the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). We have found these frameworks to be useful in structuring our responses and making the information we provide more accessible to our intended audiences.

The SASB and TCFD frameworks in particular have been embraced by the investment community because those are investor-led and designed to provide decision-useful information to shareholders, lenders, insurers and investors. SASB and TCFD also help inform our corporate responsibility practices, enabling us to see the impact of our environmental, social and governance (ESG) investments and focus our efforts on a long-term, sustainable business model.

This report also details how our values are aligned with the UN Global Compact. As a signatory, we focus our CR activities on several UN Sustainable Development Goals in which we believe we can make a material impact.

Every day, we strive to set the standard for innovation and quality to help drive better outcomes for the world's investors and the people they serve. We hope you enjoy reading this report and learning more about our work to be responsible corporate citizens as we continue to grow.

Sincerely,

A handwritten signature in black ink that reads "Ron O'Hanley". The signature is written in a cursive, flowing style.

Ronald P. O'Hanley  
Chairman and Chief Executive Officer

# Letter from Rick Lacaille



Rick Lacaille is Global Chief Investment Officer of State Street Global Advisors and Executive Vice President of State Street Corporation. He has served as chairman of our Executive Corporate Responsibility Committee since June 2016.

This past year, we saw a growing maturity and understanding among the global investment community around environmental, social and governance (ESG) issues. As a result, the heat rose for companies to address and disclose their approach to incorporating ESG issues into their business strategy. We see this increased attention and engagement as a positive development.

At the same time, ESG issues have become more politically charged and challenging to discuss. We've witnessed a polarization of views, exacerbating the misperception that companies only have two choices: have good returns or be a good corporate citizen. In fact, ESG risks and the decisions that financial institutions must make around those risks are increasingly complex, and there are diverging points of view related to companies' involvement and engagement on these issues.

At State Street, we've remained steady regarding our recognition of ESG issues, in order to improve clients' returns. That's why we've engaged with stakeholders, and particularly our investee companies, on ESG risks for more than a decade, even before it was the popular thing to do. We've gone to great lengths to understand the ESG issues impacting our stakeholders and have been strategic and up front about the decisions we've made.

As a fiduciary, we must act in the best interest of our clients and their long-term wealth — this is the lens through which we view ESG issues. We make measured decisions, looking at each risk individually, doing our research, deciding what's important, and then building that into our investment processes and stewardship program. For instance, there's a degree of certainty that climate change is a significant risk for our clients. As such, we voted in favor of most of the climate-related resolutions that came before us in 2019 because they made sense for our clients' long-term returns and met our fiduciary responsibilities.

## **Walking the Talk**

We made significant progress in our corporate responsibility (CR) efforts in 2019, receiving recognition including being listed in the Dow Jones Sustainability World Index for the first time since 2012. We've made notable progress toward our aggressive environmental goals, which remain a key focus of our CR strategy. For instance, we surpassed our 30 percent greenhouse gas reduction goal by 1 percent and increased our recycling rate from 67 to 72 percent. We developed and are managing more ESG products than ever — within both our asset management and asset servicing businesses.

We continue to believe that ESG factors and corporate responsibility are critical to long-term value, and we participate actively in many industry associations to share best practices. In addition to being a smart value-driver for our business, attention to ESG issues also helps us engage with others for greater impact. For example, our CEO joined other leaders from the investment sector in becoming a signatory of the Vatican's Participant Statements on Climate Risk Disclosures and Carbon Pricing.

In 2019, our asset management business, State Street Global Advisors (SSGA), advanced its understanding of emerging ESG issues, and put them into the proper context of the other risks and opportunities facing our clients. An example of this was the launch of our first money market fund, ESG Liquid Reserves Fund, which leverages R-Factor™, an ESG-scoring model that brings more transparency to ESG investing.

We strive to be the premier supplier of the tools our asset management clients and asset owners need to deal with a rapidly changing world. To that end, we made significant enhancements to ESGX®, our web-based platform that provides clients with tools to assess ESG-factor exposure in their portfolios.

## **Embracing New Asset Management Technology**

Our approach to investment management evolved in 2019 as the company embraced emerging financial technology innovations. In the asset management business, our mandate is to provide the best value for money for our clients. To maintain relevance with our clients, we must deliver better performance at lower costs.

As a fiduciary, we do a lot of indexing and quantitatively-driven investing, which requires us to incorporate complex sets of data. By using all the tools at our disposal, including emerging technology and software, we can be more efficient and improve how we analyze data. We continue to invest in asset management technology and software to enhance data quality, which allows us to make better investment choices, keep costs down and improve client services.

For instance, our custody business's asset manager clients need a complex array of front-, middle- and back-office software to manage their portfolios. By acquiring Charles River Development and launching State Street Alpha<sup>SM</sup>, our front-to-back solution, we will soon be able to offer a more effective and streamlined service to asset managers and create more value for their end clients.

While technology is a useful lever, the human element is critical. The ideal asset manager appropriately blends the use of big data and technology with the skill sets in which humans excel, including dealing with complex challenges where the rules are constantly changing and creatively forecasting the future. When it comes to the custody and fund administration business, we need people who understand the business and have experience and knowledge they can deliver to our clients.

Our clients are grappling with many data elements that require our employees to possess a nuanced understanding of the issues to make sound judgment calls relating to ESG factors. In this respect, employees bring a value-added component to our business that is essential to operating responsibly.

### **Taking a Proactive Approach to Climate Risks**

We are committed to reporting on data that matters to investors and is relevant to the evolving needs of our business. We recognize the importance to our shareholders, employees and the communities in which we operate of reporting on climate-related financial risks to our business through the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) frameworks. For more than a decade, we have held ourselves accountable to environmental targets and publish data relating to the business's waste, water and carbon emissions.

In support of our commitment to disclose against TCFD expectations, we have a clear picture of our business operation's carbon footprint and continue to meet and report against our carbon emissions reduction targets. As 2020 unfolds, we're embarking on the next phase of our TCFD work, partnering with external stakeholders to conduct complex data analysis to better understand our exposure to climate-related risks and how they affect our business from a custody and asset management standpoint.

Moving forward, you will see climate and other ESG risks considered at State Street with the same level of scrutiny and analysis as traditional financially-driven risks. Like other financial institutions, we're working to improve our understanding of all ESG risks across our business and therefore see this evolving approach to ESG as necessary.

By educating people about ESG issues and leading with the facts, we hope to make this a commonplace and expected way of doing business within our industry. We have a long road ahead, but we believe this approach will help shift the thinking that we must choose between making money and doing good. We will continue to strive for transparency and authenticity in our approach to ESG issues as we forge ahead on our corporate responsibility journey.



Richard Lacaille  
Executive Vice President  
Chairman, Executive Corporate Responsibility Committee

Although our 2019 Corporate Responsibility Report covers information from the specific calendar year, in the final months prior to our 2020 publication date, the world experienced the beginning of the COVID-19 pandemic. As such, we urge readers interested in State Street's approach to addressing the pandemic to visit our [website](#) for updates and additional information.

# Corporate Responsibility Goals & Progress

## Performance Against 2019 CR Goals

**Complete**




**Complete research and analysis** of material ESG issues for State Street and communicate the results to the board of directors; begin a staged approach to integrating additional information into our annual Corporate Responsibility Report



**Continue to make progress on our 2025 environmental goals** of 30% carbon dioxide reduction, 10% water reduction and 80% recycling rate of waste by identifying efficient and impactful projects and investments, and educating and engaging our employees



**Increase awareness of corporate responsibility** and its importance with a strategic communications plan targeting all levels of the organization, as well as for all external stakeholders



**Support and enhance the development of a company-wide approach** to ESG products, services and thought leadership for our clients



**Influence the enhancement of policies and programs** that improve our approach to corporate responsibility

## 2020 CR Goals



**Continue evolution of ESG reporting** through our Corporate Responsibility Report as well as our online Annual Report



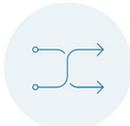
**Build on progress against our 2025 environmental goals** (30% carbon dioxide reduction, 10% water reduction and 80% recycling rate of waste) by determining new goals, as well as identifying additional carbon offset opportunities to move toward carbon neutral status



**Increase awareness of corporate responsibility** and its importance with a strategic communications plan targeting all levels of the organization, our client segments, as well as for external stakeholders



**Work with Enterprise Risk Management** group to develop an enterprise-wide approach to measuring ESG risk in our global business



**Support the ongoing development of a cross-divisional approach** to ESG products, services and thought leadership for our clients

# Introduction

## A Holistic Approach to Corporate Responsibility

As one of the largest global financial services and bank holding companies, we have a responsibility to contribute to a more sustainable financial system and world. This conviction has guided us in our corporate responsibility (CR) efforts for 227 years.

State Street's CR strategy is firmly grounded in the understanding that managing environmental, social and governance factors goes hand in hand with helping clients achieve better investment outcomes. As such, we set ambitious environmental goals, invest in our human capital, and practice sound corporate governance to promote the financial health and longevity of our business.

This report details how we embed sustainability into many aspects of our business. It explores how State Street integrates ESG considerations across strategies and investment teams; executes rigorous risk management systems and corporate governance structures; empowers our talent to succeed and facilitate change in our communities; and mitigates the environmental impacts of our direct operations. All data contained is as of December 31, 2019 unless otherwise noted.

### Corporate Responsibility Policy Statement

The way we do business is guided by policies that reflect our beliefs. By committing to integrity, social and environmental stewardship, human rights and responsible conduct, we benefit our clients and strengthen our communities. Read more about our CR Policy Statement [here](#).

## Driving Long-term Value for Our Stakeholders

Our business model is rooted in the understanding that being a good corporate citizen is good business. With this strategy in mind, we dedicate ourselves to driving long-term value for all our stakeholders. We strategically address the unique needs of each stakeholder group through sustained, thoughtful engagement and regular analysis of the CR issues that matter most to them.

### *Our Clients*

As a fiduciary and steward of our clients' long-term investments, our first responsibility is to act in their best interest. We work closely with investment analysts and business partners to invest in innovation so our clients can seize new opportunities for growth.

### *Our Employees*

We strive to cultivate an inclusive culture where our employees thrive and feel valued and supported. We hold our employees and leadership accountable to standards of conduct that ensure our business is run in an ethical and responsible manner. Our Employee Networks facilitate employee engagement, while our leadership training initiatives prepare employees to be future leaders at State Street.

## *Our Shareholders*

Our responsibility to shareholders extends beyond our financial performance. We engage shareholders on an array of CR issues including corporate governance mechanisms, human capital and other strategic conversations to keep them regularly informed and provide opportunities for feedback.

## *Our Communities*

We strengthen the communities in which we live and operate through our philanthropic, volunteer and strategic partnership efforts. We actively engage in collaborations with academics, nongovernmental organizations and industry associations to further our CR goals. State Street Foundation invests in high impact initiatives and strategic grant-making around our charitable focus areas of workforce development and education.

## **Aligning Global CR Goals with Relevant Reporting Frameworks**

Standards that focus on financial materiality are a critical consideration in investors' day-to-day decision-making process. But in the absence of a global "golden rule," financial institutions often struggle to find the right way to measure ESG issues and ultimately rely on their own metric standards. With the help of ESG-related frameworks developed in recent years, many companies and investors are adopting transformative practices that allow them to quantify the impact of their ESG investments and understand the potential benefits of focusing on long-term, sustainable business models.

This report includes disclosures in accordance with the [Global Reporting Initiative \(GRI\)](#) as well as [Sustainability Accounting Standards Board \(SASB\)](#) and [the Task Force on Climate-related Financial Disclosures \(TCFD\)](#). SASB and TCFD are frameworks driven by the investment community to facilitate reporting that enables investors to make informed decisions around material sustainability metrics and themes that have a likelihood of impacting long-term performance and fostering more sustainable business models.

### **Sustainability Accounting Standards Board (SASB) Materiality Framework**

Based on input from investors, companies and other market stakeholders, SASB's transparent materiality framework improves the efficiency of capital markets by encouraging transparency and disclosure of sustainability information that is material to the investment community.

The SASB standards are based on five pillars that are material to investors due to their significant effect on our financial condition or operating performance: leadership and governance, business model and innovation, human capital, social capital and the environment. Four of our seven company-wide goals launched in 2019 align to these material SASB topics: becoming our clients' trusted partner, establishing leadership in key products, being a global destination for talent and improving risk excellence.

Due to our role and influence in both the financial services and information technology sectors, this report includes disclosures relevant to both the SASB "Asset Management and Custody Activities" and "Software and IT Services" standards, which provide frameworks regarding sustainability metrics tailored for each industry and sector.

# SASB Universe of Sustainability Issues



## Leadership and Governance

- Systemic risk management
- Accident and safety management
- Business ethics and transparency of payments
- Competitive behavior
- Regulatory capture and political influence
- Materials sourcing
- Supply chain management



## Business Model and Innovation

- Life cycle impacts of products and services
- Environmental and social impacts on assets and operations
- Product packaging
- Product quality and safety



## Human Capital

- Labor relations
- Fair labor practices
- Diversity and inclusion
- Employee health, safety and well-being
- Compensation and benefits
- Recruitment, development and retention



## Social Capital

- Human rights and community relations
- Access and affordability
- Customer welfare
- Data security and customer privacy
- Fair disclosure and labeling
- Fair marketing and advertising



## Environment

- GHG emissions
- Air quality
- Energy management
- Fuel management
- Water and wastewater management
- Waste and hazardous materials management
- Biodiversity impacts

## Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD's recommended disclosures focus on voluntary climate-related financial details that provide relevant information to lenders, insurers and investors. The TCFD guidelines are a relatively new reporting scheme that is increasingly utilized by companies to discuss their exposure, risks and opportunities, and data related to climate issues.

## Global Reporting Initiative (GRI)

We continue to report in accordance with the GRI Standards, a comprehensive set of guidelines regarding material sustainability issues that make our reporting more transparent. These guidelines are designed to serve the broader sustainability community and provide a complement to SASB and other investor-oriented frameworks, thus providing relevant information to employees, community members and other stakeholders.

## **UN Global Compact**

Our reporting structure also supports the commitments we've made in adherence to the [UN Global Compact Principles](#), which increase business awareness and action to further global sustainable development. In support of these principles, our CR goals align with five of the 17 UN Sustainable Development Goals that are most relevant to our business: quality education, gender equality, affordable and clean energy, decent work and economic growth, and climate action.

## **EU Non-financial Reporting (NFR) Directive**

This report is in accordance with the EU NFR Directive, which requires large companies to report information on non-financial business operations, including how they manage environmental and social issues. These disclosures are intended to help stakeholders assess a company's non-financial performance and promote the adoption of responsible business practices.

## **Reporting Boundaries**

All data within this report is from State Street and is as of December 31, 2019, unless otherwise noted. Inspired by the previously mentioned reporting frameworks, the State Street 2019 CR Report is structured around four sections: our business, governance, human capital and our footprint.

The appendix will include a SASB Report, a TCFD Report, GRI Index, European Union Non-financial Reporting Directive table, details regarding the UN Global Compact Communication on Progress (COP) and a UN Sustainable Development Goals Commitments section, providing more detailed information on our management approaches and performance in calendar year 2019 specific to these frameworks.

This report includes disclosures based on the results of our 2019 materiality assessment.

## **Materiality Assessment**

Materiality assessments help companies identify and report on CR topics that are most important to the business and its stakeholders. State Street conducts an in-depth materiality assessment every two years to better understand the environmental, social and governance (ESG) risks to our business and assess how we should be reporting against those measures. In preparation for this report, we conducted a materiality mapping process that helped us establish a set of topics that State Street can oversee to advance our CR goals and mission to create long-term value for our stakeholders.

## **Methodology**

Our materiality process incorporates a rigorous analysis of potentially-material topics and the collection of input from a variety of stakeholders.

*Aligning Topics to SASB and TCFD.* In this year's effort to align with SASB and strengthen our TCFD response, topics from our previous assessment that overlapped with one or both frameworks were automatically considered to be material to State Street, including:

- Talent recruitment and retention
- Inclusion and diversity
- Risk excellence and compliance
- ESG products and services
- Operational and cyber resilience
- Environmental responsibility

*Revisiting and Refining.* We reviewed the material topics identified in our 2017 materiality assessment and completed a benchmarking analysis for further refinement. Each topic was evaluated for relevance to the business and our business impacts, as well as the relevance to our stakeholders. The identified topics included:

- Client satisfaction
- Brand image
- Wealth and income creation in society
- Strengthening communities
- Innovation
- Responsible sourcing
- Human rights policy and training
- Board diversity
- Independent board
- Oversight of sustainability
- Board quality, effectiveness and accountability
- Shareholder engagement

*Implementing an Employee Survey.* Two hundred State Street employees were randomly selected to offer their perspectives on each of those topics.

*Conducting External Stakeholder Interviews.* A third-party sustainability consulting firm, Sustainserv, Inc., interviewed five external stakeholders representing State Street's community around the world for their input.

## **Key Results**

Climate change was ultimately deemed a material topic for State Street due to its relevance within TCFD and consistent external stakeholder feedback on its importance.

Environmental responsibility was separated into two topics: climate change, which is a material topic, and water and waste, which falls under environmental responsibility and will be included in this report, but was not considered material.

Client satisfaction and brand image were deemed important but not material since they both hold universal value to corporations and result from effective management of material issues.

The following topics were not found to be material through our assessment, but are discussed in this report due to their historic importance to our corporate culture:

- Environmental responsibility
- Human rights policy and training
- Responsible sourcing
- Shareholder engagement
- Strengthening communities
- Wealth and income creation

**Materiality Matrix**

The results of our materiality assessment are visualized in the following materiality matrix, which indicates the level of relevance to our stakeholders and our business.

Materiality Matrix

● SASB ● TCFD



\* Includes independent board, oversight of sustainability and board diversity

# Our Business

As a servicer and manager of global investments, we focus on long-term value creation. We are one of the world's largest providers of financial services to institutional investors, including investment servicing and investment management. As of December 31, 2019, State Street has \$34.4 trillion in assets under custody and administration, \$3.12 trillion in assets under management, and operations in more than 100 geographic markets worldwide, including the US, Canada, Australia, Europe, the Middle East and Asia.

Given our size and reach, we have an obligation to develop and deliver leading-edge solutions that solve our clients' business challenges and help clients achieve their financial goals, without compromising our values of sustainability and corporate responsibility. In the fast-paced, ever-changing financial services industry, we must constantly innovate to help our clients stay abreast of and manage critical environmental, social and governance (ESG) risks.

## **Investing in Innovation**

In order to support our vision to be the leading provider of asset intelligence to the owners and managers of the world's capital, we must help our clients seize new opportunities. In pursuit of this, we must adapt to the increasingly technology-driven demands of our industry, stay ahead of new regulatory mandates around data generation and reporting, and continue our thought leadership in helping our clients address emerging ESG issues in the marketplace.

Our innovation strategy focuses on creating more efficient and streamlined ways to centralize and standardize our clients' data so they can see their full investment process. This includes a balance between automating labor-intensive processes and leveraging our talent's deep enterprise data management capabilities to innovate new products and services that support long-term value creation.

As part of our culture, and the nature of our work at State Street, we embrace technology for a living. We strive to take advantage of emerging technologies that allow us to change the way we work and provide services to our clients, and ultimately, help us to become more sustainable and prepared for any risks to our business.

# Interview with Francisco Aristeguieta



Francisco Aristeguieta is Chief Executive Officer of State Street's International Business.

**As the recently appointed CEO of State Street's International Business, what are your priorities regarding the company's integration of environmental, social and governance factors into its business in 2019, and what progress have you observed?**

Coming into the firm, I was struck by our long track record of embracing this issue both internally and externally. We have a strong foundation and a consistent approach for ESG integration for our clients, employees and vendors. It starts with the tone from the top. Our CEO is committed to taking visible action to ensure the firm is addressing these issues and positively influencing our environment wherever we are.

This has been a pivotal year for the topic of ESG integration, not just in the US, but globally. As we look at the international business within my remit, State Street needs to make sure we're perceived as a factor for change. This means prioritizing our employees, clients, vendors and stakeholders to ensure we're aligned in pushing this agenda further.

There are many things to highlight from 2019. The first is SSGA's success with the R-Factor™, making data sourcing around ESG easier, more transparent and more reliable. This important step positions the firm front and center as we engage with the market to provide visible solutions, and make a difference in how investors access data and ESG benchmarks.

Second, we've set strict policies to ensure we're working with vendors that embrace our values and principles. This commitment is quite visible and will continue to yield important benefits as we move forward and more of our vendors comply with our expectations on ESG factors.

Third, we have very clear employee policies that we enhance every year to ensure we live up to our commitments regarding how we operate within the firm. More and more, we see that our existing and potential employees want to be a part of a company that embraces its values and principles. Therefore, it's critical for our success and employee experience that our values are integrated into our culture. I've visited many of our international locations this year and everywhere I went, our employees were proud of how State Street is tackling ESG issues.

**Last year brought change and disruption to the global economy, specifically relating to climate change and income inequality. What opportunities (and risks) do you see for State Street in this new environment?**

We touch a variety of players in the industry that have a tremendous impact on wealth and income creation. State Street Global Advisors influences the many companies in which we invest on behalf of our clients. At the same time, our asset servicing business supports the largest asset managers, asset owners, insurance companies and sovereign wealth funds around the world. Thus, we have a unique platform from which we can contribute, advise, support and influence stakeholders to support ESG topics, which are becoming more of a priority for our clients.

We're consistently asked to support clients in their quest to show progress on climate change and income inequality. We are suffering the consequences of the slow global pace of progress on these two fronts, as evidenced by the climate change impacts seen throughout 2019 and early 2020 around the world, such as in Australia. Climate change was at the center of the discussion this year at Davos, making it a corporate priority for companies. This was a plus for us, because it translates to more constructive dialogue with the clients we support through our asset services advisory businesses.

Income inequality is creating a political divide around the world. Most of the developed world and emerging markets are clearly asking for better distribution of wealth. We are well positioned to make a difference on this issue. Due to our global footprint, we can support transparency and influence key entities that invest moneys to contribute to better income distribution.

**What opportunities do you see for State Street to demonstrate leadership in the corporate responsibility space?**

There are many opportunities, the first of which is internal. How do we make decisions and implement policies that will make us a role model for others? I'm a firm believer that it starts with us. We need to look at ourselves before we ask others to change. We have made progress, but there is more to do, particularly on the climate change front. The more sustainable we are in our own operations, the better our employees and clients are going to feel about working with us. This gives us a platform to engage with our stakeholders, clients and the overall community to ask for change. This year and next will be critical for us to advance our actions in becoming more sustainable in our engagement with the environment, both within our own operations and through our asset stewardship efforts.

We must take advantage of the tailwinds behind these issues, leverage the relationships and credibility we've built through our more than 227-year history and establish partnerships that will result in concrete, progressive actions.

**Are there specific demands coming from the international audience that are different from those in the US?**

The countries in which we operate are diverse and are tackling ESG issues at varying paces. Some are embracing ESG issues head on and being very aggressive in how they manage policies and regulation, while others are slow to respond. This gives us an opportunity to influence countries or clients that are lagging, and provide support and guidance to make that agenda more prominent for those that can drive change in our markets.

As an influential company in the countries in which we operate, we touch a lot of vendors and hold significant prominence in the communities where we conduct business. Thus, we need to set a higher bar for those who want to work with State Street to ensure that vendors understand our values and can offer clear evidence of their support for this agenda. Whatever country we are in, when we feel there is no progress, we have a responsibility to wield our influence; where there is progress, we take advantage of the tailwinds and act as leaders for our clients and the community. Our clients expect this from us — to be a flag that stands in support of ESG integration.

This is a mainstream issue now and will unequivocally become a competitive factor. The drafting of contracts and hiring of services will have an increasing weight on the industry's approach to climate change and sustainability. We're already saying this openly to the market through State Street Global Advisors: that we are going to be vigilant and proactive in looking at how the companies in which we invest are tackling this issue, acting to improve their standing, and, more importantly, improving over time. The same principle applies to us. As a global service provider, we need to move fast and ensure that everyone in the company understands what's expected of them. We need to compete not only on our technical capabilities, but on our values and culture. This must be at the center of what defines us as a company and what we stand for, not only because we need to, but because it's what we've always believed.

## Integrating ESG Considerations across Strategies and Investment Teams

*“As stewards of our clients’ assets, we are deeply invested in understanding the environmental, social and governance issues that are material to a company’s ability to generate sustainable performance.” – Ron O’Hanley, Chairman and CEO*

The investors we serve have long-term goals and needs they must address, which is why our Asset Management team stresses ESG issues in their investment risk frameworks and engagement with portfolio companies. At the same time, we are obligated to apply the insights we gain from working with global institutional investors to our own ESG priorities as a company. These issues are important to us both as investors and as a high-performing company.

As a trusted partner to our clients and a responsible corporate citizen, we prioritize transparency in our approach to ESG issues. Our board of directors monitors ESG risks that are material to our business, and our analysts ask portfolio companies to do the same. However, these companies must have information in hand that illustrates the full horizon of ESG-related risks and opportunities.

To that end, we offer our clients and analysts an expanded suite of tools and databases that enable them to broaden their understanding of how their portfolio companies are performing, and what risks may be present regarding ESG issues. These capabilities allow us to make integrated decisions based on the best available information and prioritize long-term value creation. The following section will discuss ESG-related aspects of our business and our focus on integrating ESG considerations across strategies and investment teams.

### State Street ESG Affiliations

Boston College Center for Corporate Citizenship  
Boston Women’s Compact  
Business in the Community  
Business for Social Responsibility  
Carbon Disclosure Project (CDP)  
CECP-SII  
Ceres  
CSR Asia  
CSR Europe  
ESG Research Australia  
Global Reporting Initiative (GRI)  
Green Power Partner  
Greentown Labs  
ICI Global

International Integrated Reporting Council  
Investor Network on Climate Risk  
Principles of Responsible Investment (PRI)  
Sustainability Accounting Standards Board (SASB)  
Alliance Member  
Task Force on Climate-Related Financial Disclosures (TCFD)  
The Coalition for Inclusive Capitalism  
United Nations Environment Programme Finance Initiative (UNEPFI)  
United Nations Global Compact (UNGC)  
World Business Council for Sustainable Development (WBCSD)



## ESG Thought Leadership in 2019

Our ESG solutions are grounded in our rigorous approach to research. State Street Associates (SSA), our academic affiliate, began a new partnership in March 2019 with ESG pioneer Professor George Serafeim of Harvard Business School to build upon his foundational research on materiality and bridge the worlds of financial theory and practice. Widely published and recently recognized by *Barron's* as “one of the most influential people in ESG investing,” Serafeim’s research focuses on measuring, driving and communicating corporate performance and social impact, as well as the practical integration of ESG criteria into investment management.

Through this partnership, the SSA team, with access to proprietary aggregated flows data, is studying ESG indicators to understand how real money moves as a result of ESG and how this may incrementally affect returns for and pricing of ESG factors. The partnership will advance our ESG investing research agenda on behalf of our clients. Watch this [video](#) of Professor Serafeim speaking with the head of SSA, Will Kinlaw, where they discuss the partnership and how we can change investor perspectives while exploring the best practices to measure ESG factors in the investment process.

We hosted the first-ever [State Street Live: ESG Forum](#) in September 2019 in Boston, where attendees heard from Professor Serafeim and other industry and thought leaders on the latest breakthroughs in ESG research and implementation. At the same time, State Street launched its first “ESG Investing” [website](#), featuring the firm’s cross-divisional ESG efforts.

## SSA 2019 ESG Research: Decarbonization Factors

In September 2019, Professor Serafeim and SSA analysts Alexander Cheema-Fox, Bridget Realmuto LaPerla, David Turkington and Hui Stacie Wang co-authored *Decarbonization Factors*, a white paper that assesses how institutional money flows around low-carbon strategies and tests, “Do flows contain information about the financial performance of low carbon strategies?”

To study this, the team constructed 12 low-carbon (long-short) strategies called “decarbonization factors” focused on operational carbon intensity and mapped to SSA’s proprietary, aggregated and anonymized flows. They found that going with the coincident flows on low-carbon strategies improves returns and their results suggest that these flows contain information about climate-related fundamentals. The research reveals that by rotating across different decarbonization factors — implementing tilts at the sector, industry or firm level across regions — investors can have continuous exposure to low-carbon portfolios with more attractive return profiles. As the first investor behavior study to directly examine institutional flows into and out of decarbonization factors, this research opens the door to new insights.

Through this partnership, SSA continues to build on these findings, produce ESG thought leadership and present clients with actionable insights across asset classes.

## Our ESG-related Products and Services

As we witness the structural shift in our economies from tangible to intangible value drivers, we recognize that ESG issues are becoming more important differentiators for companies. Investor awareness around these issues continues to grow, with global sustainable investments having risen 34 percent to \$30.7 trillion over the past two years according to [Bloomberg](#). As fiduciaries of our clients’ assets, we are committed to identifying opportunities and mitigating risks to create long-term shareholder value. Companies that are managed responsibly deliver [better financial results](#) over the long term.

Firms that adhere to environmental efficiency, social awareness and the highest governance standards are well positioned to withstand emerging risks and capitalize on new opportunities. Therefore, we are committed to combining our financial and ESG data and analytics capabilities with our investment practitioner perspective to create a new generation of ESG solutions. We provide leading research, analytics and advisory for investors’ ESG needs across asset classes and investment styles.

Across our investment servicing, management, research and analytics capabilities, we help investors understand the material ESG issues and climate-related risks that impact the value of their portfolios. Whether a client is looking to better manage risk or drive long-term performance, we design investment solutions that integrate ESG factors to enhance their long-term returns.

## State Street Global Advisors

At State Street Global Advisors, our mission is to invest responsibly to enable economic prosperity and social progress. As such, we are committed to responsible investing. Our heritage as an ESG investing leader goes back 35 years, having launched our first ESG mandate in 1985. As an early leader in low-carbon investing and a signatory of the United Nations Principles for Responsible Investing (UNPRI) since 2012, we integrate ESG across investment teams, and are a recognized leader in asset stewardship, corporate governance, as well as ESG

indexing and active management capabilities across asset classes. We offer a variety of ESG investment styles to provide investors choices to invest based on their own values and preferences.

Investors are increasingly demanding ESG strategies and guidance, and we have answered their call by developing a suite of products and solutions that integrate ESG data into our clients' portfolios. Our investment management team has been leading the charge in ESG investing for 35 years, incorporating ESG research insights into its risk frameworks and engaging on material ESG issues across multiple platforms. Our approach includes:

- *Asset Stewardship* through proxy voting, engagement and thought leadership to engage with our portfolio companies on ESG issues that impact long-term value creation
- *Customized Advisory Services* to improve how clients can effectively construct resilient portfolios and manage risk based on their investable universe and risk/return profile
- *Proprietary Scoring* through R-Factor™, an ESG scoring system that gives listed companies a unique score and allows investors to build more sustainable portfolios
- *Investment Solutions* to provide:
  - o Exclusionary screening, to help clients express their value in their investment portfolios
  - o ESG best-in-class to deliver ESG performance
  - o Climate investment solutions: combine globally accepted climate science goals, climate-focused regulation and climate data to create a variety of solutions
  - o ESG integration for alpha-driven investment strategies
- *Thematic Investing* around climate solutions

### **Monitoring ESG Risks through Asset Stewardship**

Our Asset Stewardship Program allows us to proactively monitor and report our impact on improving ESG practices in our portfolio companies globally, which promotes long-term sustainable returns. Through strong engagement, voting and thought leadership, we have seen companies respond to our calls to action to enhance diversity at the board level, strengthen board leadership and improve disclosure on their sustainability practices.

For example, on climate change, we have conducted more than 365 engagements since we began addressing the issue in 2014. This year, we found that while boards are starting to see climate change as a risk that needs to be mitigated, they are responding in a short-term, tactical manner to this long-term, strategic challenge. We believe that this is partly due to the time horizon mismatch between a typical three-year strategy-setting process and a longer time horizon over which companies expect climate risk to materialize.

We engage in several ways to promote better time horizon alignment:

- We encourage the board to have oversight responsibilities for climate. The board helps management think high level and long term on different issues, so having board responsibility for climate provides an opportunity to hold management accountable for considering the long-term impacts of climate change.
- We are encouraging companies to adopt long-term climate-related sustainability goals. When companies have climate goals, such as greenhouse gas reduction, we stress the importance of longer target dates or achievement periods, longer than the typical three years that we see in many markets.

We are using our voice and vote to encourage portfolio companies to take ESG risks seriously and deliver self-determined key performance indicators and material ESG factors and objectives, as we continued to do in 2019 with our signature, multi-year campaigns around gender diversity and climate. Both initiatives were identified as focus areas as we look to help portfolio companies address these challenges in 2020.

## ESG Investing Defined



**AUDIT**  
e.g., **Asset Owners**  
auditing  
Asset Managers



**RISK**  
e.g., **Asset Managers**  
managing risk  
for Asset Owners



**ALPHA**  
e.g., **Hedge Funds**  
delivering returns



**BRAND**  
e.g., **Corporations**  
"Walking the Talk"

ESG investing is the analysis of material environmental, social and governance factors that may impact the risk and return of portfolios. Consideration of ESG issues throughout the investment process improves investment decision-making for our clients by augmenting traditional research like analyzing financial statements, industry trends and company growth strategies, and includes asking the following questions:

- Environmental: Does the company use resources efficiently? What environmental impacts, if any, pose risks to the company?
- Social: How does the company treat its employees, customers and community, and hence all internal and external stakeholders?
- Governance: Is the company's leadership structured to facilitate accountability and independence?

By engaging each business unit in the implementation of our integrated approach to ESG investing, we help our clients achieve their desired investment outcomes. State Street Global Advisors delivers value to our clients by assisting them throughout the ESG investment and management process; State Street Global Exchange offers analysis and quantification of those ESG investments; State Street Global Services provides performance measurement and analytics tools so clients can make better-informed decisions on ESG issues; and State Street Global Markets leverages its research expertise to provide powerful insights on ESG risk management and investment strategies to our clients, while bolstering our continued thought leadership in ESG investing.

### Fearless Girl and Gender Diversity

Our Asset Stewardship team observed in 2019 that social issues such as gender diversity, pay equality, wage strategies, sexual harassment in the workplace and worker retraining are emerging as prominent ESG issues facing companies. Overseeing and mitigating these risks will be the next frontier for corporate boards.

We push for greater gender diversity on boards as a key element of our Asset Stewardship Program. Recent studies have shown that companies with women in leadership are more likely to outperform male-dominated corporations, and gender diverse boards tend to pay more attention to risk management. State Street Global

Advisors believes that board quality is foundational to good governance and positive investment outcomes and we have a responsibility as a fiduciary to engage on this issue and use our proxy voting power if necessary as stewards of our clients' assets.

In proxy votes on gender diversity, State Street Global Advisors follows a "carrot and stick" approach. If we believe a company is committed to the issue, we give them time to change. The indicators we use to determine whether a company has added a female director or committed to do so include an SEC 8-K filing announcing a new board member; a verbal commitment during time of engagement; a written commitment in email from the general counsel or corporate secretary; and a written commitment in a public document including a proxy filing or other SEC filing.

The positive results of our [Fearless Girl](#) campaign suggest that this approach is working. Fearless Girl ignited a global conversation about the power of women in leadership and inspired companies around the world to add women to their boards.

Through this campaign, we informed hundreds of companies with no women on their boards that we were prepared to vote against the chair of their Nominating Committees if we didn't see action. As of February 2020, 681 of companies out of the 1,384 we identified responded by adding a female director. In the US, 495 boards of directors added a female member, while 33 and 13 made this change in Canada and the UK, respectively. In Japan, 101 boards added a female director and 30 added a female director in Australia.

As part of our dedication to furthering gender diversity, we also call on our portfolio companies to monitor and disclose the level of gender diversity not only on their boards, but at all levels of management. In addition, the SSGA Gender Diversity Index, created in 2016, is an exchange-traded fund designed to measure the performance of US large capitalization companies that are "gender diverse," exhibiting gender diversity in their senior leadership positions.

We will continue our Fearless Girl campaign to focus on enhancing board quality by engaging with companies to understand how they bring cognitive diversity into the board room. We will also engage with companies to understand how management promotes diversity at all levels of management and review company disclosure pertaining to diversity practices and metrics.

## **Human Capital Management**

Our Asset Stewardship team intends to continue exploring how gender diversity and other social issues are challenging our portfolio companies, encouraging and pushing them when necessary to identify Human Capital Management as a thematic priority in 2020.

We believe that human capital, a company's workforce, is a core asset and driver of long-term sustainable performance. We will engage with companies to understand how they measure, monitor and manage their workforce as well as how they align their incentives with the company's long-term strategy and invest in creating a workforce for the future.

## ESG Values Discovery Tool

To advance the conversation around ESG, SSGA began implementing a new [Values Discovery Tool](#) that was developed at the end of 2018. This online questionnaire is designed to gauge an individual investor's level of interest and commitment to various ESG issues and provide a benchmark against other individual investors based on their wealth and region. The tool helps investors and their advisors better understand what is most important to clients beyond their financial goals.

## Climate Risk Strategies

With climate change at the forefront of considerations for investors assessing the long-run viability of companies around the world, our Asset Stewardship Program has developed a rigorous and thoughtful engagement approach with portfolio companies. We use our position to ensure boards and management teams are overseeing and managing risks that might materially impact their company's ability to generate sustainable returns over the long term — and use both our voice and our vote to do so. We believe that boards should regard climate change as they would any other significant risk to the business and ensure that a company's assets and its long-term business strategy are resilient to the impacts of climate change. As a global investor, we see ourselves as an important accountability mechanism, holding the companies we invest in to a consistent set of reporting standards and investor expectations.

The global energy system is undergoing a seismic transition from one based primarily on fossil fuels to one increasingly based on renewable energy sources driven by necessity, technology and policy. We realize and act upon risks and opportunities related to climate change and a transition to a low-carbon economy. We expect fossil fuel demand to peak in the medium term. At the same time, renewable energy costs are decreasing quickly, which leads to capital reallocations due to improved means by investors to tangibly assess climate-related risks also in investment portfolios across asset classes. We have helped and are continuing to help investors making that shift.

Investment managers must recalibrate their strategies in an era of climate change. The ESG risks material to a business impact almost all segments and industries — not just the obvious polluters. However, with climate risk comes tremendous investment opportunity as the economy reworks to address the impacts of climate change. State Street Global Advisors has developed a suite of capabilities to help clients meet their investment goals specific to climate challenges. These include a spectrum of climate-related investment solutions, from exclusionary and mitigation solutions to those that also incorporate adaptation.

To learn more about our asset stewardship approach to climate and other ESG issues identified as thematic focus areas, read our [2018–2019 Asset Stewardship Report](#).

## Integrating R-Factor™ into Asset Stewardship

The availability of high-quality, financially material, and consistently reported ESG data represents the biggest challenge facing asset managers as they work to meet the growing demand for sustainability-focused investing. Investors face two key data challenges: the lack of a consistent and commonly accepted materiality framework, and opaque ESG scoring methodologies of existing data providers. While firms providing valuable ESG data have proliferated in recent years, they provide limited transparency into how they determine materiality. We further explore this topic in a 2019 thought leadership article, [The ESG Data Challenge](#).

We launched a transparent, multi-source data architecture in 2019 that helps our clients understand how ESG materiality affects performance. As our portfolio companies face new challenges, strong stewardship is essential. While ESG has always been a part of our heritage, our investment in the development of R-Factor™ (short for “Responsibility Factor”), a proprietary ESG scoring system, represents our view that ESG issues will only become more important over time.

R-Factor™ is designed to measure the performance of a company’s business operations and governance as they relate to financially material ESG issues facing the company’s industry; address market infrastructure challenges around ESG data quality; and give companies a road map to implement and improve disclosure of financially material ESG data to all investors.

Using more than 450 data points from four leading data providers, the system scores more than 5,000 companies on their ESG practices. Because the scoring system leverages transparent materiality frameworks such as SASB, companies have the information needed to understand exactly what drives the score — and which financially material ESG issues to focus on managing and disclosing. Over time, this will bring better ESG data into the market — helping build more sustainable companies and capital markets.

To learn more about R-Factor™, read our 2019 white paper, [R-Factor™ Scoring Model Bringing Transparency to ESG Investing](#).

### **Offering ESG Products and Services to our Asset Management Clients**

Our targeted and customized investment solutions address climate risk and better position our clients’ portfolios for the transition to the coming low-carbon economy, including:

- *Sustainable Climate Strategy* for active quantitative, fixed income and equity indexing investment processes across a variety of market exposure. It achieves results through a powerful mix of mitigating current impacts and adapting to future climate risks.
- *Low-Carbon Strategy* offers fully customizable active quantitative, indexed corporate bond and equity across multiple market exposure with a client-selected carbon reduction target range while minimizing tracking error and maintaining benchmark characteristics.
- *Climate Analytics and Reporting Solutions* help clients assess their climate risk exposure and understand how their strategies perform against investment objectives, including climate-focused objectives. The reports also help clients meet regulatory obligations, as well as their reporting obligations to beneficiaries, trustees and other stakeholders.

We continue to explore new challenges, including an upcoming paper that analyzes the quality of climate disclosure in the agriculture and forestry sectors. We focus on these sectors due to the significant potential impacts of climate change on these sectors and the fact that agriculture alone accounts for 24 percent of greenhouse gas emissions.

We launched the State Street ESG Liquid Reserves Fund in 2019. The fund leverages our unique approach to ESG screening, helping deliver best-in-class solutions to our clients and apply financially material environmental, social and governance (ESG) scores to the management of the fund. It’s the first money market fund to offer a portfolio composed entirely of investments that meet ESG criteria at the time of purchase.

The fund uses R-Factor™, our ESG scoring solution, as well as other data sources, the SASB framework and country-specific corporate governance frameworks, to generate a unique ESG score for issuers. The fund provides transparency into what SSGA considers to be financially material ESG factors and how it invests in prime money market instruments that meet SSGA's ESG criteria. The portfolio construction process is a multi-step method involving fundamental risk budget allocation, optimization and ESG assessment.

### **Bloomberg SASB Index Family Powered by R-Factor™**

In 2019, Bloomberg announced the creation of the Bloomberg SASB index family, which includes US large cap equity and investment-grade corporate bond ESG indices. The Indices are powered by R-Factor™ and focus on ESG factors with the highest likelihood of materially impacting the financial condition or operating performance of companies.

### **State Street Global Exchange**

State Street Global Exchange has operated its formalized initiative, [ESG Solutions](#), since 2016, and works in tandem with teams across the company to develop and provide ESG services to a growing number of our clients. Powerful analytics are a must-have for investors who want to know how ESG impacts their portfolios. The team leverages its expertise in quantitative research and analytics to provide ESG Solutions and data-driven insights to help investors better understand the ESG characteristics of their holdings and report on them in a transparent, streamlined way.

### **ESGX®**

With a growing investor interest in ESG integration, the team built and launched an interactive, web-based portfolio decision-supporting platform, ESGX®, in 2018 to provide transparent and streamlined analytics and reporting. As an interactive portfolio decision support tool, the ESGX platform helps clients navigate the nontraditional financial data landscape, enabling clients to view their portfolios through the lenses of industry-leading data sets and frameworks to identify drivers aligned with their investment goals.

A series of enhancements were made to ESGX® in 2019. Clients will now benefit from an additional asset class, corporate bonds, four new data providers and improved functionality, resulting in quick and concise readings of portfolio data. The four new data providers, IdealRatings Inc., MSCI ESG Research LLC, Trucost ESG Analysis and Sustainability US, Inc., enable global analysis of ESG data including performance, volatility and returns. Clients will be able to access an interactive web-based tool that calculates ESG scores through a combination of both human and machine generated data, allowing for greater transparency into potential sources of portfolio risks and opportunities.

The ESGX® module is in the process of migrating into State Street's existing Risk Analytics Platform, truView®, allowing for a more scalable, client-centric ESG risk and Alpha solution. truView® will give clients access to an expanded GUI as well as a global client servicing team. Additional expansion of ESGX product capabilities is in progress. Current features include:

- *Carbon Footprint* and carbon intensity analysis
- *Comparison Functionality* across portfolios, allowing for benchmark analysis
- *Financial Metric Correlation*, allowing clients to view ESG metrics against risk and return measures
- *Standardized Reporting* including ESG, Climate and SASB

## Charles River Development and SaaS Model

We take a holistic view on innovation transformation at State Street to help our clients enhance performance, improve risk management and transform data into valuable insights. To achieve scale, improve performance and access industry-leading insights, smarter systems that aggregate and manage information are essential.

We acquired Charles River Development in 2018 to create a unique interoperable platform where clients can access comprehensive portfolio management, trading and compliance capabilities, and still connect and exchange data with other industry platforms and providers. Their front- and middle-office software-as-a-service (SaaS) model, once fully integrated with State Street's existing front-, middle- and back-office capabilities, will enable State Street to deliver a comprehensive front-to-back, buy-side platform for asset managers and owners.

## Tax-Advantaged Investments and Municipal Financing

Our commitment to ESG includes the work of our Finance Department's Tax-Advantaged Investments Group as well as our Municipal Finance Group in the US. Our tax-advantaged investments group has committed more than \$3.8 billion to investments in affordable housing and renewable energy projects as of year-end 2019.

We committed to 16 new projects in 2019, including:

- Five affordable housing Low-Income Housing Tax Credit funds, with one invested solely in Massachusetts and the others invested nationwide
- Two national affordable housing preservation funds
- Five state tax credit purchases (in Massachusetts and California)
- Two wind power plants in Kansas and Texas
- One solar power plant in Texas and one portfolio of solar and battery storage projects in Massachusetts, largely supporting schools and places of higher education

Our US Municipal Finance group works exclusively with and provides credit facilities to US municipalities and other public sector entities — including state and local governments; essential services providers such as water, sewer and power utilities; airports; transportation agencies and housing authorities — to finance capital improvement projects. By accessing the capital markets with bank credit enhancement or borrowing directly from banks, municipalities can achieve cost-effective financial solutions while completing vital infrastructure improvements.

As of December 31, 2019, we provided credit enhancement and direct loans to issuers in support of:

- \$4.3 billion of debt issued by state and local governments
- \$3.5 billion in debt issued by essential services providers
- \$597 million in debt issued by transportation agencies
- \$436 million in debt issued by airports
- \$329 million in debt issued by housing authorities

Municipalities frequently seek to incorporate sustainability into these new capital investments to mitigate risks, including climate-related risks by, for example, switching to renewable energy sources or replacing older facilities with carbon neutral ones. Governance as it relates to information security has become one of the key risks that the public sector must address in its capital spending due to its vulnerability to cyberattacks.

In general, all Municipal Finance credit decisions are guided by our Credit Risk Guidelines (CRG), which are overseen by Enterprise Risk Management and reviewed annually. These CRGs include exposure limits, risk appetite and risk-rating guidelines for our investments.

Environmental protection remains a priority for a municipality’s core operations (for example, utilities), but our risk analysis and due diligence processes need to be cognizant of broader issues. Current and emerging issues we monitor and analyze for each credit exposure include susceptibility to climate events and natural disasters, cyberattacks and ransomware, cost of legal and regulatory compliance, reliance on renewable energy, deferred maintenance of capital assets, wastewater treatment and sustainable access to water.

## Municipal Finance

---



**\$3.5<sup>B</sup>**

in debt issued by essential services providers



**\$597<sup>M</sup>**

in debt issued by transportation projects



**\$436<sup>M</sup>**

in debt issued by airports



**\$329<sup>M</sup>**

in debt issued by housing authorities

# Governance

Governance at State Street extends beyond corporate structures and procedures and encompasses the responsible and proactive management of the company's environmental, social and governance (ESG) issues. State Street's corporate governance structures strive to ensure ethical business practices and include processes for systematically measuring financial and strategic risks through financial and non-financial risk metrics.

State Street Global Advisors' stewardship team engages with companies to influence and advance robust and progressive governance practices across various sectors, industries and geographical regions. Through informed exercise of voting rights and value-driven engagement, they encourage companies to effectively manage ESG risks to generate long-term value, thereby creating value for our clients.

To maintain the company's reputation for quality, integrity and the highest ethical standards, we have standards that govern our board of directors (board), as well as standards of conduct and ethics for our employees and senior financial officers.

Our risk management systems and corporate governance structures promote sustainable growth and rigorous oversight of our operations. This section details State Street's board governance and its management of ESG practices.

## Board Governance

Our board members, in their role of overseeing the sound management of the company, have the responsibility to exercise their business judgment in what they believe to be in the best interests of the company and the shareholders, taking into account the interests of the employees, the customers and the community at large, and in so doing enhancing the long-term value of the company. The board meets regularly to evaluate the company's business strategy, performance and policies, as well as our CR initiatives and objectives.

The board appointed Ron O'Hanley as State Street's chief executive officer (CEO), effective January 1, 2019, and as chairman of the board effective January 1, 2020, following Jay Hooley's retirement.

The board serves several functions, including overseeing the business and financial strategies and risk appetite of the company; evaluating, providing counsel on and authorizing major corporate actions; promoting honest and ethical business practices and conduct, sound corporate governance, sound risk management, full, fair and timely public disclosure, and avoidance of conflicts of interest; approving the financial statements and the program for compliance with the law; evaluating the performance of the CEO and overseeing CEO succession planning; approving the incentive compensation arrangements for senior executives; providing advice on the selection of senior management and overseeing management development; periodically reviewing the alignment of the company's culture with the company's strategy and long-term objectives; and monitoring the company's material activities and practices regarding ESG matters.

The board's decision-making and conduct is guided by State Street's [Corporate Governance Guidelines](#), the [Governance Standards Relative to the Investor Stewardship Group \(ISG\) Governance Principles](#), and the individual board committee charters, which outline the specific functions and responsibilities of each committee:

- Examining and Audit Committee
- Executive Committee
- Human Resources Committee (renamed as of February 20, 2020)
- Nominating and Corporate Governance Committee
- Risk Committee
- Technology and Operations Committee

In 2019, the scope of the Technology and Operations Committee was redesigned to focus on technology and operational risk, in response to State Street's evolution toward digitization and technology-centric solutions for our clients. The Executive Compensation Committee was renamed in 2020 as the Human Resources Committee, in recognition of the committee's expanded oversight responsibilities of human capital management, including talent recruitment and retention and inclusion and diversity initiatives.

In 2018, the board of directors took on responsibility for monitoring material ESG activities and practices such as greenhouse gas emissions and climate-related risks. State Street's overall corporate responsibility efforts are overseen by the Executive Corporate Responsibility Committee (ECRC), which reports to the board of directors at least once per year. The ECRC is charged with setting our corporate responsibility strategy, executing programs and initiatives and monitoring progress of the programs. Each year, the ECRC develops goals that are not only material to State Street but also promote new opportunities relevant to the company's ESG objectives. These issues include topics such as environmental sustainability, social and community-focused programs, and employee engagement and diversity programs. In addition, the ECRC has been charged with supporting State Street's responses to TCFD and the European Union's Directive on Non-financial Reporting. The Global Corporate Responsibility Officer at State Street is accountable to the ECRC and provides operational leadership for the corporate responsibility activities under the committee's purview. In 2019, the Global CR Officer serves in the Shareholder Engagement group, responding to shareholder inquiries as needed due to an increased interest in ESG issues amongst shareholders.

## **Board Independence**

All members of our key board committees — the Examining and Audit Committee, Human Resources Committee and Nominating and Corporate Governance Committee — meet the independence requirements of the listing standards of the New York Stock Exchange (NYSE). State Street has a Risk Committee, on which the chairman and four independent directors serve, as well as a Technology and Operations Committee, on which the chairman and five independent directors serve. As of January 1, 2020, 92 percent of the board — 11 of 12 directors — are independent per NYSE listing standards.

## **Board Diversity**

Our Nominating and Corporate Governance Committee recognizes the importance of diversity with regard to the composition of the board and strives to have a board that provides diversity of thought and a broad range of perspectives. In an effort to achieve these objectives, the Committee seeks board nominees who come from diverse backgrounds, experiences, education, perspectives, ages and geographies.

As State Street Global Advisors' Asset Stewardship team has a strategic focus on improving board gender diversity, we are committed to "walking the talk" on our own board. As of January 1, 2020, 33 percent — 4 of 12 directors — were female and the board appointed its first female independent Lead Director, Amelia Fawcett, in May 2019. Fawcett most recently served on the board's Executive Compensation, Risk, and Technology and Operations Committees and is a former chair of the Risk Committee. As Lead Director, she represents the board in discussions with shareholders and regulators and presides over meetings of the independent directors. In addition, Marie Chandoha was appointed to the board in September 2019, bringing a wealth of diverse financial services experience and knowledge to the board, including insights from her prior eight-year tenure as CEO of Charles Schwab Investment Management, Inc.

# Interview with Talinn Demirjian



To learn more about State Street’s approach to ESG Risk, we spoke to Talinn Demirjian, Managing Director within Enterprise Risk Management.

## **You recently developed a new methodology to assess country-specific risks to State Street’s business. What motivated this work?**

There are two primary motivators. The first is State Street’s commitment to its sustainability goals, which largely started with State Street Global Advisors. In our industry, asset managers have generally been a bit further ahead of the rest as far as considering ESG questions broadly, and climate risks more specifically. As an organization, we felt it was important that we speak with one voice representing the entire company. We don’t want there to be a disconnect between what our asset managers are telling investors to do, and what we’re doing in-house regarding how we think about climate or ESG-related risks.

The second motivation is making sure we’re at the forefront of risk management and meeting global regulatory standards. We’re receiving more and more attention from our regulators domestically and internationally regarding our understanding of climate risks: how we measure and monitor them, and how they impact where we do business, what kind of business we do, who we lend money to, and so on.

The climate section of our country-level assessment of ESG risks has a question that covers a country’s policies toward climate adaptation. From a regulatory standpoint, we can’t operate at simply the lowest common denominator level. If we must meet a higher standard in the UK or Europe, it makes sense that our entire risk management framework aligns with that standard and that we land where best practices are on climate risks.

## **A company of State Street’s size and scope faces many kinds of risks. What is unique about State Street’s culture and approach that makes it good at managing risks?**

We have a holistic second-line approach to risk management that has been built up over the past decade. State Street hired its first chief risk officer (CRO)

12 years ago, spurred in large part by the global financial crisis. Since that time, our CRO has put in place a comprehensive, top-down structure to look across the risks we face and ensure we address those risks.

One of the key factors in effective risk management is being able to define risks and what falls into different risk buckets. To that end, we've done a lot of good work over the last 12 years to help determine what these different risk types are, how we define them, how we measure and monitor them, and what our appetite is for them.

We have not traditionally looked at climate and ESG risks as stand-alone risk categories because they factor naturally into how we already think about risk management and our existing risk taxonomies. Risks that arise from climate change are typically categorized into physical, i.e., climate-related event risk, or transition risks, i.e., the risk climate change poses over time. If we think about physical risks, a lot of those already map into our taxonomies for operational risk. As for transition risks, many of these are implicitly considered in credit analysis as part of considerations of both geography and sector.

However, we've recently decided to take a different, more explicit approach to climate risk. For instance, if our team in the business unit is looking at buying leveraged loans, they must consider the impact of the world's rejection of oil sands as a socially viable energy source on the value of buying a leveraged loan in that industry. Or if we're making a commercial real estate loan in an area that's located in a floodplain, we would consider that environmental risk factor as part of our evaluation in determining the worth and viability of that credit. That's always been implicit in those evaluations, but it hasn't ever been called out explicitly or looked at in the aggregate.

Developing this new thinking around climate risks will give us the ability to take a more strategic view, as opposed to evaluating risks on a credit by credit, loan by loan basis. Aggregating and thinking about risks to our portfolios more holistically is where our ESG risk management can be the most impactful.

**Do you see different cultures regarding risk assessment and management across State Street's business lines and offices around the world?**

I see differences playing out regionally rather than in terms of business lines. One reason is the difference in the regulatory environment among regions. Our regulators in the UK and Europe are leading the charge on climate-related issues, with varying degrees of progress among other regulators. Even though climate risks are a politically hot topic in the US, I think there is a greater expectation for financial institutions to take action in the UK and Europe versus in the US.

It will also be interesting to see how compliance and regulatory expectations develop in emerging markets, where you have very different levels of potential growth and associated energy intensity. We are generally less exposed to emerging markets versus developed markets as a firm from a credit risk perspective, but we have a lot of people and business activities that take place in emerging markets. As such, some of the bifurcations between the developed and emerging worlds might come into play as time goes on.

**What do you see as the next horizon for corporate risk management? Are there particular topics that you see bubbling to the surface as the next big thing to track?**

Top-of-mind topics are in the non-financial risk space and centered on the concept of resiliency, which is the ability of organizations to prevent disruptions to their business and to recover from disruptions that do occur. In that context, we are focused on business continuity and disaster recovery. While many firms are focused on these risks right now, to some extent regulators are still defining what “good” is here and so it remains an area that we expect to see evolve further. The same is true for ESG risks. Climate or environmental (E) risks are further along in the regulatory consciousness in some ways than social (S) and governance (G) risks, which I think results in a wide range of how market participants are incorporating ESG considerations.

**What interests you personally about this work?**

I started out as an equity trader, but then became interested in expanding my understanding beyond my narrow window on the financial markets. After going back to school for a graduate degree in international business and political economy, I came back to the financial services industry in the country risk department. The ever-changing nature and the unique personality of different countries is what I find interesting. You must understand their history to understand why they behave the way they do. Country behavior is not always logical or predictable in the way that corporate behavior can be. Climate risk work plays into that because it’s also an evolving and very different field depending on what region of the world or country you’re looking at and its level of development and its political climate. It’s exciting to be on the forefront of something that’s still being formed.

## Risk Excellence and Compliance

As a trusted fiduciary and partner to the world's leading institutions, our stakeholders expect us to hold our employees and senior leadership accountable to the highest standards of risk excellence and compliance. Each State Street employee is considered a custodian of the company's reputation and as such, we require them to act in ethically appropriate ways.

### Risk Excellence and Compliance Governance

The board's Risk Committee oversees State Street's global risk management framework. This framework includes, but is not limited to, policies and procedures establishing risk management governance, risk management procedures, and risk control infrastructure for its operations, as well as processes and systems for implementing and monitoring compliance with such policies and procedures. The Risk Committee reviews and approves our risk appetite framework annually at a minimum.

Our risk management strategy is founded on three levels of defense that govern risk in our operations and value chain:

- *First Line:* Every employee owns and manages risk and is responsible for their own internal control environment
- *Second Line:* Enterprise Risk Management and Corporate Compliance teams establish and monitor adherence to the risk management and compliance frameworks
- *Third Line:* Corporate Audit provides independent assurance of the process

### Guiding Codes and Standards

Corporate Compliance is the Second Line of Defense for employee and business conduct and monitors whether we are conducting business in alignment with our standards and regulatory obligations. We expect our employees to act fairly and with integrity in all interactions with clients, peers, portfolio companies, competitors and other stakeholders. To that end, our [Code of Ethics for Senior Financial Officers](#), [Standard of Conduct for Directors](#) and [Standard of Conduct for Employees](#) outline our expectations for ethical conduct by our employees specific to their roles.

We also respond when matters come to our attention that inform us where we can improve our policies, guidance and training. For example, in 2019, we updated the Code of Ethics for our Advisory business and provided additional training based on lessons learned that there might be groups within this business that needed more clarification about some of our definitions. We believe based on the mechanisms that we have put in place that our employees are highly responsive to compliance-related matters.

### A Balanced Approach

Ethical conduct flourishes in a balanced and measured culture. We make sure we are consistent and strategic in our approach to addressing compliance and risk excellence, which is why we have both punitive response mechanisms as well as incentives and rewards programs.

## **Risk Excellence Awards**

For the third year in a row, State Street recognized standout employees who demonstrated leadership in risk excellence. Any employee can nominate someone on their team or someone they know at State Street who was risk excellent that year. Nominees must be a vice president or below and are reviewed by a panel of their peers.

## **Conduct Standards Committee**

The Conduct Standards Committee is responsible for implementing the Conduct Standards Program launched in 2017. This Committee is composed of senior leaders drawn from the business as well as key functional areas whose task is to make sure we apply our conduct standards framework to individual matters consistently across the business and at all levels of the organization. They are responsible for reviewing all employee conduct matters, whether related to policy or behavioral matters, and apply the conduct standards framework to determine appropriate responses.

To demonstrate transparency and foster a culture of risk excellence as a shared responsibility, an annual report is written and distributed to employees highlighting noteworthy committee activities. This report describes the number and type of matters that the committee has dealt with and reports the outcomes. It also provides examples of conduct that do not meet our expectations. To further engage employees, we added an internal communications role to our communications team in 2019. This role maintains an ongoing campaign of risk excellence internal communications. These strategic campaigns reach employees through a variety of channels.

## **Compliance Regulation**

We closely monitor anti-corruption legislation and risks to our business and analyze our global business activities for bribery and corruption-related risks. In addition to our Standard of Conduct, we have several policies in place that support our compliance and risk excellence efforts, including an Anti-Bribery and Corruption policy, Gift and Entertainment policy, Political Contributions and Activities policy, and together with expanded Anti-Bribery procedures on conducting Due Diligence on Vendors and Intermediaries, Employee Referral procedures and Due Diligence Procedures for Mergers and Acquisitions.

### **Investing in Regulatory Intelligence**

We are investing in a regulatory intelligence service to efficiently and effectively become aware of and manage global compliance regulations impacting our business and the financial services industry. The service provides us with quality insights on regulations that allow us to be proactive in our approach to regulatory compliance and strategic decision making. In 2019, we operationalized the use of the data from this service.

Our Compliance Oversight Program for Global Marketing helps State Street's Global Marketing team oversee compliance with regulations related to how we represent our products and compete for business in the marketplace.

## Continued Enhancements to Compliance Program

State Street overhauled its compliance structures and procedures in 2018, including its organizational design and compliance risk management program, to build a less prescriptive, more holistic and principles-based approach to compliance.

Our streamlined risk taxonomy, developed in 2018, helps us react to current threats to our business efficiently and better adapt to the emerging risk landscape within our industry. This taxonomy centers our risk excellence and compliance procedures on key risk themes that allow us to focus on high-risk areas, incorporate additional risk issues that may arise and be more proactive in addressing material risks.

In 2019, we continued to enhance our compliance program with greater use of data and analytics to perform outcome-based monitoring as well as the rollout of more comprehensive end-to-end and targeted reviews evaluating top and emerging compliance risks. The deployment of these enhanced techniques yielded better monitoring and testing outcomes and became an important additional source for the identification and resolution of potential conduct matters. This demonstrates the sophistication and maturation of our enhanced compliance structures and procedures. In addition, we continued to implement our “Lessons Learned” process to thoroughly investigate, analyze and communicate the root cause of compliance, conduct and risk management events and apply lessons learned across the organization.

## Targeted Conduct Program and Compliance Risk Culture Review

In the past, we embedded conduct into our overarching compliance program. As our thinking evolved in 2019, we began separately identifying and articulating a compliance view on conduct. To that end, we performed a targeted assessment of our conduct program and our compliance risk culture, which is closely linked to risk excellence.

This was the first review of its kind and revealed that our conduct program is designed and operating effectively, as well as areas for continuous improvement to build upon our strong risk excellence foundation. We will continue to review how we think about conduct, with a focus in 2020 on distinguishing our thinking between employee (personal) conduct and business conduct specific to business units.

## Compliance Training

Each State Street employee undergoes compliance training to learn appropriate conduct for engaging with clients, prospects, business partners, high-risk individuals, peers and other stakeholders. This training covers our Ethical Decision-Making Framework, Standard of Conduct, Anti-Bribery Policy, Corruption Policy, as well as industry-specific conduct requirements related to issues such as information security and privacy, conflicts of interest, insider trading and fraud awareness. Employees also participate in compliance training specific to their role and business unit.

Our Compliance team must remain agile to maintain our enterprise-wide culture of risk excellence as the business continues to grow in emerging markets such as China, India and Poland. A new onboarding program launched in 2019 integrates risk awareness, training and procedures within our processes to set employee expectations and ensures incoming talent is engaged from day one. The program involves more interactive elements such as videos and presentations that take into consideration the wide variation of compliance regulations and policies in our growing global hubs.

## Cultivating a Culture of Risk Excellence

We are steadfast in our commitment to a culture of risk excellence that mitigates potential risks that threaten our business. State Street puts risk excellence at the heart of its business strategy, balancing the goal of long-term value creation with the protection of our economic, human and environmental capital.

### Speak Up/Listen Up

Fostering a culture of compliance includes encouraging employees to speak up when they witness behavior that isn't aligned with State Street's values. If we are asking employees to speak up, we must teach our managers how to listen. Our Speak Up/Listen Up program encourages employees to voice concerns about State Street accounting, internal accounting controls or auditing matters, or other concerns about State Street or its conduct. Speak Up/Listen Up training is implemented company-wide to ensure managers have a clear understanding of how to listen to their peers and develop stronger cultures of compliance and speaking up within their teams. Issues are raised to management through one-on-one conversations and the [Speak Up Line](#), an anonymous feedback mechanism that employees can call or access online.

## Operational and Cyber Resiliency

As stewards of the client and State Street data that is stored across our systems, we have a responsibility to put controls in place that safeguard this information. We are cognizant of the potential threat that each business transaction poses to that data and take data protection and privacy seriously.

Operational and cybersecurity preparedness is a priority within our business strategy, as data privacy and protection concerns continue to grow in the financial services industry and beyond. We implement rigorous training, policies and procedures to manage these risks effectively and engage in partnerships with service providers to improve the security of our systems and ensure business continuity.

The Corporate Information Security (CIS) team increased its focus on cyber resiliency in 2019 to further safeguard the business against external cyber threats. Our CIS team is continuously putting measures in place to improve cyber hygiene (sound security systems), establishing new resiliency policies and procedures, implementing continuous testing and simulations, and conducting ongoing training for employees. Our targeted, proactive approach ensures we segment our network for resiliency and invest in tools, emerging technologies and skilled talent.

### Governance

Our Corporate Information Security team sets and oversees State Street's policy guidance on information security, puts into practice those policies and procedures, sees that the company is complying with global and local regulatory norms as a regulated bank, and manages operational and cybersecurity threats and intelligence.

Our Information Security team integrates stringent information security risk management practices throughout each of our business lines. The current iteration of our Information Security program drives effective two-way communication between business management and CIS teams, allowing us to more efficiently identify and mitigate risks using an integrated network of Information Security Officers (ISOs), risk tools and platforms.

We are also members of various conglomerates and boards that are looking at data protection issues and regulations. This includes participating in industry-related activities on cyber resiliency best practices, such as the Financial Services Information Sharing and Analysis Center (FS-ISAC), an industry consortium dedicated to reducing cyber-risk in the global financial system.

### **Adapting to Changing Regulations and Standards**

As a global bank with business operations in multiple countries, we stay up to speed on the new and evolving data protection and compliance regulations, as well as regulations that can vary from state to state within the US. Although this global footprint makes it challenging to gain consensus on how best to manage across jurisdictions, we do our best to streamline our responses where regulations overlap in various geographies.

We comply with industry standards and best practices. State Street adopted the National Institute of Standards and Technology (NIST) Cybersecurity Framework, a voluntary tool that helps financial institutions anticipate, mitigate and respond to cyber threats. In addition, our business operations in the European Union (EU) comply with the General Data Protection Regulation (GDPR), which protects the privacy of individuals in the EU.

### **Looking Ahead**

We will continue to enforce ongoing programs and strategies to further enhance our global operational and cyber resiliency framework, including our Data Loss Prevention strategy, Identity and Access Management Program, and Inadvertent Data Disclosure (IDD) practices.

Moving forward, we will focus on implementing and improving our visibility, detection and threat intelligence capabilities, as well as building and solidifying our resilience posture to ensure we perform the appropriate level of maintenance, upgrades and updates. This will be possible as we increasingly adopt innovative and emerging technologies such as artificial intelligence (AI), robotics, machine learning and cloud-based technologies that automate detection and process data in a more efficient manner.

#### **Data<sup>GX</sup> Recognized as Leading Data Governance Solution**

Our data-as-a-service offering, Data<sup>GX</sup><sup>®</sup>, was recognized in 2019 as a flexible and scalable front-office solution that makes data management controllable and investment decisions easier for clients. Data<sup>GX</sup> is our end-to-end data management solution that includes data quality, data governance, data security and aggregation of an investment firm's entire financial data universe. The solution manages multi-asset class data from any service provider or data vendor to facilitate a holistic and integrated view of clients' holdings, cash, security master, performance measurement, risk, and other critical information. This solution reflects our years of experience servicing complex instruments for our global client base and our investments in building advanced financial data management technologies.

## Responsible Sourcing

Our commitment to responsible governance extends to our relationships with the providers of products and services that we use in our business. Risks within our supply chain, such as human rights violations, are not directly material to State Street's business model. However, we screen our suppliers to ensure their practices are consistent with our values and expectations. Our 4,700 suppliers worldwide provide products and services to the company including financial, IT, business and professional services, and market data, travel management and office support.

### Key Products and Services

Using our supplier assessment strategies, State Street pinpoints the best-in-class processes, technology and tools that will help us reach our spending and risk management objectives. Supply chain categories that Global Procurement Services (GPS) focuses on for key products and services include:

- *Business Services*: These include the global management of the Contingent Labor at State Street (CLASS) Program for staff augmentation and other labor services needs across the company
- *Financial Services*: These drive development of supplier strategies, negotiations and contracting to deliver risk-mitigating business value to State Street within the sub-custody, insurance and operation support areas
- *Information Technology*: These include business applications, hosted applications, telecommunications, hardware and storage cybersecurity and software
- *Market Data*: This encompasses financial data such as quotes, end-of-day prices, valuations, news, corporate actions, descriptions, estimates, ratings, indices, factors and information related to financial instruments
- *Office Support Services*: These include the vendor and program management for the print, office supplies, catering services, subscriptions and facility services in alignment with the Global Realty Services team
- *Outsourcing*: This involves GPS working with the business to source and negotiate onshore, near-shore and offshore outsourcing arrangements
- *Professional Services*: These focus on providing highest value third-party service solutions to meet the business's needs in the areas of Consulting, Marketing, Legal, Tax and Audit
- *Travel Management*: This supports travel agencies that manage our business travel and employees conducting business travel

### Integrating Diversity into Our Supply Chain

Our strategic focus on diversity extends beyond our own walls to our entire value chain. Our Global Procurement team purchased goods and services from 4,700 suppliers in 2019. This reach positions us to make an impact on diverse suppliers, which we define as organizations that are at least 51 percent owned and controlled by an individual or group that falls within diverse business categories, including women-owned, minority-owned, veteran-owned, disability-owned or LGBTQ-owned.

The supplier diversity program helped us allot 7.2 percent of our annual US supplier spend to diversity-owned suppliers and 3.6 percent to women-owned businesses in 2019. We continued our membership in the Boston Chamber of Commerce Pacesetters program, which leverages the collective purchasing power of its members to

scale opportunities for local, ethnic minority-owned businesses. In 2019, we were recognized for the first time for our diverse suppliers by the Collaboration for Women in Enterprise and joined the board of directors for the Northeast Minority Council, an organization that works to promote minority-owned businesses.

### **Human Rights Risks with the Supply Chain**

As a company that procures goods and services from across the globe, we are diligent in our efforts to ensure that human rights risks are being monitored in our supply chain. We support fundamental human rights principles as outlined in the United Nations (UN) Universal Declaration of Human Rights. We are signatories to the UN Global Compact and support the principles related to human rights abuses and forced labor.

As part of our supplier compliance program, we ensure that our global procurement due diligence processes are in accordance with the United Kingdom Modern Slavery Act and any other laws, rules or regulations prohibiting human trafficking and/or slavery. This regulation requires that potential suppliers are asked to attest to whether they have a policy in place prohibiting child and/or forced labor, whether their policy extends to their own suppliers and subcontractors, and to provide tangible proof of the policy.

Our standard supplier agreement asks suppliers to provide information about their human rights policies as well as an annual slavery and human trafficking report, setting out the steps they have taken to ensure that slavery and/or human trafficking is not occurring in their supply chains or any part of their business. A supplier must notify State Street immediately if it becomes aware or has reason to believe that it, or any of its officers, employees, agents or subcontractors have, breached or potentially breached any of State Street's Service Provider's obligations under this agreement.

### **Global Procurement Services (GPS)**

The GPS team sets our procurement standards, identifies suitable suppliers and negotiates favorable price and contract terms for our key product and services suppliers. To consistently screen our suppliers against their ESG practices, our Master Services Agreement requires suppliers to answer questions related to environmental sustainability, human rights, fair labor practices, ethical sourcing practices, and other ESG-related issues.

A mandatory Third-Party Risk Management (TPRM) and Anti-Bribery and Corruption Screening (ABAC) for purchasing are also critical screenings within our global sourcing process. We do not calculate the percentage of suppliers that were screened specifically for environmental, human rights, labor practice criteria and impacts on society.

### **Environmental Preferable Purchasing Program (EPPP)**

Our EPPP provides guidance on prioritizing vendors and choosing products and services that reduce our environmental footprint and track progress against environmental sustainability purchasing objectives. The EPPP focuses on purchasing for North America and EMEA, where most of State Street's employees and spend are located.

# Human Capital

The human capital aspect of our business, including how we engage with and support our employees, is material to our long-term success. Issues and initiatives related to our human capital are important both in our internal operations and in our external affiliations with companies in State Street Global Advisors' portfolio.

State Street employees help us create long-term value and constantly innovate better ways to provide services to our clients and engage with our stakeholders. We recognize that a sustainable business model means investing in our employees' future through a variety of development and training initiatives. In addition, we deeply value fostering a diverse and inclusive culture that broadens perspectives and contributes to team building.

Our employees are our best ambassadors, and we support them in strengthening our communities through a variety of volunteer and engagement initiatives. Our community investment is strategically focused on helping improve the lives of those who are less advantaged through education and workforce development opportunities that prepare individuals for a bright future and financial self-sufficiency.

This section will discuss how we empower our talent to create long-term value and facilitate change for the communities in which we operate and serve.

## Talent Recruitment and Retention

Our employees play a critical role in our ability to create long-term value — for the company and for our clients. To ensure that we attract and develop the industry's top performers, we're dedicated to providing the tools, resources and learning opportunities they need to do their best work every day. That means offering competitive benefits, providing development, mentoring and sponsorship programs, and instilling a culture of inclusion and diversity where all employees feel valued and engaged.

### Attracting the Best Talent

Our recruiting efforts focus on high-growth markets that align with the current demands and ever-changing nature of our business. Our global Talent Acquisition team employs several key programs to support our recruitment efforts.

*Internship Program.* Exposing students to experiential learning before joining the workforce is important, so we've created opportunities at State Street to engage students early in their academic career. Internships allow us to develop talent internally by introducing students to our brand and culture, while allowing them to build professional relationships within the industry. Our program also encourages talented students to join us as their first employer after graduation. In 2019, 67 percent of our Professional Development Program class had previously worked with us as an intern or co-op.

*Professional Development Program (PDP).* Our PDP invites high-performing recent graduate candidates to participate in a two-year rotational program that allows them to experience the different workstreams of our business to determine where they will grow and succeed best within the organization. In 2019, we hired 46 PDP participants into six business units and corporate functions.

*Leadership Development Program (LDP).* Our two-year rotational LDP focuses on building an internal pipeline of diverse talent to position employees for transitioning into leadership roles. In 2019, 12 LDP participants completed the program and were placed into permanent roles at the vice president or assistant vice president level, while 21 employees began the program.

*Boston Workforce Investment Network (WINs).* We invested for the fifth year in a row in the Boston WINs initiative, a career development program for public high school students. As of September 2019, we hired 1,405 Boston WINs youth as interns since the beginning of the initiative. Of our 2019 PDP participants, 17 percent were initially recruited through Boston WINs.

## **Ensuring Competitive Benefits**

To attract and keep the best talent, we offer comprehensive and flexible benefit programs that meet the changing needs of our employees and their families.

## **Fostering a Healthy Work/Life Balance**

We offer a host of resources and services to support our employees in maintaining a healthy work/life balance.

### **Flexible Work Program**

Flexible work options help our employees manage the demands of their personal and professional lives. We've found that offering employees greater flexibility in their work hours and location increases their productivity and engagement, decreases missed days and turnover, fosters trust and loyalty, maximizes our workspaces, improves retention, and makes for a happier and healthier workforce—all of which result in significant savings for the company. Our employees have a choice of five formal flex work options: flex place (remote working), flex time, compressed schedules, reduced schedules or job-sharing.

### **BeWell Program**

Our global BeWell Program gives our employees the tools and resources they need to manage their physical, emotional and financial wellness, and we offer several programs that fall under these three pillars. While the BeWell benefits vary from country to country, they may include online wellness portals, employee assistance programs, financial planning seminars, tuition assistance, fitness reimbursements, discounts for personal expenses and group discount opportunities. We incentivize employees with the potential to earn additional paid days off for participating in BeWell programming, such as healthy habit challenges.

### **Parental and Caretaker Support**

We strive to be there for our employees during all of life's important events, and ensure they have the flexibility, time and ability to care for their loved ones and themselves when it matters most. That's why we provide child, elder and personal care programs, referrals and resources, as well as emergency back-up daycare for employees.

Employees in the United States are eligible for our extended paid parental leave (up to eight weeks) and paid family caregiver leave (up to four weeks) from the first day of their employment. US employees benefit from additional policies, including paid adoption and surrogacy leave, as well as adoption and fertility assistance.

State Street employees across the globe also enjoy parental leave benefits. Employees in the UK may be eligible for up to 52 weeks of both paid maternity leave and paid adoption leave immediately upon hire. Any associated payment, statutory and company, is dependent upon a number of different factors. Employees in India who have worked at least 80 days are eligible for up to 12 weeks of adoption leave and 26 weeks of maternity leave. Employees in Australia who have completed at least six months of continuous service are eligible for up to 52 weeks of parental leave.

## **Benefits**

Our full-time employees are eligible for benefits including programs that cover spouses/domestic partners, adult dependents and children; comprehensive medical plan options; dental and vision care; flexible spending accounts for health care, dependent care and transportation needs; employee and family life insurance; Legal Assistance Plan; Employee Assistance Program (EAP); Salary Savings Program with 401(k) pre-tax and post-tax; as well as Roth options and a competitive company match.

The EAP is a global service to support the mental health and well-being of State Street employees. State Street's EAP, offered through Optum, is available 24/7. The service is a free and confidential program for employees and their family members. The EAP can help employees deal with personal challenges that could affect their health, relationships or job effectiveness.

## **Maintaining a Healthy and Safe Work Environment**

We uphold the highest standards for health and safety within our operations and are committed to providing the safest working environment possible for our employees, contingent workers and visitors. Our new global Health and Safety policy, which was rolled out in 2019, provides a framework for our Global Health and Safety Program and governance.

This streamlined policy provides the company guidance on promoting a culture of understanding and awareness of health and safety risks; identifying and assessing health and safety risks through periodic risk assessments and remediation; reporting incidents and injuries; and complying with regulatory requirements.

The Global Health and Safety Executive Steering Committee is responsible for the execution of the policy, which includes the development of procedures for training, risk assessment, incident reporting and remediation of all health and safety matters. To the extent that regulations or regulatory guidance of a local jurisdiction require additional health and safety measures, such measures are specified in country-specific policies.

## **Helping Employees Maximize their Potential**

Professional development and training are central to our talent retention strategy. Our programs are designed to provide our internal talent with the resources and confidence they need to be effective, innovative, inclusive and successful. To help our employees meet the rapidly changing, technology-centric demands of the financial services industry, we invest in professional development and skills-training opportunities to help them succeed.

## Developing & Training the Workforce of the Future

State Street Learning, our Center of Excellence that serves as the learning hub of the organization, is committed to a learner-centric approach that makes our tools approachable and easily accessible. Our approximately 130 Learning team members are located across the globe and tailor employee education programs to work best for the culture and customs of the regions in which we operate.

## Enhanced Learning Curricula

We've enhanced our learning curricula and training to make it easier for employees to gain knowledge on specific topics. The interface, search capabilities, and visibility and reporting features of our learning management program provide employees and their managers an intuitive user experience. We now offer trainings that are more flexible and include options for classroom-style as well as online programming, facilitated courses and virtualization.

In 2019, we obtained new learning content from several different sources. We also purchased software to help us author high-quality online learning, which will enhance the online learning experience that we are able to deliver to our employees for content that is created in-house.

While all employees must complete a new hire development process that includes onboarding training on topics such as compliance, we also offer a suite of optional learning programs on skills of the future, leadership and management development, sales and marketing, unconscious bias and technical learning. For instance, one training curriculum we provide is "Driving Effective Performance Conversations," which includes four items on the topic: an article, and three self-paced online courses.

We've updated our Manager Training Program to include a modern virtual program that blends self-paced learning with live, virtually hosted sessions and discussions that learners complete over a multi-week period alongside their peers around the globe. Our manager-level employees completed an average of 16.8 hours of training in 2019.

## Employee Engagement and Satisfaction

Each year, employees participate in our employee survey, which gives us insight into employee sentiment regarding areas such as engagement, development, alignment, agility, work/life balance, manager qualities, and risk excellence. We also asked questions pertaining to behaviors required to achieve our aspirational culture traits: inclusion and collaboration, continuous improvement, accountability and ownership, and outcomes orientation and execution mindset. In 2019, 52 percent of employees reported feeling engaged at State Street — a 5 percent decrease from 2018. We believe this is largely in part due to unprecedented change and new ways of working.

While change will always be uncomfortable, we are confident that the changes that we are implementing will translate into higher engagement scores in upcoming surveys as positive proof points continue to become apparent. After all, 2019 marked only the beginning of various long-term projects to ensure employees feel a stronger connection to company strategy and that there are ample opportunities to develop their career at State Street — two significant drivers of engagement. Lastly, we continue to observe year over year that employees who participate in corporate citizenship, inclusion and wellness programs report higher engagement levels than the rest of the organization.

## Increasing Dialogue Between Employees and Managers

To no surprise, we've found that continuous dialogue between manager and employee is critical to ensuring performance expectations are aligned and executed against. As such, we've strategically designed our performance management process to enable clear and open lines of communication. In practice, employees lead monthly meetings with their manager, focusing on what's worked, what could be improved and what's upcoming. Managers, in turn, provide coaching and real-time feedback to employees — both on what they've accomplished and how.

Since the launch in 2018, employees' perception of development opportunities, including feedback received, skills improvement and access to training, increased by 2 percent.

In addition to greater alignment and more frequent conversations, we continue to refine our approach to managing performance to make sure decisions regarding performance, compensation and promotion are aligned. Our Learning function and managers more broadly also leverage the feedback generated throughout these conversations to assess the professional development needs of their team in real time.

We have strong managers, with more than 80 percent of employees giving manager quality at State Street a favorable rating. Manager quality refers to managers demonstrating honesty and integrity, treating employees fairly and with respect, giving employees freedom to do their jobs, and supporting flexible work.

# Interview with Amy Armstrong



Amy Armstrong is the Culture workstream lead for Transformation at State Street.

## **As the Transformation workstream lead for culture, what does culture at State Street mean to you?**

Culture means something different to everyone, which is what makes transforming culture a challenging responsibility. What culture means to me is how people treat each other, how they work together, the level of objectivity and fairness, and whether people feel like they are contributing to an organization that benefits their career, their families and themselves.

## **Can you share your perspective on why culture was chosen as a workstream, and how you expect the Transformation process to impact culture at State Street?**

The Culture Transformation team is focused on changing the way we work and is led by the mantra of Simplify. Deliver. Grow. The program is meant to achieve exactly what the name implies — simplify our processes and how we work, deliver on our commitments to clients, employees and shareholders, and as a result of doing these things, be in a position to grow the revenue of the company.

While that might sound very straightforward, it will require that each of us change the way we work. The approach our team is working toward is to fully engrain culture as part of the company's strategy and operating model, as opposed to sitting off to the side. Without a strong culture, the strategy and operating model are not going to work.

## **How do you know if you're moving the needle on culture change?**

Our employee survey is the most obvious place to start. We're measuring transformation over a three-year period and our aspiration is to see employee satisfaction increase from 55 percent to 70 percent over that time. Another measure of success is reducing regrettable turnover at State Street, or when high-performing employees leave the organization.

We'll be looking for employee satisfaction quick wins in the beginning. For instance, employees have expressed confusion and frustration about the many required trainings they must go through because we're a highly-regulated company. When our team looked at how we might transform employees' experience of required learning, we found a way to take the required learning trainings bundle of 36 trainings and streamline it down to six for the initial bundle of 2020.

Small wins like these will add up over time, but the way we're really focused on culture transformation is through our identification in 2019 of four aspirational culture traits: accountability and ownership; outcomes orientation and execution mindset; inclusion and collaboration; and continuous improvement. But we aren't telling employees how we think they should embody these traits.

Lasting transformation does not happen because senior leaders simply say "transform." It happens when people at all levels, those leading the work and those doing the work, are engaged and accountable for our future state — not just today, but finding better ways every day.

In this way, we are working toward a cooperative, as opposed to a top-down, model of culture transformation. There is no doubt that senior leadership support is critical, and that is why we have over 200 SVPs and EVPs participating today. But we can't, nor should we, do this alone. More than 1,000 people are actively working on transformation, employees at every level, from 21 countries, from 59 locations and representing 121 different functions. While our leadership has shown support of this transformation, we believe it's even more critical to make our entire workforce feel engaged and heard in this transformation process, especially during ideation.

To that end, we kicked off our pilots in mid-2019 with transformation ideation sessions across the globe, which sparked more than 3,000 specific behavior ideas (some of which are related to culture, while others pertain to business) from colleagues deep within the organization. The ideation sessions are allowing all levels of the organization to be involved in our transformation process. Our plan is to narrow down these ideas and have the employees who proposed the selected ideas own the milestones, metrics, goals and the business case for those ideas.

### **Are there examples of specific culture initiatives you're particularly excited about?**

We've already been testing our new approach with two pilot groups launched last fall: one working on the creation of a front-to-back platform and the second with our client onboarding teams. While it is still early days, I am so

encouraged by what we are seeing. The teams have identified the critical, few behaviors which they see as being instrumental to the achievement of their business goals. They are working on ways to amplify those behaviors through formal and informal mechanisms. And they are tracking behavior adoption and the impact on achieving their specific business milestones.

Our pilots have provided us exactly the type of business outcomes we were hoping for. Feedback tells us that when the four identified culture traits are top-of-mind, the way leaders performed improved and there was greater connectivity and collaboration across teams. In one instance, we saw that a critical behavior around putting forward a point of view and debating the team's different ideas led to concrete business results.

### **In your opinion, what makes State Street's culture stand out compared to other similar companies?**

State Street supports employees through their life moments, big or small. We're very empathetic with their careers and what's happening outside of our walls, including with our flexible work offerings. I believe a part of why people stay here is because of the amazing work we do to engage employees in our community, including through paid volunteer time, our Employee Networks, and the work we've done around inclusion and diversity. We're also proud of our history and the things we stand for. I'm proud to stand behind Fearless Girl and say this is the company I work for, especially as a woman.

### **Why do you think it's important to invest in human capital at State Street?**

We know we're taking a big risk by openly stating our intention to simplify the way we work and transform our culture, and we acknowledge that we may be slow in our progress, or possibly even fail. Despite that risk, we believe it's worth investing the time, money and resources into our employees in pursuit of this change, because without them, there wouldn't be a State Street. We will continue to engage employees to make them feel they can grow their career with us at State Street, learn new things, and be happy to come to work every day.

## Inclusion and Diversity

*"Inclusion and diversity are good for business, client relations, innovation, and creating a culture where everyone's ideas are being heard." – Paul Francisco, Chief Diversity Officer*

### We're Better Together

As we aspire to be known as an employer of choice, first and foremost, we need to ensure an inclusive workplace culture where employees feel their identities and experiences are represented, embraced and celebrated.

Inclusion and diversity are central to our company's values — Global Force, Local Citizen; Always Finding Better Ways; Stronger Together; and Trust Is Our Greater Asset. How we live those values every day matters. Like many businesses of our size and global presence, walking the talk isn't easy. It requires dedication to continuous improvement and a willingness to listen to what our employees need and want. At State Street, we are driven by the belief that an inclusive culture and diverse workforce are essential to the long-term sustainability and success of our business.

Our employees come from many backgrounds with a wide variety of life experiences. By recognizing the value of different perspectives and encouraging employees to be their true selves, we're working toward full organizational equality.

### Our Inclusion and Diversity Policy

To ensure an inclusive work environment that supports diversity of background and thought, we do not tolerate discrimination or harassment based on an employee's race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status or other characteristics protected by applicable laws.

This commitment to an inclusive work environment is built into our global Standard of Conduct and is represented in the following policies and procedures:

- Equal Employment Opportunity Policy
- Diversity Policy
- Affirmative Action Policy
- Non-Discrimination and Non-Retaliation Policies
- Sexual Harassment Policy

### A Holistic Approach to Inclusion and Diversity

As we finish the second year of our 2018–2022 Inclusion and Diversity strategy, we continue to make progress through the four pillars of work: communication, talent pipeline, accountability, and learning and development. These pillars ensure that State Street attracts and develops the best talent, positioning us to be a competitive organization in the financial services sector.

## Communication

How we communicate about inclusion and diversity is crucial. We intentionally begin with addressing inclusion, as we believe it is the precursor to diversity. Laying a strong foundation of inclusiveness allows us to achieve our goal of cultivating and maintaining a diverse workforce that represents the global markets we serve.

*Inclusion & Diversity Video.* In support of this pillar, we produced an [Inclusion and Diversity video](#) featuring stories on how our employees globally view inclusion and diversity and the importance of these efforts down to the individual level:

*Global Diversity Week.* We held our second Global Inclusion & Diversity (ID) Week in October 2019 to bring awareness to our diversity efforts across all geographies where we operate. During Global ID Week, 97 events took place in 14 countries around the world.

## Talent Pipeline

Our Talent Acquisition team works closely with the Inclusion & Diversity Office to maintain a culture that attracts a diverse slate of candidates. We've instituted separate interview panels for a range of positions that don't include the hiring manager — but rather a spectrum of employees who can provide diverse perspectives on the candidate's skills and background, and our goal is that 100 percent of our managing director and above open positions have a diverse slate of candidates. On average, the percentage of requisitions that met that criteria was approximately 90 percent in 2019 in the US, which is an increase of approximately 22 percent from 2018.

## Accountability

It doesn't matter how important we say inclusion and diversity are to us if we aren't holding our leaders accountable. Our senior leadership is evaluated by a scorecard that includes 18 human capital metrics, eight of which are related to inclusion and diversity. The scorecards are based primarily on employee surveys and their progress against our diversity goals, and serve as a key factor in determining executive compensation. This incentive keeps leadership focused on achieving our inclusion and diversity goals, while allowing us to evaluate our progress and adjust our strategy accordingly. Additionally, as we enter the third year of our Inclusion and Diversity strategy in 2020, we are launching business unit level diversity goals focused on females (global) and employees of color (US) for all our major business areas across the organization.

## Learning and Development

To hold our employees accountable for our inclusion and diversity objectives, we must provide them with the tools to get the work done. We are responsible for providing management tools on how to be inclusive leaders and demonstrate how to evaluate, manage, develop and coach individuals that are different than them. Managing differences means making decisions based on fact rather than unconscious biases. Developing a common understanding of inclusion and diversity among our leaders allows us to create better outcomes for everyone.

## Courageous Conversations

To strengthen employee communication around inclusion, we launched Inclusive Leadership—Unconscious Bias training for all employees globally. The purpose of this training was to give employees a base understanding of bias and what to do about it, encourage different ways of thinking, and help employees and managers have more effective conversations.

Completed by more than 7,500 State Street employees (and counting), since the program launched in late February 2019, this program supports our company's goal of becoming a high-performing organization with a diverse workforce — helping employees to understand, recognize and learn how to overcome their own biases. This training was foundational to our future effort of going deeper in our inclusive learning with a focus on managers.

### **Progress Against Our Inclusion and Diversity Goals**

As part of our Inclusion and Diversity strategy efforts, our company has set three- and five-year diversity targets — at the assistant vice president level and above — focused on increasing female representation (globally) and employees of color in the United States.

At State Street, we understand that gender equity is essential to an inclusive and diverse workforce. To be more representative of women, we've set gender diversity targets for our leadership positions and report against the European Union (EU) Directive's disclosure on non-financial and diversity information. Our two-year targets were completed in 2019, and new targets were refreshed in June 2019 for the two-year period through 2021. The goals remain: Supervisory Board (30%), Executive Management Board (25%), Vice President and above (34%) and Assistant Vice President (40%).

Although we are not yet where we aspire to be from a gender diversity standpoint, we firmly believe that being transparent about where we are and where we have more work to do is an important part of holding ourselves accountable.

In 2019, we made progress on three of our eight targets, stayed flat on three goals, and lost a little ground on two:

## Diversity Goals: A Look Forward

### Global Female Employees

	2018	2019	Percent Change	3-Year Goal	5-Year Goal
SVP+	29%	30%	+1%	33%	36%
MD	32%	33%	+1%	36%	37%
VP	33%	32%	-1%	36%	38%
AVP	41%	40%	-1%	43%	44%

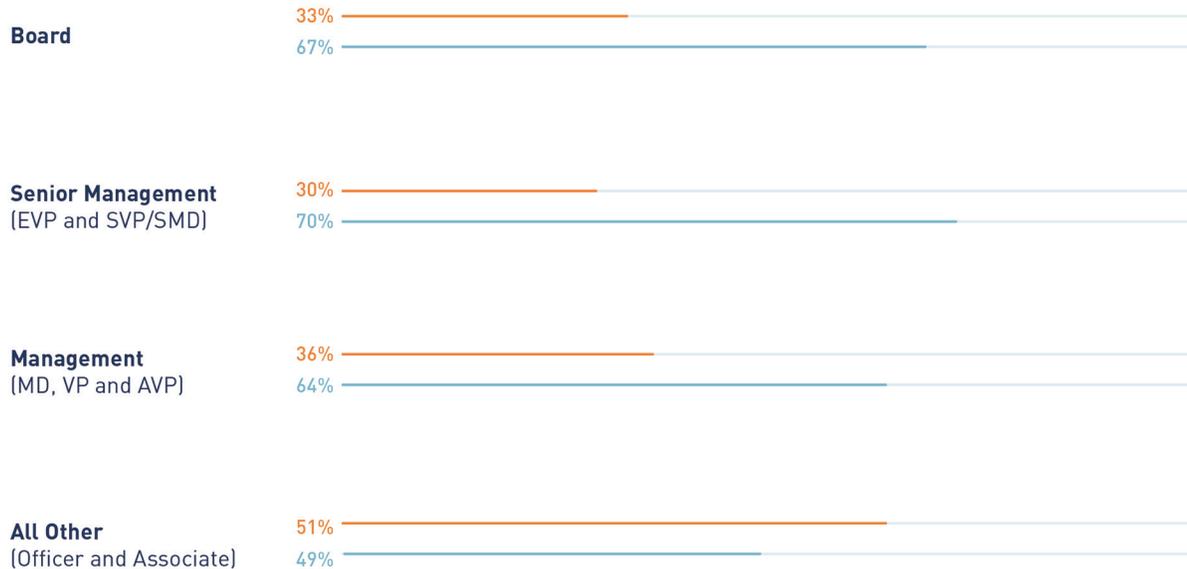
### US Employees of Color

	2018	2019	Percent Change	3-Year Goal	5-Year Goal
SVP+	16%	16%	0%	19%	22%
MD	17%	17%	0%	21%	22%
VP	26%	27%	+1%	30%	33%
AVP	32%	32%	0%	34%	35%

## 2019 Diversity of Governance Bodies and Employees

### Percent of global total

● Female ● Male



Note: As of December 31, 2019, the CEO of State Street was also a member of the board of directors and therefore counted as both a board member and an internal executive officer in the above table.

### Pay Equity

Identifying and closing the pay gap between men and women at State Street continues to be a focus of our commitment to gender equity. We have published our United Kingdom Gender Pay Gap Report for the third year in a row, which outlines gender and compensation within our UK operations and provides some insight into our efforts.

We unequivocally support the concept of equal pay for equal work and acknowledge that we have a long road ahead of us. We will continue to closely monitor our pay decisions and strive for continuous improvement in the way we train our managers to make appropriate compensation awards to female staff.

In the UK, we report our gender pay gap numbers for two legal entities: State Street Bank and Trust Company London (SSBT) and State Street Global Advisors Limited (SSGA). We also report our pay gap numbers in aggregate as "State Street Overall." Across all three reporting categories, our gender pay gap is a result of lower representation of women in more senior and higher-paying roles.

While our overall and SSBT mean pay gaps remain largely the same year-over-year, the mean bonus gap improved by 5.4 percent and 3.2 percent respectively for State Street Overall and for SSBT. The mean bonus gap at SSGA also improved by 6.5 percent. However, the mean pay gap in SSGA widened due to a small number of male appointments to more senior and higher-paying roles.

## Pay Difference Between Men and Women in the United Kingdom

2019	State Street Overall	SSBT	SSGA
Mean	15.7%	9.7%	33.6%
Median	21.6%	19.2%	20.6%
<b>2018</b>			
Mean	15.7%	10.3%	30.9%
Median	19.0%	19.3%	17.5%

### What We Are Doing to Reduce Our Pay Gap

#### Hiring and Compensation Practices

We require a diverse candidate slate for all open positions and a diverse interview panel for all Managing Director positions and above. To avoid compounding past pay inequities, our policy is to not ask for compensation history for both internal and external hires.

#### Mentoring and Development

We actively support more than 24 employee networks around the world including groups that help women and diverse populations to develop and succeed. Our Professional Women's Network and our Returners Network, aimed at supporting women coming back to work after having children, are two such examples. In 2020, we are partnering with the Diversity Project to launch a cross-company returners pilot program.

In 2019, SSGA launched its European Leadership Empowerment & Acceleration Program (eLEAP) — a sponsorship program for high-performing female assistant vice presidents and vice presidents. Aimed at increasing the number of women at senior levels of the organization, participants receive formal training, mentoring and learning opportunities and the opportunity to network with other professional women through the *Financial Times* 125 Women's Forum.

#### Training

Our managers participate in annual training on how to make fair and consistent compensation decisions. Salaries are audited during the compensation pay period to ensure that any inconsistencies are addressed. We also have inclusive management and unconscious bias training available for all managers globally, and we are continuing to educate managers on how to lead with inclusion at the forefront of their actions and decisions.

## Engaging Stakeholders to Advance our Goals

### Employee Networks

Employee engagement is essential to reaching our aggressive inclusion and diversity goals. Part of our commitment as a signatory to the CEO Action for Diversity & Inclusion is to ensure that our workplaces have forums where employees “feel comfortable reaching out to their colleagues to gain greater awareness of each other’s experiences and perspectives.” That’s where our Employee Networks come in.

Employee Networks are run by employees who volunteer their time to create a more inclusive work environment and a diverse workforce. Not only do they empower our employees to be their authentic selves, they provide safe, encouraging and inclusive spaces to facilitate courageous conversations. We now have 24 Employee Networks, over 100 global chapters and more than 50 executive sponsors.

## Employee Networks



### Looking Ahead

We have promising inclusion and diversity initiatives in store for 2020:

*Roll-Out of Business Unit Diversity Goals.* Our employees actively participate in achieving our eight enterprise-wide diversity goals. In Q1 2020, we are cascading these diversity goals down to each business unit, which will have a unique set of targets specific to their workstream, allowing us to more effectively meet our enterprise-wide targets.

*Unconscious Bias Training 2.0.* We are currently developing the next iteration of our unconscious bias training. We will dig deeper to create more tools for our leaders, integrate more unconscious bias conversations into our promotion process and build out a series of unconscious bias toolkits for our hiring process.

## Strengthening Communities

We believe that our community support efforts facilitated by the Corporate Citizenship team enhance not only our local communities, but our company as a whole. Effective engagement with the wider community is an important component of being a good corporate citizen, and by investing in the communities where we live and work through financial contributions and time volunteered by employees, we maximize the positive impact of our presence.

### Community Reinvestment Act Exam

In the most recent biennial United States Community Reinvestment Act review, federal and state regulators recognized our efforts to build better communities by giving us an “Outstanding” rating for the ninth consecutive time.

### State Street Corporate Citizenship

Corporate Citizenship at State Street comprises both a charitable arm, State Street Foundation, as well as a community engagement team that supports local nonprofit organizations, provides engagement opportunities for employees and manages matching gifts for employees. The third pillar, corporate responsibility, oversees management of sustainability issues. Corporate Citizenship channels its local community support through location-based Community Support Program (CSP) committees comprised of employee volunteers who advise on local grant funding decisions and lead employee engagement efforts. During 2019, we had active CSPs in 38 of our offices.

State Street Foundation (SSF) provides financial support to nonprofit organizations through grants and the matching of employee donations. SSF directs its grant funding to nonprofit education and workforce development organizations that deliver programs to prepare underserved populations for meaningful employment by improving access to higher education and careers. These efforts enhance the security and prosperity of society at large and support State Street’s long-term business strategy. In 2019, SSF achieved 96 percent of its grant funding goals, continued its support of the Boston WINs initiative (in year five of a six-year commitment) and launched high-impact funding initiatives in EMEA — in Poland, Ireland and the United Kingdom.

### The GIVE Program – Giving, Investing and Volunteering by Employees

The Corporate Citizenship team manages our giving programs in the communities across the globe where our employees live and work. The GIVE Program allows employees to enhance their impact on their communities by:

#### Giving Their Talent

Employees have the opportunity to guide State Street Foundation grants or organize volunteer events for their teams and offices by joining a CSP. We also encourage and provide training for employees who want to join nonprofit boards. In 2019, 64 percent of State Street executive vice presidents served on charitable boards.

#### Investing in a Cause

Employees can invest in causes of their choosing through our Matching Gifts Program, which matches employee charitable contributions (GiveMore), individual fundraising efforts (CollectMore) and monetizes volunteer time (DoMore). We match employee donations and fundraising efforts \$1:\$1 (\$2:\$1 for the Boston WINs initiative) and for every 16 hours volunteered at a single organization we make a grant of \$500.

## Volunteering Their Time

Employees receive two paid days a year to volunteer their time and service, either individually or on teams, at nonprofit organizations or accredited schools of their choice.

## Volunteering in 2019

In 2019, State Street employees recorded a total of 82,897 volunteer hours globally in support of 1,016 unique community organizations. Approximately 15 percent of global employees recorded volunteer hours in CyberGrants, a grants management and engagement system we began using in 2018.

## Inaugural Global Volunteer Week

We rolled out our first Global Volunteer Week in 2019, during which employees logged more than 8,000 volunteer hours and completed 350 volunteer projects globally, including:

- Reviewing resumes and conducting interview preparation sessions with recent immigrants and refugees at the Jewish Vocational Services in Boston
- Donating and sorting clothing at New Circles, an organization that provides basic necessities to those living in poverty in Toronto, Canada
- Cleaning up beaches after recent hurricanes in Grand Cayman, Cayman Islands
- Planting hundreds of trees outside of Gdansk, Poland
- Cleaning up coastal areas and providing companionship to the elderly in Singapore
- Playing soccer with hearing-impaired children in Hyderabad, India
- Preparing meals for families staying at the Ronald McDonald House in Dublin, Ireland
- Hosting personal finance workshops for domestic workers in Hong Kong

## Skills-based Volunteering

We provide employees with skills-based volunteer opportunities where they can leverage their skills and expertise to support nonprofit organizations or initiatives. This gives employees hands-on professional development experience while also strengthening our communities.

Through 2018, we asked our employees to indicate if a volunteering effort was skills-based when recording their volunteer hours. We used this information in 2019 to collaborate with our human resources team and other business partners to understand how skills-based volunteering can help employees meet their professional and performance goals.

## 2019 Skills-based Volunteer Projects

We've collaborated with Common Impact since 2003 to create skills-based volunteer opportunities for our employees. Common Impact is a nonprofit that connects corporate employees to nonprofit organizations with proven models to tackle some of the challenges our communities face. This partnership has resulted in placing 150 State Street employees in skills-based volunteering projects that delivered more than \$900,000 in value to the nonprofit sector.

In 2019, we launched three skills-based projects for our employees in Boston in partnership with InnerCity Weightlifting, the Federation for Children with Special Needs and Year Up. State Street volunteers had the opportunity to act as strategic advisors to these organizations in a variety of ways, such as gathering stakeholder feedback, assessing current infrastructure, providing guidance on how to operationalize a new strategy, and developing a sustainable engagement and communications plan.

## Wealth and Income Creation

We are committed to supporting the economic prosperity of our communities around the world. To that end, and as part of our commitment to the UN Global Compact, two of our five prioritized Sustainable Development (SDG) Goals align with the education and workforce development focus of State Street Foundation: SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth).

State Street Foundation (SSF) supports charitable partners through strategic grants, by matching employee donations and by monetizing employee volunteer hours. Our [Impact Framework](#) outlines SSF’s vision to contribute to the community health and well-being by promoting economic self-sufficiency among disadvantaged populations.

SSF’s strategic grantmaking program’s mission is to promote economic opportunity in the communities where we have a business presence. We invest in high-performing nonprofit organizations that support education, employability and employment opportunities for disadvantaged individuals, helping them gain the skills and educational qualifications needed to secure sustainable employment in today’s knowledge-based, global economy. During 2019, SSF provided \$21 million in grants and matching gifts funding, a slight decrease from 2018.

We select grantees that can show measurable results within several key indicators outlined in our Impact Framework that link to economic impact, such as education, job readiness, college success, credentials, work experience and employment.

## State Street Foundation Giving Breakdown

Strategic and Non-strategic Grants



## High Impact Investments

### Boston WINs

This year marked the end (June 30, 2019) of the original four-year high impact investment in Boston Workforce Investment Network (WINs), a workforce development partnership with five partner organizations that assists high school students in developing their capabilities and performance for future employment. By the end of 2019, we had invested a total of \$22.4 million since launch and will continue to support Boston WINs until June 2021 as we move through the wind-down phase of our support.

At June 2019, the network organizations had collectively served 30,775<sup>1</sup> youth, an increase of 69 percent since launch. During the 2019 WINs year, employees donated more than US\$127,000 (which SSF matched 2:1) and volunteered 957 hours at the Boston WINs organizations. Six of our executives served on local or national boards of the WINs organizations.

Even though we have launched new high impact investments, we are committed to embedding into schools the changes that Boston WINs has made over the past four and a half years to support long-term student success.

### Next Steps in EMEA and APAC

The motivation behind our investment in Boston WINs was a desire to make a significant difference in the outcomes for Boston youth. Based on the success of WINs we are now expanding elements of this model outside the United States in our high impact strategy.

In 2019, we launched three initiatives with total annual funding of US\$753,000 per year for three years in the EMEA region. In 2020, we plan to launch an additional initiative in APAC at US\$210,000 per year for three years.

In EMEA, high impact initiatives include:

- UK (US\$300,000 per year): Impetus PEF
- Ireland (US\$300,000 per year): Social Innovation Fund Ireland (SIFI)
- Poland (US\$153,000 per year): Poland Business Run Foundation

The UK, Ireland and Poland were chosen because they are the three largest operating sites for State Street in EMEA. Since Poland is our fastest-growing location, and we anticipate continuing to have a strong presence in the UK and Ireland, we wanted to strategically reinforce our commitment to these key EMEA communities.

### United Kingdom

In partnership with Impetus PEF, a London-based private equity foundation, we launched a fund in 2019 to support two UK nonprofits over the next three years: Dallaglio RugbyWorks (DRW) and City Gateway (CG). Impetus PEF's mission is to transform the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, work and life. DRW delivers an intensive program of long-term skill development that uses rugby as the platform through which the organization engages with troubled youth in six regions in

---

<sup>1</sup> The count of youth is not a unique count as some individuals will work with more than one organization during a specific year. As each organization tracks the number of youth they support, the number of youth served and percentage growth since the launch of WINs is not intended to represent a unique number of youth.

England and Wales. Finally, CG offers young people in East London a route into corporate careers via an intensive model that includes both education and employment support. The goal of our investments in these organizations is to provide young adults the coaching, mentoring, employability skills training and work experience needed to engage in the labor market.

### **Ireland**

In November 2019, in partnership with the Social Investment Fund Ireland (SIFI), we announced the launch of a €1.5 million “Ability to Work” fund to offer workforce development opportunities for people with disabilities. This fund was created in partnership with SIFI, which was founded by the Irish government to foster the development of social innovations with the potential for transformative impact on critical social issues facing Ireland. The fund’s goal is to reach 500 individuals with disabilities over the three-year program and support 250 people in finding employment.

### **Poland**

In Poland, a high level of educational attainment exists, and we determined that a multi-year investment in the Poland Business Run Foundation to provide workforce development tools for people with physical disabilities would be the most appropriate way to bring the high impact strategy to Poland. Launched in 2019, the initiative will create a Center for Vocational Training for Disabled People aimed at increasing the employment of people with physical disabilities.

# Our Footprint

As a financial institution and custodial banking service provider, State Street’s environmental impacts have two primary components. The first is the impact of our operational activities. To address these impacts, we monitor and set quantifiable goals to reduce energy use and greenhouse gas emissions, water usage and discharge, and improve waste recycling.

To achieve our goals, we maximize the energy efficiency of our hardware infrastructure and building operations by optimizing the technology and design of both. This approach reduces State Street’s relatively minor global operational environmental impacts and demonstrates our commitment to manage our operations in a responsible manner.

The second area where our performance affects our footprint is the environmental impact of the portfolio of companies whose assets we hold or manage. With more than \$30 trillion of assets under management, the cumulative impacts allocated to these assets is significant.

In this section, we will discuss the impacts of our direct operations and our efforts to live up to our environmental commitments to various reporting frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD).

## Sustainability at State Street

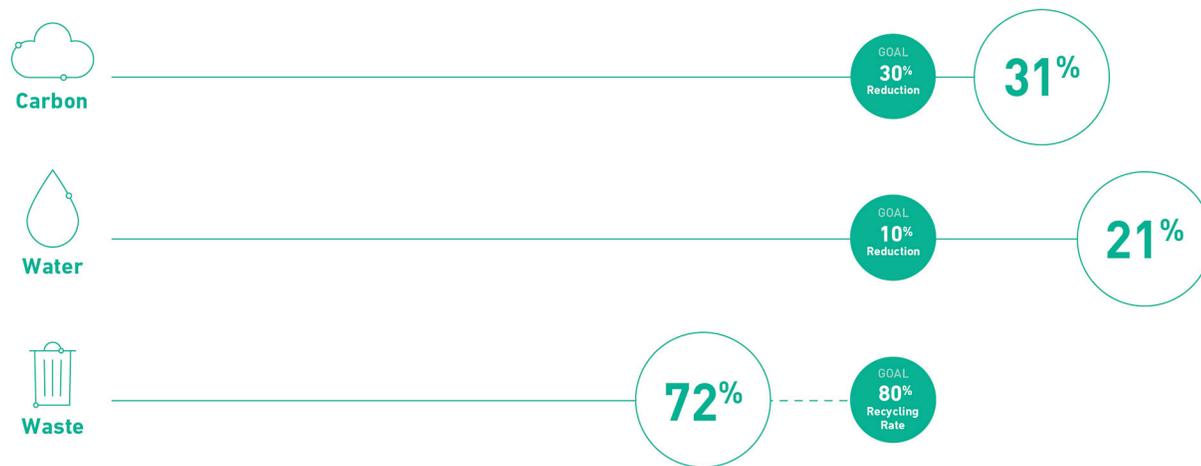
We are unwavering in our commitment to reduce the environmental impacts of our business operations and mitigate the business’s exposure to associated risks by setting science-based goals that hold us accountable.

### Our Environmental Goals

Being good environmental stewards is good for business, helping us lower costs, increase efficiencies in our business operations, attract and retain talent, and build trust with our clients and other stakeholders. That’s why we set aggressive goals and targets to reduce the environmental footprint of our business.

We set a series of 2025 goals in 2017 and track performance on our energy use, greenhouse gas emissions, water use and recycling rate. Our environmental goal strategy is reviewed each year by the Executive CR Committee to ensure we have the appropriate policies and procedures in place as we work toward achieving our targets.

## Progress Against Global 2025 Goals



## Environmental Sustainability Policy

Our [Environmental Sustainability Policy](#) outlines our commitment to the following actions:

- Establishing and reviewing quantifiable objectives and targets
- Complying with applicable legal requirements and other requirements
- Protecting the environment and preventing pollution
- Continuously improving
- Promoting greater awareness among all stakeholders
- Implementing processes to adhere to our Environmental Sustainability policy

## Environmental Management Framework

We apply International Organization for Standardization (ISO) environmental management frameworks to oversee environmental sustainability within our operations. We currently utilize the 2015 standard in North America (NA), Asia and Pacific (APAC), and Europe, Middle East and Africa (EMEA). In 2019, we consolidated our three regional certifications to one global certification. As of December 31, 2019, 18 State Street facilities were certified according to this standard.

## Environmental Sustainability Employee Network

Our Environmental Sustainability Employee Network (ESEN) raises employee awareness about sustainability efforts within the company and fosters community engagement around environmental initiatives. ESEN has more than 2,000 members from various regions around the world and is led by an employee Steering Committee. ESEN participates in behavioral and operational change projects that advance State Street's environmental agenda. ESEN continued to promote global employee engagement in 2019 by facilitating best practice sharing among chapters in different regions, as well as hosting speaker series, volunteer events, environmental cleanups and other educational activities in local communities where we operate.

## Carbon Neutrality

We are now looking to further reduce our own carbon footprint, so we are instituting a program aimed at allowing us to become carbon neutral for all of our global Scope 1 and Scope 2 carbon emissions as of the end of 2020. This will require us to increase our purchase of renewable energy credits (RECs) and carbon offsets. In addition to taking care of our carbon neutrality and facilitating the development of green energy by purchasing RECs, we are focused on reducing our carbon footprint overall. That means reducing our carbon emissions on an absolute basis over the next 10 years, in alignment with the Science-Based Target Initiative, and adopting a more aggressive absolute carbon reduction target.

# Interview with Dustin Sarnoski



Dustin Sarnoski is the Head of Global Realty Services for State Street.

## **In 2019, State Street announced a new location for its global headquarters in Boston. Why was this decision made and what does the move mean for State Street’s strategy for environmental responsibility?**

Within State Street’s real estate portfolio is office space and data centers where we conduct business, including nearly 7 million square feet globally with an occupancy budget in excess of \$450 million. While the real estate team’s primary goal is to “keep the lights on,” we also administer the portfolio in a way that makes it an operational competitive advantage for us, as opposed to just an expense line item.

The new headquarters touches sustainability, specifically climate change, in several ways. The building will be LEED Gold, which we see as the floor for us when we’re looking at new construction. LEED Gold pulls in many smart design concepts such as proximity to public transit and is also more egalitarian in design: pulling offices away from the exterior to the interior, using floor-to-ceiling glass to enhance light penetration, providing good air quality for employees and a communal one-acre roof deck, and offering generally better outcomes for more people in the building. Additionally, when choosing the location for our new headquarters building, we took into account the material risk presented by climate change and sea level rise, in particular to the city of Boston as it is located directly on the ocean.

## **What are your thoughts on new construction in State Street’s realty portfolio as it relates to sustainability?**

As we looked at the marketplace, there are a lot of advantages to new construction — the efficient use of space in the floor layout, as well as more energy efficient infrastructure that goes into the operations of the building, such as a chilled beam HVAC, which is one of the most efficient systems currently being used. In addition to helping us reach our carbon goals, energy efficient building design is attractive to us from a long-term economic standpoint because the newer technology and infrastructure are much more cost efficient.

**What is unique about State Street's approach to and oversight of climate change?**

We tie carbon impacts into supplemental rates we charge to business units for space in a particular building, based upon the carbon footprint of that building. This increased carbon fee funds our REC and carbon offset purchases, which creates a nexus between the carbon footprint of a building and the mitigating measures. Additionally, to reduce the carbon impact of our buildings, we evaluate our operations each year, develop a plan to reduce our electricity consumption through retrofitting or changing operations, and implement the projects that make the most sense. The complementary nature of driving both infrastructure improvements and REC purchases is how we are currently meeting our carbon goals.

**How does State Street's global realty portfolio fit into State Street's corporate responsibility strategy?**

Real estate is the primary creator of our Scope 1 (natural gas) and Scope 2 (electricity consumption) carbon emissions, and our department is uniquely positioned to effect change for nearly all of State Street's direct carbon emissions. We evaluate building infrastructure and have the budgetary responsibility to maintain and repair that infrastructure. Our sustainability and engineering teams cut our electricity and carbon emissions by focusing on older buildings in high carbon factor locations. Our team then comes up with a schedule for the year and we focus on implementing those changes.

Currently, we are at a relative "sweet spot" with the cost of electricity and reducing costs of infrastructure. We can replace older infrastructure and get significant returns where the annual amortization of the improvement is more than overcome by the savings in electricity expense. While this "expense favorable" environment continues, the real estate team has a clear economic incentive to continually reduce our electricity consumption, which then reduces our primary point of carbon emissions. Looking through this lens as a real estate portfolio manager, the infrastructure changes needed for carbon reduction and the means to implement those changes are completely aligned.

**Can you speak to State Street's progress toward meeting its recycling goals?**

Recently, our performance against our recycling goals has lagged behind our carbon reduction targets. However, in the coming year we have developed an enhanced global recycling strategy which will enable us to make significant strides toward our goal of an 80 percent recycling rate by 2025. Meeting our recycling goal requires a hybrid approach: first putting the right infrastructure in place to facilitate recycling in our buildings, and second, changing

employees' mentality and behaviors around recycling. One major success story is in our Channel Center Building in Boston, where we have a 96 percent recycling rate. At that location, we have the right infrastructure — centralized binning, compostable ware in our cafeterias, and post-sorting.

These elements combined with employee education and awareness-raising to produce positive results at this location. We will take this successful model and replicate it in other locations moving forward with the help of our Environmental Sustainability Employee Network (ESEN), which engages our employees around environmental behavior change.

**What are the most important global environmental initiatives or accomplishments in 2019 you'd like to highlight?**

Our biggest accomplishment was in our carbon reductions. In 2019, we met our 30 percent carbon reduction goal, which we set three years ago and was aggressive at the time. The goal was set in response to the Paris Accord and is a certified Science-Based Target. We met this goal seven years ahead of our 10-year target and our success is attributable to three main aspects: infrastructure retrofitting, REC and carbon offset purchases, and enjoying tailwinds from "greening the grid" where we have offices. One other key element of a successful carbon reduction program is diligent and detailed data and tracking. We track emissions from every building on a quarterly basis to identify laggards and also demonstrate success stories; every quarter we review how each building is performing. That rote programmatic approach is the way to achieve long-term savings.

Personally, I think for all of humanity, we're going to need to set more aggressive targets. For us, getting to this 30 percent didn't hurt that much — we didn't have to make hard choices because it made sense for the business. But when I think about the Paris Agreement goal to get the global temperature increase below 2 degrees Celsius, and think about how we are going to get to 1.5 degrees, it's a massive jump and that's where it's going to hurt. But regardless, having a programmatic, long-term view is the only way to go. And as more pain is inflicted, that programmatic approach is how you sustain growth.

I'm also proud of our Luxembourg office and their efforts to eliminate single-use plastics, which indicates the good work our ESEN is doing on the ground on a grassroots level: The business leader in our Luxembourg office signed a no single-use plastics pledge. They had the infrastructure in place already to wash dishes and drinkware, so the focus on implementation was to identify and remove single-use plastics; it was more of an employee expectation and behavior modification than a large infrastructure project. This office will set the stage for doing this elsewhere in our offices. For example,

our new headquarters building — which is going to be occupied in 2023 — will utilize ceramic ware and will not have any single-use plastics in our space. We are planning actions now that reflect the changing opinions and growth in this area.

## Climate Change

The Task Force on Climate-related Financial Disclosures (TCFD) guides us on our sustainability journey as we work toward greater understanding of the risks and opportunities associated with climate change, financial and otherwise — more detail can be found in [Task Force on Climate-related Financial Disclosures Report](#). State Street supports the mission and objectives of TCFD, a market-driven initiative that provides recommendations for voluntary climate-related financial risk disclosures. We're also committed to the UN Sustainable Development Goal (SDG) 13: Climate Action, as signatories to the UN Global Compact (UNGC).

TCFD recommends that companies disclose climate-related risks and impacts in the areas of governance, strategy, risks, and metrics and targets. For State Street, these recommendations are relevant to two areas of our business — the impacts of our own operations and the impacts of the assets we manage in our investment portfolios on behalf of our clients. We will focus here on the physical climate-related risks that are material to our operational footprint. See [Risk Excellence and Compliance](#) to learn how we oversee the investment risks associated with climate change.

Through our precautionary approach to environmental sustainability and greenhouse gas emissions reduction, we continuously monitor and address the physical risks associated with climate change. Our Environmental Sustainability team regularly examines the regulatory landscape for potential risks that may have an impact on business continuity or increase the cost of operations due to climate-related issues.

### Evaluating Physical Risks of Climate Change

We proactively address climate-related vulnerabilities and continually evaluate the physical risks of climate change as they pertain to our own business operations. We regularly monitor the frequency and severity of major weather events that could potentially disrupt our operations, cause damage, impact our supply chain or prevent us from effectively delivering products or services to our clients.

We take seriously our responsibility to address the climate-related impacts of our operations, putting systems in place to safeguard clients against potential disruptions in service related to climate issues. To ensure business continuity, we regularly assess the following potential climate impacts to our business:

- The potential loss of, or temporarily restricted access to, buildings or operations
- The loss of or damage to technology and operations infrastructure
- Business, operations or technology impacts to employees because of severe weather

To mitigate these risks, we continue to develop scenario testing for the physical implications of climate change and put sound infrastructure in place to protect the business from potential interruptions that might take place during a climate-related event. Our building and operations teams consider these impacts when scoping out potential new business locations. If a property is flagged as being in a location that demonstrates a high risk to climate-related impacts, they thoroughly analyze those risks to make an informed decision regarding the feasibility of that site.

### Energy and Greenhouse Gas Emissions

Our strategy to reduce energy use and greenhouse gas emissions is rooted in our commitments to the TCFD and UNGC. These principles ensure that we consistently conduct due diligence to effectively assess and address any physical risks related to climate.

In 2019, we continued administering our carbon fee program and enhancing our carbon offset program in pursuit of our science-based carbon reduction target to reduce our carbon emissions by 30 percent by 2025 and support the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement to limit the global temperature rise to below 2°C.

Our company-wide carbon fee program allocates an internal fee to each site based on its carbon intensity relative to its location, while our carbon offset program mitigates our carbon footprint by purchasing offsets that support clean energy projects.

We reached a 31 percent CO<sub>2</sub> emissions reduction in 2019, compared to the 2015 baseline, which helped surpass our 30 percent goal six years ahead of our 2025 target. This number is measured by our CO<sub>2</sub> emissions per floor area the total is inclusive of our 2019 REC purchases as calculated using the market-based method.

### **2019 Carbon Offset and Renewable Energy Credit (REC) Program**

State Street purchases RECs and offsets to mitigate our environmental impact. We achieved a variety of milestones in our 2019 carbon offset and REC program, including:

- Deriving 100 percent of State Street’s projected North American electric load for 2019 from renewable energy
- Receiving LEED certification for John Adams and Channel Center buildings by purchasing carbon offsets to cover the emissions resulting from the combustion of natural gas (space and water heating) and diesel (back-up generators)
- Offsetting 100 percent of State Street’s carbon emissions from global business travel in 2018
- Staying on track to reach our 2025 carbon target by purchasing International RECs (I-RECs) and Guarantees of Origin (GOs) for 2019
- Achieving our stated internal goal of supporting a carbon offset project with a compelling grassroots or human interest element, as well as promoting local economic activity

State Street followed through on its carbon commitments by supporting the following high-quality carbon offset projects in 2019:

#### **Kariba REDD+ Carbon Offset Project**

We supported the Kariba Project in Zimbabwe through the purchase of REDD+ Carbon Offsets. The Kariba project protects close to 785,000 hectares of forests and wildlife on the southern shores of Lake Kariba. Connecting four national parks and eight safari reserves, the project helps form a giant biodiversity corridor that protects an expansive forest and numerous vulnerable and endangered species, including the African elephant, lion and hippopotamus.

#### **Crow Lake Wind Community Owned Carbon Reduction Project**

We supported the Crow Lake wind project through the purchase of carbon offsets. Supported by local farmers and ranchers and owned by a cooperative in South Dakota, Crow Lake is the first and largest cooperative-owned wind project in the US. One of the turbines is also owned by the Mitchell Technical Institute for hands-on experience to educate future wind turbine technicians.

We also committed to carbon reduction and clean energy projects through the following efforts in 2019:

- RECs: State Street continued purchasing RECs from US-sited wind farms, supporting 100 percent renewable domestic energy
- I-RECs: State Street supported renewable energy (solar and wind) in India with the acquisition of 4,979 I-RECs
- GOs: State Street purchased 8,183 GOs from a wind farm in Poland in 2019
- Sponsoring Local Clean Tech Development. State Street sponsored Greentown Labs, a community of entrepreneurs who are solving the world's biggest energy and environmental challenges. Based in Somerville, Massachusetts, their mission is to enable a vibrant community of entrepreneurs to work on their visions by providing access to the space, resources and funding that allow early-stage companies to thrive.

## Greenhouse Gas (GHG) Emissions

Direct and Indirect GHG Emissions (Scopes 1, 2 and 3)				
Amounts in Metric Tonnes CO <sub>2</sub> Equivalent	2019	2018	2017	2016
CO2 Direct	6,582	7,335	6,601	6,902
CH4 Direct	16.90	17.13	15.02	16.22
N2O Direct	3.73	4.60	4.02	4.50
HFCs Direct	2,340	2,458	3,060	1,322
<b>Total Direct (Scope 1)</b>	<b>8,943</b>	<b>9,814</b>	<b>9,680</b>	<b>8,244</b>
Biogenic CO2	4.39	4.50	2.53	3.11
<b>Total Indirect (Scope 2)</b>	<b>75,728</b>	<b>78,678</b>	<b>90,185</b>	<b>92,344</b>
<b>Total Scope 3</b>	<b>90,872</b>	<b>95,888</b>	<b>96,283</b>	<b>87,031</b>
<b>Total GHG Emissions</b>	<b>175,543</b>	<b>184,380</b>	<b>196,148</b>	<b>187,619</b>

## GHG Intensity

GHG Intensity Ratio					
	Denominator	2019	2018	2017	2016
GHG Emissions Intensity Ratio	Metric Tonnes of CO <sub>2</sub> Equivalent per Employee	2.02	2.21	2.64	2.69
List of included gases		Carbon Dioxide (CO <sub>2</sub> ), Methane (CH <sub>4</sub> ), Nitrous Oxide (N <sub>2</sub> O)			

GHG Reduction					
	Denominator	2019	2018	2017	2016
Total GHG Reductions in Metric Tonnes CO <sub>2</sub> Equivalent	Emissions Reduced: Direct (Scope 1) and Indirect (Scope 2)	1,133	1,652	1,669	787

## Energy Use

Total Internal and External Energy Consumption					
Consumption by Fuel Type	Unit	2019	2018	2017	2016
<b>Total Scope 1 Fuel Usage</b>					
Natural Gas	GJ	119,054	132,695	121,415	123,302
Diesel	GJ	5,308	5,960	3,937	7,339
<b>Total Direct Energy</b>	<b>GJ</b>	<b>124,361</b>	<b>138,655</b>	<b>125,352</b>	<b>130,641</b>
<b>Total Scope 2 Indirect Energy Usage</b>					
Electricity	GJ	807,157	815,297	875,087	899,057
Heating	GJ	39,222	34,608	32,352	34,122
Cooling	GJ	4,865	3,459	3,210	3,341
<b>Total Indirect Energy</b>	<b>GJ</b>	<b>851,244</b>	<b>853,365</b>	<b>910,649</b>	<b>936,520</b>
<b>Total Scope 3 Energy Usage</b>					
Business Travel (Non-Renewable)	GJ	126,798	202,454	235,832	161,446
<b>Total Energy Usage</b>	<b>GJ</b>	<b>1,102,403</b>	<b>1,194,473</b>	<b>1,228,607</b>	<b>1,391,327</b>

Energy Intensity Ratio					
	Unit	2019	2018	2017	2016
Numerator	KWH	271,001,367	275,560,881	287,777,947	296,433,517
Denominator	Occupants	42,001	39,996	37,846	37,350
<b>Energy Intensity</b>		<b>6,452</b>	<b>6,890</b>	<b>7,604</b>	<b>7,937</b>

Total Energy Saved					
	Unit	2019	2018	2017	2016
Electricity	GJ	15,144	23,252	21,487	10,682
Heating	GJ	0	0	1,472	0
<b>Total Energy Saved</b>	<b>GJ</b>	<b>15,144</b>	<b>23,252</b>	<b>22,959</b>	<b>10,682</b>

### Improving Energy Efficiency

Energy efficiency improvements to our data centers and corporate buildings remain a central focus of our energy reduction strategy. Our Environmental Sustainability team is constantly exploring innovations in energy efficiency within our building stock that may help the business move closer to achieving our energy and greenhouse gas emissions targets.

### Reducing Our Building Stock Footprint

Our Global Realty team oversees building infrastructure, and is thereby primarily responsible for mitigating the energy impacts of our building portfolio at State Street. Retrofitting our older building stock continues to be an investment priority for Global Realty, as it is both cost effective and helped us to meet our 2025 carbon goal ahead of schedule.

In 2019, State Street announced its plan to build a new, state of the art LEED Gold certified flagship headquarters in Boston. LEED Gold will continue to be the target that we set in terms of new construction projects moving forward.

### Data Center Energy Innovations

Our data centers continue to be our biggest electricity users with our building portfolio. That means they also present our biggest opportunity to make smart infrastructure improvements that will lend big returns in energy and cost savings. We began our data center energy efficiency journey in 2017 by starting small, placing Smartflower™ solar installations at data centers to power parking and exterior lighting. We've made significant strides since then, and are now looking to more advanced smart technology to reduce the impacts of our data centers, including the development of a fuel cell microgrid.

### Fuel Cell Microgrid Project

In 2018, an internal working group conducted a costs and benefits analysis around potential innovations on energy efficiency in our operations. They concluded that investing in a fuel cell microgrid would be more technically feasible and cost effective than other innovations we were considering.

A solid oxide fuel cell is an electrochemical conversion device that produces electricity directly from oxidizing a fuel, typically natural gas. The microgrid converts the natural gas to electricity and fuels a facility, and then recaptures heat produced by the microgrid and uses it as a cooling medium for other buildings.

In 2019, we completed plans to install a 1.3 megawatt (MW) fuel cell-powered microgrid for partial power grid independence at one of our data centers, a 3.6MW facility in Massachusetts. We anticipate that the project will

reduce our electric grid cost by 38 percent, generate more than \$380K of new alternative energy credit revenue for State Street annually, and save the company US\$8.1M over the fuel cell microgrid's lifetime.

The fuel cell microgrid supports our corporate sustainability efforts by contributing to our three environmental footprint goals. The innovation will increase State Street's Alternative Energy Trading business contribution, improve resiliency by reducing operational risks from power grid failures, provide electricity cost savings to the business, and allow State Street to purchase and sell credits for energy in the market and participate in cap-and-trade mechanisms.

### **Zombie Server Program**

We removed more than 500 "zombie servers" from our data centers to improve energy efficiency. Zombie servers draw power and waste energy by operating when they don't need to. According to EPA calculations, removing these servers will result in energy savings of US\$500 a year per server, and positively impact the cooling capacity and loads in our data centers. We're also strategically reducing or limiting power that computers use in our data centers and acquiring state-of-the-art computers that use less energy.

### **Offering Sustainable Transportation Choices**

The transportation sector continues to have a significant impact on global carbon emissions. By offering a range of employee transportation benefits, we reduce our overall climate impacts, attract and retain talent and improve employee well-being.

We offer our employees flexible and sustainable commuting and travel options as part of our efforts to help employees mitigate the impacts of commuting and business travel. In regions where our business is expanding, such as APAC, we continue to see the benefits of implementing strategies such as consolidating our employee transportation logistics, such as establishing communal collection points for employees, consolidating our vendors, and using apps or emerging technologies to optimize travel routes.

### **Reducing Our Waste**

In 2019, we made progress against our 2025 goal of an 80 percent recycling rate by reusing, recycling and composting whenever possible. We achieved a recycling rate of 72 percent globally in 2019 and will continue developing and implementing new initiatives in regional offices to minimize their waste.

Highlights from 2019 include

- Significant uptick in recycling in our China operations due to employee awareness and education efforts by ESEN
- Luxembourg office signing a no single-use plastics pledge. Luxembourg's action sets the stage for us to take key learnings from their efforts toward no single-use plastics, so that we can apply this strategy to other buildings. As we design our new headquarters, we plan to make the same no single-use plastics pledge for our new headquarters, which will be occupied in 2023.

Waste Generation				
	2019	2018	2017	2016
<b>Total Waste Stream (tons)</b>	<b>4,695</b>	<b>4,853</b>	<b>5,163</b>	<b>5,472</b>
Landfill Waste (tons)	664	865	1,053	975
Energy Recovery (tons)	641	749	793	1,010
<b>Total Recycled (tons) (excluded Energy Recovery)</b>	<b>3,389</b>	<b>3,239</b>	<b>3,317</b>	<b>3,488</b>
Landfill Waste per Person (pounds)	32	43	56	52
Diverted Waste per Person (pounds)	161	162	175	241
Diversion from Landfill Rate	72%	67%	64%	64%
<b>Operational Control Footprint</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Employees	42,001	39,996	37,846	37,350

### Plastic Crediting Project

In 2019, State Street began purchasing plastic credits, which support the socioeconomic needs of informal sector waste workers and laborers at recycling facilities in Hyderabad, India. Marginalized waste workers make less than a dollar a day, despite long work hours and difficult working conditions. Workers enrolled in the program earn at least the minimum wages set forth by governing bodies.

### Our New Global Recycling Strategy

The State Street Global Recycling Strategy Group was tasked in 2019 with defining a globally applicable, practical and scalable methodology for optimizing our waste management to improve the company's recycling rates globally. The group reviewed the company's waste journey, resulting in a new global recycling strategy.

The strategy uses a principles-based approach, which allows for local flexibility in delivery while providing a clear objective to be achieved. Each site where State Street operates is working toward adoption and implementation of three core principals in a way that best suits their local recycling economy.

As part of our company-wide recycling strategy, we consider the journey of waste through our buildings and have identified the following principles, which are intended to minimize waste volumes and maximize recycling rates at each stage of the waste journey. We call each stage of the journey pillars, each of which are addressed by the three principles.

The common principle across all three pillars is education and engagement. We are currently implementing a multi-channel education and engagement exercise to drive behavior change in suppliers, staff and vendors in 2019 and achieve our waste reduction and recycling rate goals.

### What comes into the building

This pillar considers how to minimize the volume of potential waste coming into a State Street building and how the products that come into the building affect recycling rates. The main tactics under this pillar include “remove, redundant, swap” (review products coming into the office and assess whether they should), no single-use items, and education and engagement.

### What happens in the building

This pillar identifies principles to be adopted for the management of waste within a State Street building, including maximizing segregation, minimizing contamination, and education and engagement.

### What happens when waste leaves the building

This pillar addresses how back-of-house areas, collections and reporting should be managed to maximize opportunities for recycling and how to facilitate reporting. We focus on segregating and preventing waste stream contamination, ensuring actual weights and actual recycling rates (as opposed to estimates), keeping records for data capture, and education and engagement.

### Reducing Our Water Usage

Our main use of water comes from condenser loops in our buildings. Our Global Realty team ensures that our condenser loops are sized appropriately and our temperature settings are set appropriately, so that they are not overburdened. We have minimal water use impacts from the water fountains and toilets in our buildings. In 2019, we surpassed our goal to reduce water consumption by 10 percent per full-time equivalent (FTE) by 2025, achieving a 21 percent reduction. This is due to recent initiatives such as installing low-flow and sensor-operated toilets in regions with growing business operations, like China. We established a global strategy group covering three regions that will measure and make recommendations about our progress toward our 2025 goal.

Water Consumption	2019	2018	2017	2016
Water Consumption – Office Only (million cubic feet)	16.10	16.84	16.51	17.35
Water Consumption per Person – Office Only (cubic feet)	384	421	436	465
Water Consumption – Office + Data Center (million cubic feet)	18.54	19.19	18.93	20.17
Water Consumption per Person – Office + Data Center (cubic feet)	441	480	500	540

### Climate Risk Governance and Oversight

Our commitment to the TCFD and UN Global Compact means we continuously acknowledge and address investment-related climate risks as well as the physical and financial risks associated with climate change in our own operations.

## Investment Climate Risk

Investment activities related to climate are regularly reported to the State Street Global Advisors board as well as our CIO and CEO, including risk assessments, stewardship efforts, and corporate engagements. Our climate change risk oversight framework allows us to prepare and plan for potential climate-related risks that our business may be facing, including our globally managed equities.

State Street Global Advisors' approach to managing climate-related risks for our client portfolios includes climate-centered asset stewardship that ensures boards and executives are implementing proper management and oversight of their company's climate risk exposure; leveraging climate data to innovate investment solutions; investment-worthy solutions that include exclusionary screening, mitigation and adaptation; as well as climate-focused reporting that improves clients' understanding of their strategy performance against climate goals and targets. To learn more about our approach to managing climate-related risks for our client portfolios, see [Our Business](#).

## Operational Climate Risk

The Executive Corporate Responsibility Committee has direct responsibility for environmental sustainability management within State Street's own operations, including oversight of the company's policies, material ESG practices and activities, progress, and operational vulnerabilities from environmental issues such as climate change. This committee helped develop our ESG strategy and approach during 2019, including our participation in and response to the Task Force on Climate-Related Financial Disclosures (TCFD) and EU Directive on Non-Financial Reporting. State Street's Global CR Officer is accountable to this committee and offers operational leadership for the CR activities under the committee's purview.

The Executive CR Committee is supported by the Executive Environmental Sustainability (ES) Committee, which was established in 2008. The two committees work closely together to assess risks and opportunities resulting from climate change and other environmental issues. These committees then develop action plans to address these issues. To learn more about how we manage and evaluate the physical risks of climate change within our own operations, see [Our Footprint](#).

# Appendix Contents

- 1) Sustainable Accounting Standards Board Report
- 2) Task Force on Climate-related Financial Disclosures Report
- 3) United Nations Global Compact Communication on Progress
- 4) United Nations Sustainable Development Goals
- 5) Global Reporting Initiative Index
- 6) EU Directive on Non-financial Reporting Content Listing
- 7) EEO-1 Report
- 8) Assurance letter from ERM/CVS

# **Sustainable Accounting Standards Board Report**

## Sustainable Accounting Standards Board Report Contents

### Asset Management and Custody Activities

Disclosures		Page
<b>Transparent Information and Fair Advice for Customers</b>		
<i>FN-AC-270a.1</i>	1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	86
<i>FN-AC-270a.2</i>	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	87
<i>FN-AC-270a.3</i>	Description of approach to informing customers about products and services	87
<b>Employee Diversity &amp; Inclusion</b>		
<i>FN-AC-330a.1</i>	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	87
<b>Incorporation of Environmental, Social, and Governance Factors in Investment Management &amp; Advisory</b>		
<i>FN-AC-410a.1</i>	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	88
<i>FN-AC-410a.2</i>	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	89
<i>FN-AC-410a.3</i>	Description of proxy voting and investee engagement policies and procedures	90
<b>Business Ethics</b>		
<i>FN-AC-510a.1</i>	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	92
<i>FN-AC-510a.2</i>	Description of whistleblower policies and procedure	93
<b>Systemic Risk Management</b>		
<i>FN-AC-550a.1</i>	Percentage of open-end fund assets under management by category of liquidity classification	94
<i>FN-AC-550a.2</i>	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	94
<i>FN-AC-550a.3</i>	Total exposure to securities financing transactions	95
<i>FN-AC-550a.4</i>	Net exposure to written credit derivatives	95

## Software and IT Services

Disclosures		Page
<b>Environmental Footprint of Hardware Infrastructure</b>		
<i>TC-SI-130a.1</i>	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	96
<i>TC-SI-130a.2</i>	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	96
<i>TC-SI-130a.3</i>	Discussion of the integration of environmental considerations into strategic planning for data center needs	96
<b>Data Privacy &amp; Freedom of Expression</b>		
<i>TC-SI-220a.1</i>	Description of policies and practices relating to behavioral advertising and user privacy	97
<i>TC-SI-220a.2</i>	Number of users whose information is used for secondary purposes	97
<i>TC-SI-220a.3</i>	Total amount of monetary losses as a result of legal proceedings associated with user privacy	97
<i>TC-SI-220a.4</i>	(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	97
<i>TC-SI-220a.5</i>	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	97
<b>Data Security</b>		
<i>TC-SI-230a.1</i>	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	97
<i>TC-SI-230a.2</i>	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	97
<b>Recruiting &amp; Managing a Global, Diverse &amp; Skilled Workforce</b>		
<i>TC-SI-330a.1</i>	Percentage of employees that are (1) foreign nationals and (2) located offshore	100
<i>TC-SI-330a.2</i>	Employee engagement as a percentage	100
<i>TC-SI-330a.3</i>	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	101
<b>Intellectual Property Protection &amp; Competitive Behavior</b>		
<i>TC-SI-520a.1</i>	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	102
<i>TC-SI-550a.1</i>	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime	102
<i>TC-SI-550a.2</i>	Description of business continuity risks related to disruptions of operations	102
<b>Activity Metrics</b>		
<i>TC-SI-000.A</i>	(1) Number of licenses or subscriptions, (2) percentage cloud-based	103
<i>TC-SI-000.B</i>	(1) Data processing capacity, (2) percentage outsourced	103
<i>TC-SI-000.C</i>	(1) Amount of data storage, (2) percentage outsourced	103

# Sustainability Accounting Standards Board Report

## Asset Management and Custody Activities

### Introduction

State Street Corporation is a financial holding company organized in 1969 under the laws of the Commonwealth of Massachusetts. We conduct our business primarily through State Street Bank, which operates as a specialized bank, referred to as a trust or custody bank, that services and manages assets on behalf of institutional clients.

We have two lines of business: Investment Servicing and Investment Management.

Our Investment Servicing line of business performs core custody and related value-added functions, such as providing institutional investors with clearing, settlement and payment services. Our financial services and products allow our large institutional investor clients to execute financial transactions on a daily basis in markets across the globe. As most institutional investors cannot economically or efficiently build their own technology and operational processes necessary to facilitate their global securities settlement needs, our role as a global trust and custody bank is generally to aid our clients to efficiently perform services associated with the clearing, settlement and execution of securities transactions and related payments.

Our Investment Management line of business, through State Street Global Advisors, provides a broad range of investment management strategies and products for our clients. Our investment management strategies and products span the risk/reward spectrum, including core and enhanced indexing, multi-asset strategies, active quantitative and fundamental active capabilities and alternative investment strategies. Our AUM is currently primarily weighted to indexed strategies. In addition, we provide a breadth of services and solutions, including environmental, social and governance investing; defined benefit and defined contribution; and Outsourced Chief Investment Officer. State Street Global Advisors is also a provider of ETFs, including the SPDR® ETF brand.

Our clients include mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. All data is as of December 31, 2019 unless otherwise noted.

### Transparent Information and Fair Advice for Customers

#### FN-AC-270a.1

*1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings*

There were no State Street employees with a record of new investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings disclosed in 2019. We do not currently have access to historical data regarding such violations for employees.

State Street has extensive policies, procedures, trainings and controls designed to ensure compliance with all applicable rules and regulations. For more information, see [Risk Excellence and Compliance](#).

### **FN-AC-270a.2**

*Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers*

In 2019, no fines or other financial or non-financial sanctions were disclosed or levied related to legal proceedings associated with marketing and communication of financial product-related information to new and returning customers.

State Street discloses all material legal and regulatory proceedings in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

### **FN-AC-270a.3**

*Description of approach to informing customers about products and services*

When approaching clients or prospective clients about our services, we are subject to a range of regulations and internal policies regarding the accuracy and fairness of the messaging. The way we communicate with our clients varies and includes several factors including applicable laws and regulations, the type of client, and the product or service being discussed. In all cases we provide all relevant information to our clients regarding the service provided, costs, risks and any warranties regarding performance. In the case of investments, we provide the fund or product's constituent documentation (e.g., prospectus) and the investment strategy, characteristics, fees and expenses, financial statements and performance. We provide transparency information for our hedge fund, private equity, real estate, ETFs, mutual funds and commingled funds at <https://www.statestreet.com/solutions/by-capability/ssgx/risk-trading/risk-analytics/fund-transparency.html>.

## **Employee Diversity & Inclusion**

### **FN-AC-330a.1**

*Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals<sup>1</sup>, and (4) all other employees.*

Globally:	Not Disclosed/		
	Female	Male	Available
Executive Management	29.7%	70.1%	0.2%
Non-Executive Management	38.2%	61.5%	0.3%
Professionals	36.4%	63.3%	0.3%
All other employees	51.4%	48.3%	0.3%

<sup>1</sup> "Professionals" is defined as the following: most jobs in this category require bachelor and graduate degrees, and/or professional certification. In some instances, comparable experience may establish a person's qualifications. The EEO-1 Job Classification Guide provides examples of job titles in this category. "All other employees" includes those employees who are not classified as executive management, non-executive management or professionals.

## US Racial/Ethnic Group Representation:

	Asian	Black or African American	Two or More Races	White	Hispanic or Latino	American Indian or Alaska Native	Native Hawaiian or Other Pacific Islander	Not Disclosed/ Available
Executive Management	9.9%	1.7%	0.7%	80.5%	2.6%	-	-	4.6%
Non-Executive Management	15.9%	3.2%	0.6%	72.2%	3.0%	0.1%	0.1%	4.9%
Professionals	25.5%	2.9%	0.8%	59.3%	2.8%	0.1%	0.2%	8.4%
All other employees	23.9%	9.0%	1.3%	55.9%	6.6%	0.3%	0.1%	-

For more information regarding State Street's approach to inclusion and diversity, including our policies and programs for fostering equitable employee representation across our global operations, see [Inclusion and Diversity](#).

## Incorporation of Environmental, Social and Governance Factors in Investment Management & Advisory

### FN-AC-410a.1

*Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening*

#### Equities:

- (1) Integration of environmental, social, and governance (ESG) issues
  - a. \$73,796,956,614 in total ESG integration<sup>2</sup>
  - b. \$48,736,756,566 in pure ESG integration<sup>3</sup>
- (2) Sustainability themed investing
  - a. \$27,972,058,822 in total sustainability themed investing<sup>4</sup>
  - b. \$22,202,332,941 in pure sustainability themed investing<sup>3</sup>
- (3) Screening
  - a. \$300,060,421,919 in total screening<sup>5</sup>
  - b. \$269,230,495,989 in pure screening<sup>3</sup>

#### Fixed income:

- (1) Integration of environmental, social, and governance (ESG) issues
  - a. \$0 in total ESG integration<sup>2</sup>
  - b. \$0 in pure ESG integration<sup>3</sup>
- (2) Sustainability themed investing
  - a. \$0 in total sustainability themed investing<sup>4</sup>
  - b. \$0 in pure sustainability themed investing<sup>3</sup>

<sup>2</sup> We understand the industry-wide debate around this classification and strictly evaluate ESG integration according to the definition of the CFA Institute and United National Principles for Responsible Investing (UNPRI) — explicit and systematic inclusion of ESG factors in investment analysis and investment decisions. It is a holistic approach to investment analysis, where material factors — ESG factors and traditional financial factors — are identified and assessed to form an investment decision.

<sup>3</sup> Implementing no other ESG investment styles.

<sup>4</sup> Including those implementing other ESG investment styles such as screening.

<sup>5</sup> Including those implementing other ESG investment styles such as thematic or ESG integration

- (3) Screening
  - a. \$16,771,079,408 in total screening<sup>5</sup>
  - b. \$16,771,079,408 in pure screening<sup>3</sup>

**Cash equivalents/money:**

- (1) Integration of environmental, social, and governance (ESG) issues
  - a. \$881,293,282 in total ESG integration<sup>2</sup>
  - b. \$0 in pure ESG integration<sup>3</sup>
- (2) Sustainability themed investing
  - a. \$0 in total sustainability themed investing<sup>4</sup>
  - b. \$0 in pure sustainability themed investing<sup>3</sup>
- (3) Screening
  - a. \$3,015,044,356 in total screening<sup>5</sup>
  - b. \$2,133,751,074 in pure screening<sup>3</sup>

**Other (Alternative Investment):**

- (1) Integration of environmental, social, and governance (ESG) issues
  - a. \$9,699,470,391 in total ESG integration<sup>2</sup>
  - b. \$9,699,470,391 in pure ESG integration<sup>3</sup>
- (2) Sustainability themed investing
  - a. \$0 in total sustainability themed investing<sup>4</sup>
  - b. \$0 in pure sustainability themed investing<sup>3</sup>
- (3) Screening
  - a. \$0 in total screening<sup>5</sup>
  - b. \$0 in pure screening<sup>3</sup>

**Other (Multi Asset Class Solution):**

- (1) Integration of environmental, social, and governance (ESG) issues
  - a. \$370,342,984 in total ESG integration<sup>2</sup>
  - b. \$67,405,217 in pure ESG integration<sup>3</sup>
- (2) Sustainability themed investing
  - a. \$0 in total sustainability themed investing<sup>4</sup>
  - b. \$0 in pure sustainability themed investing<sup>3</sup>
- (3) Screening
  - a. \$796,036,203 in total screening<sup>5</sup>
  - b. \$493,098,437 in pure screening<sup>3</sup>

**FN-AC-410a.2**

*Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies*

Through our overarching stewardship philosophy of protecting and promoting the long-term economic value of client investments and to fully embrace our commitment to external initiatives such as the UNPRI, our stewardship objectives are as follows:

- Clearly communicate our commitment to responsible investing on behalf of our clients and report on the impact of our stewardship activities. We aim to achieve this objective through honest evaluation, continuous enhancement and increased transparency of our stewardship practices.

- Develop effective proxy voting and engagement guidelines that enhance and evolve ESG practices in the market. We aim to achieve this objective by applying higher voting standards in markets where governance and sustainability practices are below global investors' expectations, and by clearly identifying engagement priorities that focus on sector, thematic and/or market-specific issues. We collaborate with other investors in markets where we believe collective action is needed.
- Ensuring that companies see us as a long-term partner as they navigate the evolution of ESG practices. We aim to achieve this objective by screening our portfolio holdings on performance and ESG factors to prioritize our engagement efforts and by constructively engaging with senior management and board members to effect change in investee companies. In addition, we use thought leadership to inform and provide guidance to our investee companies on the development of ESG practices across our key markets.

To measure and demonstrate impact, we monitor and follow up with companies that we previously engaged with and evaluate company responsiveness to our feedback. This requires a long-term, multiyear approach to stewardship. In addition, in order to maximize our impact, we publish thought leadership, to both inform companies and educate market participants.

### **FN-AC-410a.3**

#### *Description of proxy voting and investee engagement policies and procedures*

Our approach to proxy voting and issuer engagement is premised on the belief that companies that adopt robust and progressive governance and sustainability practices are better positioned to generate long-term value and manage risk. As near-perpetual holders of the constituents of the world's primary indices, the informed exercise of voting rights coupled with targeted and value-driven engagement is the most effective mechanism of creating value for our clients.

Therefore, we engage as long-term investors through our Asset Stewardship Program on those issues that impact long-term value. Our focus in recent years has been on good governance and other practices that affect a company's ability to generate positive returns for investors over the long run. Those issues span a variety of ESG topics material to sustainable performance. We approach these issues from the perspective of long-term investment value, not from a political or social agenda (aka "values").

All voting and engagement activities are centralized within our Asset Stewardship team, irrespective of investment strategy or geographic region. The Asset Stewardship team leverages the breadth of our investment capabilities to make informed decisions. Consolidating and harmonizing our voting decisions and engagement efforts in this way enables us to leverage the full power of our institutional discretionary holdings and exert greater influence with management and boards. By not limiting our team's expertise to specific sectors or regions, we are able to leverage our global perspective when developing insights and to share best practices across sectors and geographies.

In our voting and engagement activities, we evaluate the range of factors that play into the corporate governance framework of a country, including macroeconomic conditions, the political environment, the quality of regulatory oversight, enforcement of shareholder rights and the effectiveness of the judiciary. We complement our company-specific dialogue with targeted engagements with regulators and government agencies to address systemic industry concerns.

Our Asset Stewardship team has developed an Issuer Engagement Protocol and a framework to increase the transparency of our engagement philosophy, approach and processes. This protocol is designed to communicate

the objectives of our engagement activities and to facilitate a better understanding of our preferred terms of engagement with our investee companies. A copy of the protocol can be found on our website.

The factors we consider in identifying target companies include:

- The size of absolute and relative holdings
- The top holdings of our commingled/pooled funds
- Systematic input from our active equity and fixed income investment teams
- Companies with poor long-term financial performance within their sector
- Companies identified as lagging market and industry standards on ESG matters
- Outstanding concerns from prior engagement
- Priority themes and sectors based on an assessment of emerging ESG risks

We aim to limit company engagements to a single meeting per year with the same company, rather than multiple meetings. This approach allows us to efficiently prioritize our resources and engage with companies in comprehensive, substantive meetings. In these comprehensive engagements, we focus on material, long-term ESG issues that are relevant to the specific company. Topics of current interest to us include:

### **Governance**

- Board and Management Succession Planning
- Board Composition and Effectiveness
- Bribery and Corruption
- Corporate Culture
- Executive Compensation
- Regulatory Compliance
- Shareholder Rights

### **Strategy**

- Capital Allocation
- Corporate Reporting
- Long-Term Strategy
- Risk Management

### **Environmental Issues**

- Climate Change
- Environmental Strategy and Management
- Supply Chain Management

### **Social Issues**

- Diversity
- Health and Safety
- Human Capital Management
- Labor Standards and Human Rights

Our engagement and proxy voting prioritization processes are illustrated in the following graphic:

## Asset Stewardship

### Engagement

As an investor in more than 12,000 listed companies, prioritization is essential to effectiveness. Our active target list includes companies across seven main regions/markets (Australia, Canada, EM, EU, Japan, UK, US) of our stewardship activities.



#### Process

How we prioritize



#### Portfolio Exposure

Absolute and relative holdings



#### Proprietary ESG Screens

Negative screening on ESG factors

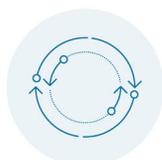


#### Thematic and Sector Priorities

Stewardship plan

### Proxy Voting

Our universe comprises about 17,000 meetings per year, or about 160,00 ballot items. As such, prioritization of vote issues is an equally important aspect of our stewardship program. We review more than 7,000 meetings each year, or 40% of total meetings.



#### Process

How we prioritize



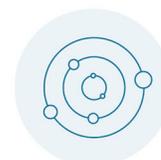
#### Alignment with Investment Strategy and Value Creation

Strong financial link to portfolio



#### Proprietary ESG Screens

Negative screening on ESG factors



#### Proxy Voting Priorities

Stewardship plan

## Business Ethics

### FN-AC-510a.1

*Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations*

As of December 31, 2019, for those matters for which we have accrued probable loss contingencies and for other matters for which loss is reasonably possible (but not probable) in future periods, and for which we are able to estimate a range of reasonably possible loss, our estimate of the aggregate reasonably possible loss (in excess of any accrued amounts) ranges up to approximately \$50 million.

We are cooperating with investigations by governmental and regulatory authorities including the civil and criminal divisions of the DOJ and the DOL on several matters, which could result in significant fines or other sanctions, civil and criminal, against us. In June 2019, we reached an agreement with the SEC to settle its claims that we violated the recordkeeping provisions of Section 34(b) of the Investment Company Act of 1940 and caused violations of Section 31(a) of the Investment Company Act and Rules 31a-1(a) and 31a-1(b) thereunder in connection with our

overcharges of customers which are registered investment companies. In reaching this settlement, we neither admitted nor denied the claims contained in the SEC's order and agreed to pay a civil monetary penalty of \$40 million. Also in June 2019, we reached an agreement with the Massachusetts Attorney General's office to resolve its claims related to this matter. In reaching this settlement, we neither admitted nor denied the claims in the order and agreed to pay a civil monetary penalty of \$5.5 million. The costs associated with these settlements were within our related previously established accruals for loss contingencies.

The SEC and Massachusetts Attorney General's office settlements both recognize that the payment of \$48.8 million in disgorgement and interest is satisfied by our direct reimbursements of our customers.

For further information regarding our approach to the management of these and related issues, see [Risk Excellence and Compliance](#).

#### **FN-AC-510a.2**

##### *Description of whistleblower policies and procedures*

We expect all employees to promptly report any actual, attempted or suspected violation of applicable laws, rules, regulations or policies. Failing to report a violation that one knows about is itself a violation.

For managers, this means that when one is aware of an issue relating to an employee or contingent worker, they must address, escalate and report the issue as necessary. This includes reporting situations outside of their department of involving employees or contingent workers outside of their team.

There are many options for escalating concerns (see the [State Street Standard of Conduct](#)). For example, our Speak Up Line is active 24/7 if there are concerns about known or suspected violations of laws or regulations, questionable business conduct, and breaches of the Standard of Conduct — such as breaches pertaining to accounting practices, internal accounting controls or auditing.

The Speak Up Line is operated by an independent third party. An employee can report anonymously (except where local law does not permit), although identifying oneself allows State Street to act as quickly and appropriately as possible.

State Street does not tolerate retaliation against anyone who reports a potential violation in good faith. Unlawful retaliation includes negative job consequences against any employee or contingent worker for acting upon a reasonable belief to:

- Report a potential violation of company policy or applicable law
- Participate in any internal or external investigation

To report an actual or possible violation of policy or law, an employee can contact:

- Their manager
- The Ethics Office ([ethics@statestreet.com](mailto:ethics@statestreet.com))
- Legal
- Global Security
- Lead Director of the board (via the confidential Speak Up Line).

## Systemic Risk Management

### FN-AC-550a.1

*Percentage of open-end fund assets under management by category of liquidity classification*

We are declining to respond to this disclosure.

At State Street, liquidity is managed at the fund level and the assets of one open-end fund cannot be used to meet the redemptions of other funds, as each fund is separately managed and a separate legal entity. As a result, it is our opinion that aggregate liquidity classifications are not useful nor informative disclosures. In addition to this, as of 2018, the SEC no longer requires open-end mutual funds registered under the Investment Company Act of 1940 to publicly disclose aggregate liquidity classification information at the fund level as the data “may pose a significant risk of confusing and misleading investors.”

### FN-AC-550a.2

*Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management*

State Street’s approach to risk management involves all levels of management, from the board of directors and its committees, to each business unit and each employee. Responsibility for risk oversight is allocated so that risk/return decisions are made at an appropriate level and are subject to robust review and challenge. Risk management is the responsibility of each employee and is implemented through three lines of defense. The business units, which own and manage the risks inherent in their businesses, are considered the first line of defense. Global Treasury is the first line of defense in, and responsible for management of, State Street’s liquidity. This includes the day-to-day management of State Street’s global liquidity position; the development and monitoring of key liquidity risk metrics and early warning indicators; the creation and execution of stress tests; the evaluation and implementation of regulatory requirements; the maintenance and execution of liquidity guidelines and contingency funding plans; and reporting to management risk committees and the board of directors. As part of these responsibilities, Global Treasury calculates the liquidity coverage ratio (LCR), consistent with applicable regulatory requirements. For this purpose, Global Treasury implements a calculation process designed to include appropriate controls to promote accuracy and timeliness of the LCR calculation, including sourcing data via automated methods and attribution analysis to understand day-over-day variances and drivers. Global Treasury reports into the Corporate Treasurer.

Enterprise Risk Management (ERM) and other support functions are considered the second line of defense. Global Treasury Risk Management (GTRM), part of ERM, provides separate oversight over the identification, communication and management of Global Treasury’s risks in support of State Street’s business strategy. GTRM’s responsibilities relative to liquidity risk management include the development and review of policies and guidelines; the development of risk appetite statement limits; and the monitoring of limits related to adherence to liquidity risk guidelines and associated reporting. As part of these responsibilities, GTRM conducts a variety of activities relative to LCR, including review of the liquidity risk management framework and regulations; development of internal limits for LCR above the regulatory minimum and internal escalation framework; and separate monitoring of the LCR results produced by Global Treasury. GTRM reports into the Chief Risk Officer. Corporate Audit serves as the third line of defense and assesses the effectiveness of the first and second lines of defense. Corporate Audit reports into the General Auditor.

State Street also oversees liquidity risk management for the funds and client portfolios for which it serves as fund manager/investment advisor. The company monitors liquidity risk associated with a portfolio's ability to meet potential cash outflows related to investor redemptions/withdrawals or potential liabilities related to derivative positions and secured funding trades, as well as changes in the liquidity of positions within the portfolio. State Street monitors and manages the liquidity of its portfolios in line with the investment strategy of each portfolio, any applicable regulatory requirements, potential investor redemption requests and broader market conditions, at all times in the context of State Street's obligations and its role as a fiduciary, where applicable.

### **FN-AC-550a.3**

#### *Total exposure to securities financing transactions*

As of December 31, 2019, State Street had total Securities Financing transactions of \$484.65 billion. The largest component comes from State Street's Securities Lending business, where State Street acts as an agent on behalf of its clients to lend securities to banks, broker-dealers and other institutions. In most circumstances, we indemnify our clients for the fair market value of those securities against a failure of the borrower to return such securities. As of December 31, 2019, total Agency Lending balances, inclusive of loaned securities and reverse repurchase agreements arising from cash collateral received in connection with these loaned securities, were \$435.25 billion, of which \$413.56 billion was indemnified. State Street also acts as principal in securities lending and securities repurchase agreements. In State Street's Enhanced Custody program, State Street borrows securities from Agent Lenders and loans those securities to its borrowing clients. As of December 31, 2019, State Street borrowed \$24.34 billion of securities and made loans totaling \$24.35 billion to its borrowing clients. State Street also acts as principal in making bilateral reverse repurchase agreements with banking institutions. As of December 31, 2019, State Street had \$0.7 billion in such transactions.

### **FN-AC-550a.4**

#### *Net exposure to written credit derivatives*

We do not have any credit derivatives written by the firm. This number is zero.

## **Activity Metrics**

Activity Metric				
	Year	Month Code	Fund Registration Type	Net AUM (USD)
(1) Total registered and (2) total unregistered assets under management (AUM)	2019	201912	Non-Registered	592,028,836,415
	2019	201912	Not Applicable	1,399,390,102,401
	2019	201912	Registered	1,125,002,502,580
	Overall - Total			3,116,421,441,397
Total assets under custody and supervision	<b>\$34.36 trillion</b>			

# Software and IT Services

## Introduction

Our primary disclosure for the SASB frameworks is according to the guidelines of the Asset Management sector guidelines. However, because of the increasing importance of our software and IT-related services, we are including responses to the Software and IT Services SASB sector guidelines as well.

## Environmental Footprint of Hardware Infrastructure

### TC-SI-130a.1

*(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable*

<b>Data Center Electricity</b>	<b>2019</b>
Total energy consumed	61,118,637 kWh
Percentage grid electricity	98%
Percentage renewable*	98%

\* In 2019, State Street purchased Renewable Energy Certificates matching the amount of all grid-purchased electricity used by its data centers in that year.

### TC-SI-130a.2

*(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress*

<b>Data Center Water Usage</b>	<b>2019</b>
Total water withdrawn	2,436,764 CF
Total water consumed	2,436,764 CF
% withdrawn from water-stressed regions	0%

### TC-SI-130a.3

*Discussion of the integration of environmental considerations into strategic planning for data center needs*

As State Street continues to develop its information technology infrastructure and services, we are focusing on improving the energy efficiency and environmental footprint of its data centers. Led by the Vice President for Data Center Operations, this initiative is exploring options such as addressing zombie servers, reducing or limiting the energy required by servers, and replacing older servers with newer technology that reduce energy demands. We are also exploring options to provide energy to data centers that is renewable or non-polluting such as hydrogen fuel cell technologies. This not only provides State Street with low-carbon electricity but adds redundancy into the electrical system and often provides renewable energy credits that will support our REC trading business. At the facility level, we are also replacing uninterruptible power supply systems with more efficient systems. When siting new data centers, we consider local temperatures and humidity conditions and seek locations that require less cooling and dehumidification.

## Data Privacy & Freedom of Expression

### TC-SI-220a.1

*Description of policies and practices relating to behavioral advertising and user privacy*

Beyond tracking website users (numbers, pages visited, etc.) State Street does not engage in behavioral advertising programs and does not resell user data for third-party purposes.

### TC-SI-220a.2

*Number of users whose information is used for secondary purposes*

None.

### TC-SI-220a.3

*Total amount of monetary losses as a result of legal proceedings associated with user privacy*

In 2019, there were no fines or sanctions levied against State Street as the result of legal proceedings associated with user privacy.

### TC-SI-220a.4

*(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure*

Because of the sensitive and proprietary nature of these data points we choose not to disclose this data at this time.

### TC-SI-220a.5

*List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring*

Because of the sensitive and proprietary nature of these data points we choose not to disclose this data at this time.

## Data Security

### TC-SI-230a.1

*(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected*

None reported in 2019.

### TC-SI-230a.2

*Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards*

Our businesses depend on information technology infrastructure, both internal and external, to, among other things, record and process a large volume of increasingly complex transactions and other data, in many

currencies, on a daily basis, across numerous and diverse markets and jurisdictions. In recent years, several financial services firms have suffered successful cyberattacks launched both domestically and from abroad, resulting in the disruption of services to clients, loss or misappropriation of sensitive or private data and reputational harm. We also have been subjected to cyberattacks, and although we have not to our knowledge suffered a material breach or suspension of our systems, it is possible that we could suffer such a breach or suspension in the future. Cyber threats are sophisticated and continually evolving. We may not implement effective systems and other measures to effectively prevent or mitigate the full diversity of cyber threats or improve and adapt such systems and measures as such threats evolve and advance.

We define technology risk as the risk associated with the use, ownership, operation, involvement, influence and adoption of information technology. Technology risk includes risks potentially triggered by technology non-compliance with regulatory obligations, information security and privacy incidents, business disruption, technology internal control and process gaps, technology operational events and adoption of new business technologies.

The principal technology risks within our technology risk policy and risk appetite framework include:

- Third party vendor risk
- Business disruption and technology resiliency risk
- Cyber and information security risk
- Technology asset and configuration risk
- Technology obsolescence risk

We manage technology risks by:

- Coordinating various risk assessment and risk management activities, including Enterprise Risk Management operational risk program
- Establishing, through the Technology and Operational Risk Committee (TORC) and Technology and Operations Committee (TOPS) of the board, the enterprise-level technology risk and cyber risk appetite and limits
- Producing enterprise-level risk reporting, aggregation, dashboards, profiles and risk appetite statements
- Validating appropriateness of reporting of information technology risks and risk acceptance to senior management risk committees and the board
- Promoting a strong technology risk culture through communication
- Serving as an escalation and challenge point for technology risk policy guidance, expectations and clarifications
- Assessing effectiveness of key enterprise information technology risk and internal control remediation programs
- Providing risk oversight, challenge and monitoring for the Global Continuity and Third Party Vendor Management Program, including the collection of risk appetite, metrics and key risk indicators (KRIs), and reviewing issue management processes and consistent program adoption

Our Corporate Information Security (CIS) team establishes the framework, policies and related programs to measure, monitor and report on information security risks, including the effectiveness of cybersecurity program protections. CIS defines and manages the enterprise-wide information security program. CIS coordinates with Information Technology, control functions and business units to support the confidentiality, integrity and

availability of corporate information assets. CIS identifies and employs a risk-based methodology consistent with applicable regulatory cybersecurity requirements and monitors the compliance of our systems with information security policies.

Cybersecurity risk is managed as part of our overall Information Technology Risk Management as outlined above. We recognize the significance of cyberattacks and have taken steps to mitigate the risks associated with them. We have made significant investments in building a mature cybersecurity program to leverage people, technology and processes to protect our systems and the data in our care. We have also implemented a program to help us better measure and manage the cybersecurity risk we face when we engage with third parties for services.

All employees are required to adhere to our cybersecurity policy and standards. Our centralized information security team provides education and training. This training includes a required annual online training class for all employees, multiple simulated phishing attacks and regular information security awareness materials. Our business lines employ Information Security Officers to help the business better understand and manage their information security risks, as well as to work with the information security team to drive awareness and compliance throughout the business.

We use independent third parties to perform ethical hacks of key systems to help us better understand the effectiveness of our controls and to better implement more effective controls, and we engage with third parties to conduct reviews of our overall program to help us better align our cybersecurity program with what is required of a large financial services organization.

We have an incident response program in place that is designed to enable a well-coordinated response to mitigate the impact of cyberattacks, recover from the attack, and to drive the appropriate level of communication to internal and external stakeholders.

The TORC assesses and manages the effectiveness of our cybersecurity program, which is overseen by the TOPS of our board. The TOPS receives regular cybersecurity updates throughout the year and is responsible for reviewing and approving the program on an annual basis.

More specifically, the oversight structure of these efforts includes:

- The Operational Risk Committee, along with the support of regional business or entity-specific working groups and committees, is responsible for oversight of our operational risk programs, including determining that the implementation of those programs is designed to identify, manage and control operational risk in an effective and consistent manner across the firm.
- The Technology Risk Committee is responsible for the global oversight, review and monitoring of operational, legal and regulatory compliance and reputational risk that may result in a significant change to our Information Technology risk profile or a material financial loss or reputational impact to global technology services. The Committee serves as a forum to provide regular reporting to TORC and escalate technology risk and control issues to TORC, as appropriate.
- The Executive Information Security Steering Committee provides direction for the Enterprise Information Security posture and program, including cybersecurity protections, provides enterprise-wide oversight and assessment of the effectiveness of all information security programs to promote that controls are measured and managed, and serves as an escalation point for cybersecurity issues.

**Recruiting & Managing a Global, Diverse & Skilled Workforce**

**TC-SI-330a.1**

*Percentage of employees that are (1) foreign nationals and (2) located offshore*

A total of 881 active employees are foreign nationals in the United States. This represents 2.2% of State Street’s global workforce. Permanent Residents are excluded from this count.

Global Headcount and Region

North America	EMEA	APAC
14,498	12,277	12,324
37%	31%	32%

Potential risks exist when recruiting foreign nationals. Shifting adjudication standards and increased government scrutiny throughout much of the world has resulted in varying degrees of uncertainty in the ability to secure both temporary and permanent employment authorization to support the hiring of foreign talent. In the United States, the insufficient annual quota of H-1B visas is a significant burden as the company may not be able to retain talent long term.

The additional expected and unexpected cost of recruiting foreign national talent is also a potential risk. Costs may come in the form of legal and government fees to support employment authorization applications but potentially also in the form of lost productivity due to delays in onboarding or unavoidable gaps in employment authorization or availability to work due to government processing times and delays at consular posts.

Global Mobility has developed a detailed immigration policy as well as hiring and operational guidelines that create safeguards for both the company and the foreign national, enhance compliance and achieve consistency in the recruitment and retention of foreign nationals. Global Mobility has also begun engaging with the business areas to forecast anticipated immigration costs based upon current foreign national employee populations to allow the business to better prepare.

**TC-SI-330a.2**

Employee engagement as a percentage

Actively engaged	Not engaged	Passive
52%	26%	22%

Our annual all-employee survey is developed and administered by our internal Employee Engagement team using a third-party survey tool.

**Methodology**

Actively Engaged: A composite average of the percentage of respondents who select “Strongly Agree” or “Agree” to the five engagement questions outlined below

Passive: A composite average of the percentage of respondent who select “Neither Agree nor Disagree” to the five engagement questions outlined below

Not Engaged: A composite average of the percentage of respondents who select “Strongly Disagree” or “Disagree” to the five engagement questions outlined below

In 2019, we asked questions related to dimensions such as engagement, alignment, agility, manager qualities, risk excellence, work/life balance, employee development, inclusion, continuous improvement, accountability, and outcomes orientation and execution mindset.

The questions comprising the “Engagement” dimension were:

1. I am proud to work for State Street.
2. I am very confident in the future success of State Street.
3. If I were offered a comparable position with similar pay and benefits at another company, I would stay at State Street.
4. There is a sense of optimism within my work group about our future.
5. I feel energized by my job.

**TC-SI-330a.3**

*Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees*

United States racial/ethnic group representation:

	Asian	Black or African American	Two or More Races	White	Hispanic or Latino	American Indian or Alaska Native	Native Hawaiian or Other Pacific Islander	Not disclosed/available
Executive Management	9.9%	1.7%	0.7%	80.5%	2.6%	-	-	4.6%
Non-Executive Management	15.9%	3.2%	0.6%	72.2%	3.0%	0.1%	0.1%	4.9%
Professionals	25.5%	2.9%	0.8%	59.3%	2.8%	0.1%	0.2%	8.4%
All other employees	23.9%	9.0%	1.3%	55.9%	6.6%	0.3%	0.1%	-

**\*State Street does not categorize its employees according to technical versus non-technical role.**

United States Gender Representation

	Male	Female	Not Disclosed/Available
Management (Includes Assistant Vice President, Vice President and Managing Director)	64.6%	35.1%	0.3%

*Please describe your organization’s (1) policies and (2) programs for fostering employee representation across its global operations:*

On October 10-11, 2019, the Inclusion & Diversity Office hosted a North America Employee Network Leadership Forum. There, we convened more than 120 Employee Network leaders and I&D Champions from North America at our Boston headquarters for a two-day leadership training and empowerment. The gathering kicked off with 27 video conference connections across North America, EMEA and APAC. Below are key highlights of the event.

- We had a robust schedule full of external and internal speakers featuring our CEO and many senior leaders.

- Best practices and conversations were conducted and explored on how we can elevate our Employee Network leaders' work across the 4Cs – Commerce, Culture, Career and Community.
- A dynamic Shark Tank Competition was full of entertaining, creative ideas on how to enhance our Employee Network strategy in support of the State Street 2022 Strategy: to Simplify, Deliver, Grow.
- Day two was dedicated to personal skills enhancement including topics like Branding, Leading Effectively, Strategic Communications, Recognizing and Embracing Your Unique Advantages, Strategic Sponsorship and Allyship.

It was overall an excellent opportunity to gain new insights to the critical work that we are doing, connect with colleagues from other offices across North America, share best practices, and build better synergy and new working relationships in an energized setting. And, participants left with overwhelming feedback that the event had them feeling engaged, energized and ready to take on more challenges to help our organization succeed.

We launched Inclusive Leadership—Unconscious Bias training to all employees globally. The purpose of this training was to give employees a base understanding of bias and what to do about it, encourage different ways of thinking, and have employees and managers have more effective conversations. This training was foundational to our future effort of going deeper in our inclusive learning with a focus on managers.

For more information regarding State Street's approach to inclusion and diversity, including our policies and programs for fostering equitable employee representation across its global operations, see [Inclusion and Diversity](#).

### Intellectual Property Protection & Competitive Behavior

#### TC-SI-520a.1

*Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations*  
Zero.

### Managing Systematic Risks from Technology Disruptions

#### TC-SI-550a.1

*Number of (1) performance issues and (2) service disruptions; (3) total customer downtime*

State Street had zero performance issues, service disruptions, and customer downtime in 2019.

#### TC-SI-550a.2

*Description of business continuity risks related to disruptions of operations*

The core of State Street's approach to business continuity lies in its commitment to redundancy, resiliency and security and a robust program of stress-testing the systems we use. Our computer, communications, data processing, networks, backup, business continuity, disaster recovery or other operating, information or technology systems, facilities and activities may suffer disruptions or otherwise fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors, including, without limitation, events that are wholly or partially beyond our control, which could adversely affect our ability to process transactions, provide services or maintain systems availability, maintain compliance and internal controls or otherwise appropriately conduct our

business activities. For example, there could be sudden increases in transaction or data volumes, electrical or telecommunications outages, natural disasters, cyberattacks or employee or contractor error or malfeasance. We may not successfully prevent, respond to, recover from or learn from any such disruptions or failures.

Due to our dependence on technology and the important role it plays in our business operations, we must persist in improving and updating our information technology infrastructure, among other things, (1) as some of our systems are approaching the end of their useful life, are redundant or do not share data without reconciliation; (2) to be more efficient, meet client expectations and support opportunities of growth; and (3) to enhance resiliency and maintain business continuity.

**Activity Metrics**

**TC-SI-000.A**

*(1) Number of licenses or subscriptions, (2) percentage cloud-based*

State Street has no licenses or subscriptions where it serves as the SaaS provider in production.

**TC-SI-000.B**

*(1) Data processing capacity, (2) percentage outsourced*

State Street uses many different platforms to meet its technology needs.

Open systems (e.g., UNIX, Windows, Linux) make up the largest quantity of our physical servers. As such, we measure relative capacity of the various open system operating systems by comparing “specint” values. Specint values are a standardized way to measure processing power for open systems and provide a relative view of the capacity.

Operating System	Total Specints	Amount of Servers with Specints	Average Specints per Server
Linux	1,600,000	6,411	250
UNIX	202,000	1,664	121
Windows	1,880,000	13,120	143

In 2019, our systems averaged 188,000 MIPS.

The data provided should be considered within the State Street context is not directly comparable to other firms figures. It should also be noted that the data does not represent 100 percent of State Street servers but represent the open system servers under our responsibility. We estimate that the data reflects 80 to 90 percent of State Street’s servers.

**TC-SI-000.C**

*(1) Amount of data storage, (2) percentage outsourced*

State Street has a storage area network of 23 petabytes with nine petabytes of on-premises cloud services.

# **Task Force on Climate-related Financial Disclosures Report**

# Task Force on Climate-related Financial Disclosures Report

## Introduction

Since 2017, State Street Corporation and State Street Global Advisors have supported the mission and objectives of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was set up in 2015 by the Financial Stability Board (FSB) to develop voluntary and consistent climate-related financial risk disclosures for companies to provide to their investors and other stakeholders. The initiative is based on the belief that climate change presents material risks and opportunities that companies should disclose. The TCFD principles cover four main areas: governance, strategy, risk management, and metrics and reporting. This report provides an update on State Street's progress across these four areas.

## Governance

In 2018, the board of directors took on responsibility for monitoring material ESG activities such as greenhouse gas emissions and climate-related risks. State Street's overall corporate responsibility efforts are overseen by the Executive Corporate Responsibility Committee, which reports to the board of directors at least once per year. The Executive Corporate Responsibility Committee (ECRC) is charged with setting our corporate responsibility strategy, executing programs and initiatives and monitoring progress of the programs. The ECRC has been charged with supporting State Street's responses to TCFD and the European Union's Directive on Non-financial Reporting. The Global Corporate Responsibility Officer at State Street is accountable to the ECRC and provides operational leadership for the corporate responsibility activities under the committee's purview.

State Street Global Advisors' ESG Investments team also regularly reports on their activities, including risk assessments, stewardship efforts and corporate engagements to State Street Global Advisors' chief investment officer and chief executive officer as well as State Street's board of directors. The Asset Stewardship team's activities are directly overseen by the State Street Global Advisors Investment Committee (IC), which is responsible for approving our annual stewardship strategy, engagement priorities and proxy voting guidelines in addition to monitoring the delivery of objectives. The Proxy Review Committee, a dedicated subcommittee of the IC, provides day-to-day oversight of Asset Stewardship, including approving departures from proxy voting guidelines and managing conflicts of interest.

Decisions regarding operational issues, new investments (outside of our asset stewardship activities that we do on behalf of our clients) and real estate projects are always made with ESG (and thus climate) related risks and opportunities as important considerations.

In addition to our own progress incorporating the TCFD principles, our Asset Stewardship team within State Street Global Advisors, our asset management business, engages regularly with their portfolio companies on how they are addressing climate change within the framework of the TCFD principles. This provides State Street Corporation with insights into best practices when it comes to TCFD implementation.

## Strategy

Our strategy for addressing climate change has three main pillars:

- Protect our infrastructure – Our business depends upon a robust and resilient physical infrastructure that can handle the impacts of a climate-challenged world.

- Protect our client's assets – It is our responsibility to identify and mitigate risks to our clients' assets. In many instances these risks can be driven by exposure to climate change. Therefore it is our job to identify, understand, mitigate or hedge against climate-related risks in our investment-making decisions.
- Manage our own impacts – We must lead by example and be a leader amongst our peers in addressing climate change.

## Climate-related Risks and Opportunities

As part of our ongoing efforts to identify climate-related risks and opportunities, we engage key stakeholders across our organization to help identify where our efforts are best focused, to return the most benefit to our internal and external stakeholders.

## Impact on our Business, Strategy and Financial Planning

Climate change impacts our business mainly in two ways: through our operations and through the assets that we manage on behalf of our clients. We are affected as a large-scale institutional investor with significant stakes in various economies, companies, infrastructure and real estate that are or will be affected by the physical impacts from climate change and by the transition to a low-carbon economy, which can have direct impacts on the ability of assets to generate long-term value. All of these factors must be considered in our long-term business, strategic and financial planning.

## Risk Management

Since we first identified climate change as a risk, State Street has regularly integrated short, medium and long-term climate change considerations into our business management processes. This includes considering the likelihood of possible direct impacts to our physical infrastructure as well as the impacts associated with our investment strategies.

State Street has a proactive approach to risk management that includes processes to assess climate-related physical and transition risks by our own teams and environmental subject matter experts.

In 2019, State Street rolled out a new country-level risk assessment framework that allows the State Street Risk Management teams to assess ESG-related risks, with the evaluation of climate-related risks including factors such as natural disaster (event) risk, management of natural resources, energy transition risks, and energy security risks. These risk assessments are intended to be used where State Street has operations or is considering establishing operations. It is also intended for use in assessing appropriate risk and exposure as new markets are explored and can be used as an additional tool in evaluating ESG-related risks to State Street's assets.

Once we identify risks, they are brought to the attention of the relevant business segments to determine whether to accept, transfer or mitigate risks; develop mitigation plans as needed; and carry out regular monitoring and reporting.

## Physical Risks Associated with Climate Change

To stay abreast of any operational vulnerabilities related to environmental factors, we regularly evaluate the physical and financial risks of climate change in the context of our own activities. This includes assessing the

frequency and severity of major weather events that may impact our operations, induce damage, disrupt our supply chain or potentially hinder our ability to provide products or services. We're committed to protecting our clients from any service interruptions, including those related to climate change, in addition to taking responsibility for mitigating our own climate impacts.

The possible impacts we evaluate and address in our business continuity strategy include:

- 1) The potential loss of, or temporarily restricted access to, buildings or operations
- 2) The loss of or damage to technology and operations infrastructure
- 3) Business, operations or technology impacts to employees because of severe weather

Our building and operations teams also use this approach when exploring potential new business locations. If a property is in an area that has a higher risk of climate change effects, we conduct due diligence to assess the risks for our operations. In addition, we implement appropriate infrastructure to safeguard against any business interruptions that could occur due to climate-related events.

Some of the steps we have taken, or will consider taking to mitigate climate-related risks to our infrastructure, include:

- 1) Locating critical infrastructure on higher floors of buildings
- 2) Adapting business continuity plans to include scenarios of extreme weather incidents
- 3) Innovative approaches to energy efficiency
- 4) Flexible commuting options for employees

We also include the evaluation of climate-related event risks in our Comprehensive Capital Analysis and Review (CCAR) stress-testing scenarios, where such events are incorporated as part of our evaluation of operational risk losses in our internally-derived bank holding company scenario. We are currently assessing the potential of climate-related scenario analysis as a tool to inform our decision-making regarding our own operations.

### **Investment Risks Associated with Climate Change**

In general, we observe that more companies are starting to manage climate risk. In our 2017 annual report, we wrote that we would be expanding our stewardship focus on climate risk to sectors such as agriculture, transportation and insurance, since they have obvious connections to climate-related changes. In 2018, we looked across nine countries and 17 Global Industry Classification Standards (GICS) industry groups to review how their climate reporting strategies are aligned to TCFD recommendations and to understand how boards are overseeing climate risk. We found that most companies are responding to the recommendations of the TCFD, which has quickly become a standard overarching framework to review and assess climate risk. We view this as a positive development, and one that will, over time, help mitigate climate risk in a significant portion of our portfolio.

While we feel that while progress is being made, it is not happening at a pace commensurate with the challenge. The 2019 Status Report of the TCFD found that:

- Disclosure of climate-related financial information has increased since 2016, but it is still insufficient for investors
- More clarity is needed on the potential financial impact of climate-related issues on companies
- Of companies using scenario planning, the majority do not disclose information on the resilience of their strategies

From the investment perspective, we recognize the value in assessing energy, greenhouse gas and other climate-related data for the companies in our portfolios. The objective is to better understand how the companies we invest in manage and work to mitigate climate-related risks, which in many cases may materially impact future financial performance.

To ensure State Street proactively manages ESG-related investment risks, the firm's Asset Stewardship team utilizes a climate change risk oversight framework that helps us plan for any possible risks we may face due to climate change, encompassing all the equities we manage globally. Our management of climate-related risks for client portfolios is multifaceted, including:

- Climate-focused asset stewardship aimed at ensuring that boards and management teams are overseeing and managing their company's exposure to climate risks
- Best-in-class climate data used to develop targeted investment solutions
- Investable solution offerings such as exclusionary screening, mitigation, adaptation and asset stewardship
- Climate-specific reporting designed to support clients in their understanding of how their strategies perform against climate-focused objectives.

We also recognize the complexity of quantitatively assessing such risks and are working to improve the quality and timeliness of the data required to make more robust assessments. In 2019, we launched R-Factor™, an ESG scoring system developed by State Street Global Advisors that leverages multiple data sources and aligns them to widely accepted, transparent materiality frameworks to generate a unique ESG score for listed companies. The platform measures the performance of a company's business operations and governance as it relates to financially material ESG challenges facing the company's industry. It is designed to provide companies a roadmap to improve ESG practices and disclosure, and to help create sustainable capital markets.

When we recognize risks or opportunities for improvement, we typically seek information from companies in the following areas: governance processes, greenhouse gas goals, internal carbon pricing schemes, and scenario-based assessments of risks and opportunities. In our experience, more accurate and timely information and deeper engagement on these topics will help us, the boards and management teams of the companies we invest in, and our clients assess climate-related risks more holistically and identify opportunities to maximize value creation.

We have identified the following long-term challenges and opportunities regarding climate change:

- 1) Strong governance and cross-functional collaboration will be necessary to effect change in companies
- 2) Boards need to approach climate change as a systemic risk
- 3) Boards need to improve their fluency on climate change

We are working with our analysts, fund managers and the companies whose shares we own to identify opportunities to address these challenges. For more information see our [2018 Annual Asset Stewardship Report](#).

Toward this, we have been engaging with companies on climate change related matters since 2014. In that time, we have held 367 climate-related engagements across a range of industries and markets. In 2018, we continued to be active on the topic and undertook 89 climate-related engagements. In 2019, we issued one shareholder proposal to a portfolio company asking them to consider 2-degree climate scenarios in their risk management efforts.

## State Street Global Advisors Voting on 2° C Proposals: 2016 – 2019

	2019	2018	2017	2016
With Management	0	1	3	1
Against Management	1	3	12	8
<b>Total</b>	<b>1</b>	<b>4</b>	<b>15</b>	<b>9</b>
% With Management	0%	25%	20%	11%
% Against	100%	75%	80%	89%

## Metrics and Targets

### Energy Use and Savings

#### Energy Consumption within the Organization

Consumption by Fuel Type	Unit	2019	2018	2017	2016	2015
<b>Direct Energy Consumed</b>						
Natural Gas	GJ	119,054	132,695	121,415	123,302	144,349
Diesel	GJ	5,308	5,960	3,937	7,339	3,992
<b>Total Direct Energy</b>	<b>GJ</b>	<b>124,361</b>	<b>138,655</b>	<b>125,352</b>	<b>130,641</b>	<b>148,341</b>
<b>Indirect Energy Consumed</b>						
Electricity	GJ	807,157	815,297	875,087	899,057	927,400
Heating	GJ	39,222	34,608	32,352	34,122	32,922
Cooling	GJ	4,865	3,459	3,210	3,341	6,269
<b>Total Indirect Energy</b>	<b>GJ</b>	<b>851,244</b>	<b>853,365</b>	<b>910,649</b>	<b>936,520</b>	<b>966,591</b>
<b>Energy Savings</b>	<b>GJ</b>	<b>15,144</b>				

Projects for 2019 include:

- Smart intelligent Uninterruptible Power Supply controls upgrade helps to reduce UPS power consumption and building electricity usage.
- Continued improvement in data center energy efficiency by reducing unnecessary energy consumption associated with unused server equipment
- Lighting upgrades at various facilities to new energy efficient LED bulbs and fixtures

## GHG Emissions

### State Street Greenhouse Gas (GHG) Emissions

Direct and Indirect GHG Emissions (Scopes 1,2 and 3)					
Amounts in Metric Tonnes CO <sub>2</sub> Equivalent	2019	2018	2017	2016	2015
CO <sub>2</sub> Direct	6,582	7,335	6,601	6,902	7,802
CH <sub>4</sub> Direct	16.90	17.13	15.02	16.22	17.70
N <sub>2</sub> O Direct	3.73	4.60	4.02	4.50	4.67
HFCs Direct	2,340	2,458	3,060	1,322	2,821
<b>Total Direct (Scope 1)</b>	<b>8,943</b>	<b>9,814</b>	<b>9,680</b>	<b>8,244</b>	<b>10,645</b>
Biogenic CO <sub>2</sub>	4.39	4.50	2.53	3.11	3.45
<b>Total Indirect (Scope 2)</b>	<b>75,728</b>	<b>78,678</b>	<b>90,185</b>	<b>92,344</b>	<b>100,861</b>
<b>Total Scope 3</b>	<b>90,872</b>	<b>95,888</b>	<b>96,283</b>	<b>87,031</b>	<b>98,441</b>
<b>Total GHG Emissions</b>	<b>175,543</b>	<b>184,380</b>	<b>196,148</b>	<b>187,619</b>	<b>209,947</b>

## Emissions Intensity

GHG Intensity Ratio					
MT CO <sub>2</sub> e per employee	2019	2018	2017	2016	2015
Scope 1 + 2 CO <sub>2</sub> e per occupant	2.02	2.21	2.64	2.69	3.24
List of included gases	Carbon Dioxide (CO <sub>2</sub> ), Methane (CH <sub>4</sub> ), Nitrous Oxide (N <sub>2</sub> O)				

GHG reductions

*Our 2025 Science-Based Target for GHG reductions is 30%. As of 2019, we had achieved 31.1% reductions in our Scope 1 + 2 emissions (market-based).*

## Other Metrics

We are at the early stages of assessing our portfolios against potential climate-related risks, particularly as they relate to the assets we hold that represent high carbon risks. While we currently do engage with portfolio companies regarding their climate policies and processes, we do not yet have a quantitative approach to assessing which assets are “high carbon” or the total amount of assets that might be characterized as “high carbon.” We expect to make progress on this issue and we look forward to providing a more detailed response in the coming years.

We also are working to assess our portfolio regarding the amount of carbon emissions financed. While we provide financing to entities that contribute to global carbon emissions, we do not currently have the mechanisms in place to provide an accurate figure for the carbon emissions represented. This is an ongoing process, and we look forward to evolving and expanding our disclosure in the future, as we identify the most complete and accurate method to track the relevant data.

# **United Nations Global Compact Communication on Progress**

# United Nations Global Compact

## Communication On Progress

UNGC Principle	Reference	Commentary
<b>Human Rights</b>		
<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p><b>Human Rights Risks with the Supply Chain</b></p>	<p>State Street identifies with the responsibility to respect human rights as set out in United Nations' Universal Declaration of Human Rights and our commitment. We strive to increase the diversity of our workforce and the inclusiveness of our culture through a variety of employee resources and programs.</p>
<p><b>Principle 2:</b> Make sure that they are not complicit in human rights abuses</p>	<p><b>Modern Slavery Act Statement</b></p>	<p>We expect our vendors to uphold the same standards as we do. Our procurement process includes extensive due diligence requiring vendors to provide details about the steps they have taken to ensure that slavery and/or human trafficking are not occurring in their supply chains or any other part of the business.</p>
<b>Labor</b>		
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p><b>Human Capital</b></p>	<p>State Street is committed to adherence to local laws regarding the freedom of association and collective employee action.</p>
<p><b>Principle 4:</b> The elimination of all forms of forced and compulsory labor</p>	<p><b>Human Rights Risks with the Supply Chain</b></p>	<p>In our business operations, we do not allow forced or compulsory labor. Additionally, all of our potential suppliers must provide information about social compliance audits of their own suppliers and subcontractors, with reference to risks for incidents of forced and compulsory labor.</p>

**Principle 5:**

The effective abolition of child labor

**Human Rights Risks with the Supply Chain**

State Street remains committed to rejecting child labor. This commitment requires our potential suppliers to provide information about social compliance audits for their suppliers and subcontractors including reference to risks for incidents of child labor.

**Principle 6:**

The elimination of discrimination in respect of employment and occupation

**Engaging Stakeholders to Advance our Goals**

State Street became a signatory to the CEO Action for Diversity & Inclusion pledge in 2017 and became a signatory in the Business Coalition for the Equality Act in 2018. Our approach to inclusion and diversity is built upon four pillars: communication, talent pipeline, accountability, and learning and development.

**Environment**

**Principle 7:**

Businesses should support a precautionary approach to environmental challenges

**Climate Change**

Through our precautionary approach to environmental sustainability and greenhouse gas (GHG) emissions reduction, we continuously monitor and address the physical risks associated with climate change. GHG emission management and mitigation is a key aspect of environmental sustainability at State Street.

**Principle 8:**

Undertake initiatives to promote greater environmental responsibility

**Climate Change**

We track our performance in energy use, greenhouse gas emissions, water use, waste generation and recycling rate. Additionally, our Environmental Sustainability Employee Network (ESEN) also helps raise employee awareness about sustainability efforts within the company and fosters community engagement around environmental initiatives.

**Principle 9:**

Encourage the development and diffusion of environmentally friendly technologies

**Our ESG-Related Products and Services**

With growing client interest in environmental, social and governance factors, our various business lines have developed products and services to help clients assess ESG risks and opportunities in their investment portfolios. This includes bespoke asset management products, data analytics tools and research studies on ESG impact.

**Principle 10:**

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

**Risk Excellence and Compliance**

As a trusted fiduciary and partner to the world's leading institutions, State Street holds the highest standards of risk excellence and compliance. In 2019, State Street continued to perform outcome-based monitoring as well as the rollout of more comprehensive end-to-end and targeted reviews evaluating top and emerging compliance risks. Additionally, we continued improving our policies, guidance and training on risk culture and compliance.

# **United Nations Sustainable Development Goals**

## UN Sustainable Development Goals

As a leading global financial services institution, State Street became a signatory to the United Nations Global Compact in December 2014. We have taken a leadership role in contributing to the Sustainable Development Goals (SDGs) as an early adopter. State Street is well positioned to drive significant progress on many SDGs and has identified five goals on which it has the greatest potential for impact.

### **SDG4: Quality Education**

### **SDG8: Decent Work and Economic Growth**

#### **Investing in Local Nonprofit Organizations – State Street Foundation**

State Street makes grants to nonprofits and nongovernmental organizations through State Street Foundation. The Foundation's primary strategic focus is education and workforce development, and we aim to contribute to the overall health and well-being of our communities around the world by promoting economic self-sufficiency among disadvantaged populations. During 2019, State Street Foundation provided \$21 million in grants and matching gifts funding.

State Street believes the most effective way to improve the overall well-being of our communities is to help disadvantaged individuals earn and make a living. By keeping a sharp focus on education and work, we'll bring lasting economic benefits to the communities where we live and work. State Street invests in high-performing nonprofit partnerships that support education, employability and employment opportunities for disadvantaged individuals, helping them to gain the skills and educational qualifications needed to secure sustainable employment in today's knowledge-based, global economy and be financially independent.

#### **High Impact Investments**

In 2015, State Street launched the Boston Workforce Investment Network (Boston WINs). We brought together five high-performing nonprofits and the Boston Public School system to better support students through college and career readiness. By the end of the first four years of the program, we had invested a total of \$22.4 million and will continue to support Boston WINs until June 2021 as we move through the wind-down phase of our support.

With the success of WINs, State Street is now expanding elements of this model outside the United States in our High Impact strategy. For example, we partnered with Impetus PEF, a London-based private equity foundation, and launched a fund in 2019 to support two UK nonprofits over the next three years: Dallaglio RugbyWorks and City Gateway. In Ireland, in partnership with the Social Investment Fund Ireland, we announced the launch of a €1.5 million "Ability to Work" fund to offer workforce development opportunities for people with disabilities. Additionally, State Street made a multi-year investment in the Poland Business Run Foundation to support workforce development tools for people with physical disabilities.

For more information on our outcome on SDG4 and SDG8, please see [Wealth and Income Creation](#).

## **SDG 5: Gender Equality**

State Street is a vocal advocate for gender equity in the financial services sector. State Street Global Advisors' Fearless Girl campaign continues to take a stand on gender diversity issues and raise awareness of the importance of diversity in corporate leadership. This year, we celebrated the third anniversary of the launch of the Fearless Girl campaign, which began with the introduction of an iconic symbol of gender diversity in leadership on the eve of International Women's Day 2017. Since the arrival of Fearless Girl on Wall Street three years ago, 681 publicly-traded companies that previously had no women on their boards, which the firm called on and engaged with, have added at least one female board member.

As part of our dedication to furthering gender diversity, we also call on our portfolio companies to monitor and disclose the level of gender diversity not only on their boards, but at all levels of management. The SSGA Gender Diversity Index, created in 2016, is an exchange-traded fund designed to measure the performance of US large capitalization companies that are "gender diverse," exhibiting gender diversity in their senior leadership positions.

In addition, State Street's board of directors has increased the number of women directors from three to four, which represents 33 percent of the board. State Street firmly believes that gender equity is essential to an inclusive and diverse workforce. We have set three-and five-year diversity targets for our staff members — at the assistant vice president level and above — focused on increasing female representation globally.

For more information on gender diversity at State Street, see [Inclusion and Diversity](#).

## **SDG 7: Affordable and Clean Energy**

### **SDG13: Climate Action**

To be a responsible corporate citizen, State Street continuously works to minimize the environmental impacts of our business operations and set aggressive goals to reduce the environmental footprint of our business. Our commitment to environmental responsibility can be proved by our accomplishment in our carbon reductions, water usage reductions and recycling rate. Moreover, the great efforts from our Environmental Sustainability Employee Network (ESEN), which engages our employees around environmental behavior change, and from State Street Global Advisors are also essential catalysts for our implementation of environmental sustainability.

In 2019, State Street reached our 30 percent carbon reduction goal, which we set three years ago and was aggressive at the time. We met this goal seven years ahead of our 10-year target and our success is attributable to three main aspects: infrastructure retrofitting, REC and carbon offset purchases and enjoying tailwinds from "greening the grid" where we have offices. One other key element of a successful carbon reduction program is diligent and detailed data and tracking. We take seriously our responsibility to address the climate-related impacts of our operations, putting systems in place to safeguard clients against potential disruptions in service related to climate issues.

Additionally, our Environmental Sustainability Employee Network (ESEN) plays an important role in helping raise employee awareness about sustainability efforts within the company and fosters community engagement around environmental initiatives. Our Luxembourg office and their efforts to eliminate single-use plastics could be a best example of the efforts from ESEN. Our new Boston headquarters building — which is going to be occupied in 2023 — will utilize ceramicware and will not have any single-use plastics in our space. State Street is planning actions now that reflect the changing opinions and growth in this area.

State Street is also dedicated to providing sustainable investment opportunities and research to our clients. State Street Global Advisors, one of the world's largest asset managers, plays a key role in influencing the climate-related policies of the companies we invest in. With a growing investor interest in ESG integration, State Street built an interactive, web-based portfolio decision-supporting platform, ESGX®. Clients can access an interactive web-based tool that calculates ESG scores through a combination of both human and machine generated data, allowing for greater transparency into potential sources of portfolio risks and opportunities. Looking to the future, State Street will keep leveraging its leading role and enhancing the tools to make great impacts on the environmental issues.

For more information on our outcome on SDG7 and SDG13, please see [Climate Change](#).

# **Global Reporting Initiative Index**

# Global Reporting Initiative Index

General Disclosures		Information
<b>Organizational Profile</b>		
102-1	Name of the organization	State Street Corporation
102-2	Activities, brands, products, and services	<p>We have two lines of business: Investment Servicing and Investment Management:</p> <p>State Street Corporation provides services to asset owners; asset managers and alternative asset managers; official institutions including central banks and sovereign wealth funds; and insurance companies through its four primary lines of business: State Street Global Services, State Street Global Advisors, State Street Global Markets and State Street Global Exchange. Each of these groups is focused on maximizing the value they create for their customers and delivering on this promise.</p> <p>See <a href="#">GRI 102-6</a> below for additional information.</p>
102-3	Location of the headquarters	<p>State Street Corporation            State Street Financial Center            One Lincoln Street            Boston, MA 02111</p>
102-4	Location of operations	<p>We serve clients in more than 100 markets and have offices in more than 25 countries. For a list of office locations, see the About section on <a href="http://www.statestreet.com">www.statestreet.com</a>.</p>
102-5	Ownership and legal form	<p>State Street is a financial holding company organized under the laws of the Commonwealth of Massachusetts. Our common stock is listed on the New York Stock Exchange.</p>

102-6	Markets served	<p>We provide investment management, research and trading, investment servicing, and data analysis and insights to the world's institutional investors. Our clients include asset owners; asset managers and alternative asset managers; official institutions, including central banks and sovereign wealth funds; and insurance companies. Our solutions cover our clients across the investment life cycle.</p> <p>Our investment servicing business, State Street Global Services, provides customized servicing solutions across traditional and alternative investments. Our services range from custody, accounting, administration and shareholder recordkeeping to complete investment operations solutions. And our performance measurement and analytics tools help clients make better-informed decisions.</p> <p>State Street Global Advisors is a global leader in investment management, focused on investing responsibly to enable economic prosperity and social progress. Investors rely on us for disciplined investment processes, powerful global investment platforms and access to every major asset class, capitalization range and style.</p> <p>Our investment research and trading arm, State Street Global Markets, creates access to alpha, insights, liquidity and financing that enhance our clients' portfolio values. We provide specialized research, trading, securities lending and innovative portfolio strategies to asset owners and managers.</p> <p>Delivering new perspective and insight into risk management and investment strategy, State Street Global Exchange combines capabilities in research and advisory, portfolio performance and risk analytics, electronic trading and clearing, information and data management; all are designed to help investors capitalize on the opportunities and actions that will generate the most value.</p>
102-7	Scale of the organization	<p>See <a href="#">State Street's 10-K</a> concerning State Street's key financials, and further information concerning assets, debt and shareholders' equity. Please also see <a href="#">Human Capital</a> and <a href="#">102-8</a> concerning staff numbers.</p>
102-8	Information on employees and other workers	<p>Female employees: 17,713 (16,864 full-time and 849 part-time). Male employees: 21,279 (21,143 full-time and 136 part-time). Other: 107 (107 full-time).</p> <p>See <a href="#">Human Capital: Progress Against our Inclusion and Diversity Goals</a> for additional information.</p>
102-9	Supply chain	<p><a href="#">Responsible Sourcing: Key Products and Services</a></p>

102-10	Significant changes to the organization and its supply chain	There were no significant changes regarding the organization's size, structure, ownership or its supply chain.
102-11	Precautionary Principle approach	<a href="#">Task Force on Climate-related Financial Disclosures Report, UNGC</a>
102-12	External initiatives	TCFD, CEO Action for Diversity, UN Principles for Responsible Investment, UNEP Finance Initiative, UN Global Compact, Boston Women's Compact, CDP, Ceres, ISO 14001, ISO 5000
102-13	Membership of Associations	<a href="#">State Street ESG Affiliations</a>
<b>Strategy</b>		
102-14	Statement from senior decision-maker	<a href="#">Statement from Ron O'Hanley</a>
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behavior	<a href="#">Governance: Risk Excellence and Compliance: Guiding Codes and Standards</a>
<b>Governance</b>		
102-18	Governance structure	<a href="#">Governance: Board Governance</a>
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Shareholders, clients, employees, academics, NGOs, investment analysts, business partners. See <a href="#">Materiality Assessment</a> for more information.
102-41	Collective bargaining agreements	We are committed to adherence to local laws regarding the freedom of association and collective employee action. Globally, 3.6 percent of State Street employees participate in collective bargaining agreements.
102-42	Identifying and selecting stakeholders	As a publicly traded company whose success depends on supporting the success of our clients with financial services, we have for a long time defined shareholders, clients and employees as key stakeholders. Further stakeholders <a href="#">see GRI 102-40</a> are important as they provide expert perspectives or impact our reputation in the marketplace.

102-43	Approach to stakeholder engagement	Engagement with all stakeholders (shareholders, clients, employees, academics, nongovernmental organizations, investment analysts and business partners) occurs every two years and all engagement is undertaken as part of the report creation process, specifically to identify the areas of focus for the report. For the 2019 materiality assessment, five external stakeholders were interviewed regarding their perspective on the materiality of each potentially material topic to State Street. These external stakeholders were from nongovernmental organizations and academics with which State Street actively engages. Employees were also engaged using a survey distributed by State Street’s CR team.
102-44	Key topics and concerns raised	<a href="#">Materiality Assessment</a> , <a href="#">Our Business</a> , <a href="#">Governance</a> , <a href="#">Human Capital</a> , <a href="#">Our Footprint</a>
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	All data presented in the report represents all wholly owned State Street Corporation operations, unless explicitly noted otherwise.
102-46	Defining report content and topic boundaries	<a href="#">Introduction</a> , <a href="#">Materiality Assessment</a> The content for this report was informed by topics of the SASB framework, the GRI Standards and other reporting standards relevant to State Street and our activities and impacts. A materiality assessment performed in 2019 consulted our internal as well as external stakeholders. This helped define the topics most material to State Street, and hence described in this report. In addition, some non-material information was added, where we felt it would be of interest to certain stakeholder groups. Topic boundaries were defined by subject matter experts for each material topic. In principle the content of this report covers all State Street global operations. Any exceptions for material topics are explained under GRI 103-1 for that topic.
102-47	List of material topics	<a href="#">Materiality Assessment</a>
102-48	Restatements of information	There are three instances, for the purpose of this report, where previous year’s information was restated to reflect updated information or methodology. They are: <a href="#">Inclusion and Diversity: Pay Difference Between Men and Women in the United Kingdom</a> The 2018 data presented regarding the UK Pay Difference has been slightly adjusted from last year’s disclosure to reflect a consistent methodology used for State Street’s reporting. This resulted in a very slight reduction in the gender pay gap result in 2018 versus the original 2018 disclosure. <a href="#">Climate Change: GHG Intensity</a> , <a href="#">Climate Change: Total Energy Saved</a> The data presented regarding GHG reductions and total energy saved in 2017 and 2018 has been slightly adjusted from our previous reporting due to the reallocation of some project impacts across the year-end dates to reflect actual completion dates.

102-49	Changes in reporting	The boundaries for the report have not changed from previous years.
102-50	Reporting period	January 1 to December 31, 2019
102-51	Date of most recent report	April 2019
102-52	Reporting cycle	Annual reporting
102-53	Contact point for questions regarding the report	Richard Pearl, Global Corporate Responsibility Officer +1 617-664-3107
102-54	Claims of reporting in accordance with the GRI Standards	This detailed GRI content index is in accordance with the Core option of the Global Reporting Initiative Standards.
102-55	GRI content index	<a href="#">Global Reporting Initiative Index</a>
102-56	External assurance	We obtain independent assurance on our annual Corporate Responsibility reporting. For details of the scope and basis of the assurance carried out by ERM-CVS on our 2019 CR Report, please refer to ERM CVS's assurance statement.

Topic-specific Disclosures	Information
<b>Material Topic: Risk Excellence and Compliance</b>	
The State Street material topic "Risk Excellence and Compliance" includes the GRI topics "205 Anti-Corruption," "206 Anti-competitive Behavior," "417 Marketing and Labeling" and "419 Socioeconomic Compliance." It also covers our risk excellence programs.	
<b>Disclosure on Management Approach</b>	
103-1	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>At State Street, our business depends on being a trusted partner. Risk excellence across all our operations is essential due to their potential impact on State Street's reputation with our stakeholders and the risk to shareholders in the event of breaches. Ensuring legal and regulatory compliance, including anti-corruption, prevention of anti-competitive behavior, and honest and transparent marketing, are not negotiable for us. We strive to foster a culture that allows us to identify and address potential issues before they become problematic from a compliance perspective. This also includes an open and ethical approach to the marketing of our products and services.</p>

103-2

### **The Management Approach and its Component**

State Street is committed to conducting business in a fair and ethical manner. We manage all compliance and risk assessment programs primarily through the work of three management committees: the Management Risk and Capital Committee, the Business Conduct Risk Committee and the Technology and Operational Risk Committee. The work of these three committees is overseen at the board of directors level by the Risk Committee and the Examining and Audit Committee. Together, this structure provides comprehensive oversight to the wide range of issues related to risk, compliance and ethics.

Our compliance teams report to our Chief Risk Officer (CRO). State Street employs a company-wide three lines of defense structure with the Risk and Compliance functions forming the second line of defense. The second line of defense is guided by the Compliance Risk Management Policy (CRMP). Please see [Our Business: Risk Excellence and Compliance](#) for more information

Our Standard of Conduct sets forth our ethical priorities. The Standard of Conduct explains the core concepts of Ethics, includes a framework for Ethical Decision-Making, and guides employees' decision-making process even when there is not a prescriptive rule for the situation at hand.

Some of the principal Compliance policies that support our Standard of Conduct are:

- Anti-Money Laundering Policy
- Sanctions Policy
- Global Personal Investment Policy
- Global Privacy and Personal Data Security Program
- Conflicts of Interest Policy
- Anti-Bribery and Corruption Policy
- Gifts and Entertainment Policy
- Political Contributions and Activities Policy
- Outside Activity Policy
- Conduct Standards Policy

#### Anti-Corruption

Our Standard of Conduct and our Anti-Bribery and Corruption policy convey our anti-corruption policies to all employees. Ethics, First Line managers, Procurement, Finance & Accounting, Human Resources, Legal and Audit departments are all involved in the management of our anti-corruption policies. The policies mitigate bribery and corruption risk. They require our employees to neither offer nor receive anything of value in order to drive a particular outcome or benefit. In our procurement procedures, we apply due diligence to our business partners to ensure the partner is one we wish to do business with, from a compliance and reputational perspective as well as from a capability perspective. This means holding the business partners to appropriate standards. In addition, our policies require that gifts, entertainment, charitable contributions, political contributions and political activities be subject to additional review and approval procedures and that employees and interns at State Street are hired based only on their merit, rather than any association.

	<p><u>Anti-Competitive Behavior</u> Fair competition is upheld by our policies and the law. Our Standard of Conduct prohibits misusing a client’s confidential information or engaging in any unfair dealing with competitors. Advance approval must be obtained by our Chief Legal Officer and General Counsel before discussing pricing strategies with competitors, entering into agreements concerning market opportunities or otherwise engaging in joint action. Competitive information and market data can only be obtained from public sources and through lawful means.</p> <p><u>Marketing</u> Regarding information on the products and services we offer, we have controls in place to ensure transparent, material and consistent product and services disclaimers. We provide training within the Compliance team, and Compliance provides training to employees in various business roles to make sure appropriate disclaimers are made. Our Standard of Conduct prohibits all employees from misrepresenting any facts and requires employees to understand the permissible scope of cross-selling and bundling to ensure that products and services are not linked in a manner that would violate laws or our standards.</p> <p><u>Socioeconomic Compliance</u> All our business units are responsible for complying with rules and regulations and adhering to our ethical requirements.</p>		
103-3	<p><b>Evaluation of the Management Approach</b> State Street runs an annual compliance risk assessment that is used as an input into the design of the second line compliance monitoring plan. The evaluation of anti-bribery and corruption risk is conducted as part of this annual exercise and can be amended during the year for material changes. Our management approach is highly adaptive. Adjustments to the Compliance plan are made based on emerging issues, major changes in business operations and the result of our work.</p> <p>Our “Speak Up/Listen Up” initiative encourages employees to report issues including any observed instances of corruption, misconduct and fraud, and potential violations of policy through “the Speak Up Line,” a confidential reporting hotline that promptly routes issues to the Conduct Office and in certain cases to the Lead Director of the board. Additionally, the Ethics Office, Global Human Resources, Legal and Global Security maintain confidential channels in which to report concerns. We also conduct regular risk assessments that target certain organizational risk indicators such a “Tone at the Top.”</p>		
<b>GRI Topic-specific Disclosures: 205 Anti-corruption</b>			
205-1	<table border="1"> <tr> <td data-bbox="305 1430 623 1843">Operations assessed for risks related to corruption</td> <td data-bbox="623 1430 1479 1843"> <p><u><a href="#">Our Business: Risk Excellence and Compliance</a></u></p> <p>100% of our 100 sites were assessed for risks related to corruption in 2019.</p> <p>Our risk analysis places emphasis on the following:</p> <ul style="list-style-type: none"> <li>• payments to vendors and intermediaries</li> <li>• hiring practices</li> <li>• pay to play opportunities</li> <li>• charitable contributions</li> <li>• event sponsorships</li> <li>• gifts and business entertainment</li> </ul> </td> </tr> </table>	Operations assessed for risks related to corruption	<p><u><a href="#">Our Business: Risk Excellence and Compliance</a></u></p> <p>100% of our 100 sites were assessed for risks related to corruption in 2019.</p> <p>Our risk analysis places emphasis on the following:</p> <ul style="list-style-type: none"> <li>• payments to vendors and intermediaries</li> <li>• hiring practices</li> <li>• pay to play opportunities</li> <li>• charitable contributions</li> <li>• event sponsorships</li> <li>• gifts and business entertainment</li> </ul>
Operations assessed for risks related to corruption	<p><u><a href="#">Our Business: Risk Excellence and Compliance</a></u></p> <p>100% of our 100 sites were assessed for risks related to corruption in 2019.</p> <p>Our risk analysis places emphasis on the following:</p> <ul style="list-style-type: none"> <li>• payments to vendors and intermediaries</li> <li>• hiring practices</li> <li>• pay to play opportunities</li> <li>• charitable contributions</li> <li>• event sponsorships</li> <li>• gifts and business entertainment</li> </ul>		

205-2	Communication and training about anti-corruption policies and procedures	<p><a href="#">Our Business: Risk Excellence and Compliance: Compliance Training</a></p> <p>100% of governance body members and employees have had our anti-corruption policies and procedures communicated to them.</p> <p>Members of the board of directors review and approve the Standard of Conduct, which includes key elements of the firm’s anti-bribery and corruption policy and program. The Examining and Audit Committee of the board also receives a formal annual report and periodic updates on the Compliance program, which includes our anti-bribery and corruption program.</p> <p>The Anti-Bribery and Corruption (ABAC) policy is communicated to all employees, including all members of our Management Committee and all internal governance committee members. This is done as part of a mandatory initial training upon initiating employment, and as part of regular, mandatory ABAC training thereafter. The policy is also made available on a policy intranet site for all employees.</p> <p>While we do not share our anti-bribery and corruption policies and procedures with clients and potential clients, we describe such policies and procedures upon request as part of client due diligence requests and RFPs.</p> <p>We include a standard anti-corruption provision in all business partner contracts.</p> <p>All internal governance committee members receive annual training by virtue of their status as employees.</p> <p>External board members do not receive the training.</p> <p>As a regulated business, we share our anti-corruption policies and procedures with various regulators upon request.</p>
205-3	Confirmed incidents of corruption and actions taken	In 2019, there were no confirmed incidents of corruption that resulted in litigation against State Street.
<b>GRI Topic-specific Disclosures: 206 Anti-competitive Behavior</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	See page 156 of <a href="#">State Street’s 2019 10-K filing</a> for more information.
<b>GRI Topic-specific Disclosures: 417 Marketing and Labeling</b>		
417-3	Incidents of non-compliance concerning marketing communications	In 2019, we had no instances of non-compliance with regulations or our policies regarding marketing communications.

<b>GRI Topic-specific Disclosures: 419 Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	See page 156 of <a href="#">State Street's 2019 10-K</a> filing for more information.
<b>Material Topic: Client Data Protection and IT Resilience</b>		
The State Street material topic "Client Data Protection and IT Resilience" corresponds to the GRI topic "418 Customer Privacy." It also covers our efforts to ensure resiliency of our IT systems.		
<b>Disclosure on Management Approach</b>		
103-1	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>Customer privacy is handled with extreme seriousness at State Street. We do not just hold custodial cash and securities, but also data. Our clients' trust and confidence are the foundation of our relationship with them. They rely on us not only to enable them to make the best investment decisions, but also to safeguard sensitive information in our care. Keeping data safe is one of our core fiduciary responsibilities. Doing so is central to State Street's reputation in the marketplace. This is important across the entire organization.</p>	
103-2	<p><b>The Management Approach and its Component</b></p> <p>We monitor compliance with Corporate Information Security (CIS) policy and controls through our Information Security Officer (ISO) Program and third-party risk management to maintain client data protection with our vendors. Every State Street employee is responsible for upholding our Privacy Program as they serve clients, as defined in our Standard of Conduct, and is required to comply with the Information Security Policy. Their interactions are determined by our Global Privacy and Personal Data Security Program, which is developed by our Privacy Office. Responsibility for oversight of our client data is housed in the Corporate Information Security division, in close collaboration with appropriate business units.</p> <p>Our Data Loss Prevention Program works to prevent unauthorized disclosures of State Street "critical" data in accordance with our Data Loss Prevention &amp; Protection Policy, Corporate Information Security Controls, data handling and usage policies, and legal and regulatory policies. In 2019, State Street reinforced its efforts in the overall resiliency of its systems, security and infrastructure.</p>	
103-3	<p><b>Evaluation of the Management Approach</b></p> <p>The efficacy of our Privacy Program is independently assessed by our Corporate Compliance function as part of our overall Compliance Oversight Program and by Corporate Audit. State Street's governance process also ensures awareness of data protection and privacy programs at all levels of management.</p> <p>In 2019, we conducted a holistic offsite exercise with an industry-leading vendor that simulated an actual cyberattack. Our most senior management committee members and senior executives participated in the event with the goal of driving cybersecurity awareness at all levels of the organization and helping to ensure our leaders are prepared should a cyber-event occur.</p>	

<b>GRI Topic-specific Disclosures: 418 Customer Privacy</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	State Street did not receive any complaints concerning breaches of customer privacy in 2019, nor did we identify any leaks, thefts, or losses of customer data.
<b>Material Topic: Talent Recruitment and Retention</b>		
The State Street material topic “Talent Recruitment and Retention” includes the GRI topics “401 Employment” and “404 Training and Education.”		
<b>Disclosure on Management Approach</b>		
103-1	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>Across all parts of our organization, our diverse, hardworking and talented employees drive our success. To be able to create long-term value we have to ensure we are attracting and retaining the best and brightest employees. Our goal is to explain how our company offers opportunities that are more interesting and rewarding than positions in other industries and companies. We have a targeted approach for attracting interns, and various programs to develop talent internally, including our Professional Development Program and Leadership Development Program.</p> <p>We focus on specific labor practices that enhance the employee experience and performance. Our commitment to providing relevant learning for our employees around the world is a key offering. We do this through our newly created central learning organization called State Street Learning. Our Learning professionals located around the world create and implement solutions designed to meet the needs of our business and the development needs of our employees.</p>	
103-2	<p><b>The Management Approach and its Component</b></p> <p>At State Street, managers and leaders across the business are responsible for driving employee engagement. Our Global Human Resources team is responsible for employee engagement within State Street. This team continuously develops professional tools — strategic, conceptual, analytical, operational and interpersonal — so our employees can exceed our clients’ expectations. In 2019, we administered status checks to continue gauging employee sentiment, allowing us to observe trends in the organization over time while helping leaders track the progression and impact of specific initiatives related to engagement in their business units.</p> <p><u>Employment</u></p> <p>Our focus is on attracting and developing a diverse workforce with the skills and expertise to serve our clients and communities. Part of our talent strategy includes offering a variety of benefits and flexible working options to meet employee needs, creating engaging employee experiences, and providing an inclusive environment. Talent Acquisition and Talent Development at State Street are globally managed functions with local executors; we are able to customize and tailor our general offerings as needed in each market.</p>	

Training and Education  
 Through continuous development, we work to give our employees the professional tools — strategic, conceptual, analytical, operational and interpersonal — they need. Career development at State Street is employee-driven, manager-enabled and company-supported. State Street offers skills training programs that are developed and delivered by experts in each business area. Additionally, we offer professional development workshops and seminars that help employees enhance key skills such as communication and project management. We also provide a variety of management development programs. Our employees also enjoy the benefit of tuition reimbursement for job-related courses taken at accredited institutions.

**103-3 Evaluation of the Management Approach**  
 Our evaluation of the effectiveness of our management of talent recruitment and retention topics includes measuring our success through training results and employee engagement (e.g., Employee Network growth). An Annual Talent Review Process is conducted involving the CEO, the Chief Human Resources Officer and the heads of each business/corporate function.  
 In 2019, the Management Committee determined that the management approach to talent recruitment and retention is effective, including its ongoing review of employee engagement survey results and EVP leadership scorecards. When necessary, adjustments are made to individual development plans in order to ensure achievement of annual goals and alignment with long-term strategic objectives.

**GRI Topic-specific Disclosures: 401 Employment**

<b>401-1</b>	New employee hires and employee turnover		<b>Percent Hired</b>	<b>Percent Turnover</b>
		<b>Age Group</b>		
		Under 30	55	41
		30-50	42	47
		50+	3	12
		<b>Gender</b>	<b>Percent Hired</b>	<b>Percent Turnover</b>
		Female	45	45
		Male	54	55
		<b>Region</b>	<b>Percent Hired</b>	<b>Percent Turnover</b>
		North America	15	41
Europe, Middle East and Africa	28	29		
Asia and the Pacific	57	30		

401-3	Parental Leave	<p><a href="#">Human Capital: Ensuring Competitive Benefits</a></p> <p>Below are the total number of employees, broken down by gender, who are eligible for parental leave.</p> <table border="0"> <thead> <tr> <th data-bbox="634 352 724 380">Gender</th> <th data-bbox="1313 323 1446 380">Total Employees</th> </tr> </thead> <tbody> <tr> <td data-bbox="634 394 724 422">Female</td> <td data-bbox="1346 394 1414 422">5,515</td> </tr> <tr> <td data-bbox="634 436 695 464">Male</td> <td data-bbox="1346 436 1414 464">7,992</td> </tr> <tr> <td data-bbox="634 478 886 506">Prefer not to disclose</td> <td data-bbox="1365 478 1395 506">33</td> </tr> </tbody> </table> <p>From their moment of hire, all employees working above 20 hours per week are eligible for parental leave.</p> <p>State Street does not track data on employees taking parental leave, returning to work nor associated retention rates. As such, we are unable to report on this indicator.</p>	Gender	Total Employees	Female	5,515	Male	7,992	Prefer not to disclose	33
Gender	Total Employees									
Female	5,515									
Male	7,992									
Prefer not to disclose	33									

**GRI Topic-specific Disclosures: 404 Training and Education**

404-1	Average hours of training per year per employee	<table border="0"> <thead> <tr> <th data-bbox="634 800 724 827">Gender</th> <th data-bbox="1305 800 1455 827">Avg Hrs Per</th> </tr> </thead> <tbody> <tr> <td data-bbox="634 852 724 879">Female</td> <td data-bbox="1346 852 1414 879">17.85</td> </tr> <tr> <td data-bbox="634 905 695 932">Male</td> <td data-bbox="1346 905 1414 932">16.62</td> </tr> <tr> <td data-bbox="634 957 703 984">Other</td> <td data-bbox="1346 957 1414 984">13.61</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th data-bbox="634 1012 862 1039">Management Level</th> <th data-bbox="1305 1012 1455 1039">Avg Hrs Per</th> </tr> </thead> <tbody> <tr> <td data-bbox="634 1064 764 1092">Associate 1</td> <td data-bbox="1346 1064 1414 1092">34.85</td> </tr> <tr> <td data-bbox="634 1117 769 1144">Associate 2</td> <td data-bbox="1346 1117 1414 1144">19.54</td> </tr> <tr> <td data-bbox="634 1169 829 1197">Senior Associate</td> <td data-bbox="1346 1169 1414 1197">18.30</td> </tr> <tr> <td data-bbox="634 1222 716 1249">Officer</td> <td data-bbox="1346 1222 1414 1249">15.19</td> </tr> <tr> <td data-bbox="634 1274 919 1302">Assistant Vice President</td> <td data-bbox="1346 1274 1414 1302">12.88</td> </tr> <tr> <td data-bbox="634 1327 805 1354">Vice President</td> <td data-bbox="1346 1327 1414 1354">11.91</td> </tr> <tr> <td data-bbox="634 1379 854 1407">Managing Director</td> <td data-bbox="1346 1379 1414 1407">12.89</td> </tr> <tr> <td data-bbox="634 1432 1195 1459">Senior Vice President/Senior Managing Director</td> <td data-bbox="1346 1432 1414 1459">13.33</td> </tr> <tr> <td data-bbox="634 1484 922 1512">Executive Vice President</td> <td data-bbox="1346 1484 1414 1512">12.08</td> </tr> <tr> <td data-bbox="634 1537 867 1564">Contractors/Interns</td> <td data-bbox="1346 1537 1414 1564">11.74</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th data-bbox="634 1591 915 1619">Manager/Non-Manager</th> <th data-bbox="1305 1591 1455 1619">Avg Hrs Per</th> </tr> </thead> <tbody> <tr> <td data-bbox="634 1644 800 1671">Non-Manager</td> <td data-bbox="1346 1644 1414 1671">17.26</td> </tr> <tr> <td data-bbox="634 1696 740 1724">Manager</td> <td data-bbox="1346 1696 1414 1724">16.83</td> </tr> </tbody> </table>	Gender	Avg Hrs Per	Female	17.85	Male	16.62	Other	13.61	Management Level	Avg Hrs Per	Associate 1	34.85	Associate 2	19.54	Senior Associate	18.30	Officer	15.19	Assistant Vice President	12.88	Vice President	11.91	Managing Director	12.89	Senior Vice President/Senior Managing Director	13.33	Executive Vice President	12.08	Contractors/Interns	11.74	Manager/Non-Manager	Avg Hrs Per	Non-Manager	17.26	Manager	16.83
Gender	Avg Hrs Per																																					
Female	17.85																																					
Male	16.62																																					
Other	13.61																																					
Management Level	Avg Hrs Per																																					
Associate 1	34.85																																					
Associate 2	19.54																																					
Senior Associate	18.30																																					
Officer	15.19																																					
Assistant Vice President	12.88																																					
Vice President	11.91																																					
Managing Director	12.89																																					
Senior Vice President/Senior Managing Director	13.33																																					
Executive Vice President	12.08																																					
Contractors/Interns	11.74																																					
Manager/Non-Manager	Avg Hrs Per																																					
Non-Manager	17.26																																					
Manager	16.83																																					

404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">Human Capital: Helping Employees Maximize their Potential</a>
404-3	Percentage of employees receiving regular performance and career development reviews	All full-time employees (100 percent) across all genders and employee categories participate in our performance management process and receive regular performance and career development reviews.

**Material Topic: Inclusion and Diversity**

The State Street material topic “Inclusion and Diversity” includes the GRI topic “405 Diversity and Equal Opportunity.” In addition, it covers our employee well-being and flexible work solution programs.

**Disclosure on Management Approach**

103-1	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>We know that different backgrounds, perspectives and experiences spark creativity and create a more inclusive environment. To be competitive in business long-term, we need a diverse pipeline of talented future leaders across the whole organization. A diverse workforce helps us serve our clients better.</p> <p>We recognize that equal remuneration for equal work across our company is material to our reputation and the motivation of our employees.</p> <p>In addition, our flexible work program and global well-being resources create a healthier workforce, increase employee morale and enhance sustainable employee engagement.</p>
-------	--

103-2	<p><b>The Management Approach and its Component</b></p> <p>Our Inclusion and Diversity strategy was developed and implemented by GHR’s Global Inclusion &amp; Diversity team, with input of key champions and stakeholders, and approved by the company’s senior management. 2019 was the second year of our comprehensive five-year strategy that includes four key components: Communication, Accountability, Talent Pipeline and Learning &amp; Development.</p> <p>The Chief Diversity Officer role oversees the company’s global strategy and programs for diversity and inclusion. All business leaders participate in ensuring that our goals are met.</p> <p>The following policies cover diversity and equal opportunity:</p> <ul style="list-style-type: none"> <li>• Equal Employment Opportunity Policy</li> <li>• Diversity Policy</li> <li>• Affirmative Action Policy</li> <li>• Non-Discrimination &amp; Non-Retaliation Policies</li> <li>• Sexual Harassment Policy</li> </ul> <p>Additionally, we have a dedicated department for employee relations and a whistleblower hotline available to all employees.</p> <p>State Street continues to take a strong stand in public policy initiatives focused on equality and inclusion such as marriage equality, safety for transgender people and equal pay for women.</p>
-------	---

	<p>As a component of our commitment to gender equity, State Street is making steps toward greater transparency for its pay structures. One of the steps of this work is our UK Gender Pay Gap Report, referenced within <a href="#">Human Capital: Progress Against Our Inclusion &amp; Diversity Goals</a>. However, we do not globally report a female’s basic salary as a percentage to a male’s because a simple across-the-board analysis of an organization of State Street’s size and multiple business-line complexity would not accurately compare similar positions or capture all elements of a total compensation program.</p>																															
<p><b>103-3</b></p>	<p><b>Evaluation of the Management Approach</b></p> <p>While we continue to report progress on our enterprise-level diversity goals to the organization through our Gender and Employees of Color diversity dashboards, we are also making our leaders accountable for driving these efforts and providing them an assessment on where they stand in relation to I&amp;D through the Executives’ Talent Reviews and Leadership Scorecards. Equally important is to pay close attention to our Employee Survey results that provide a clear picture on our gaps and opportunities and provide a sense on the impact of our work across the company</p>																															
<p><b>GRI Topic-specific Disclosures: 405 Diversity and Equal Opportunity</b></p>																																
<p><b>405-1</b></p>	<p>Diversity of governance bodies and employees</p>	<p><a href="#">Human Capital: Progress Against our Inclusion &amp; Diversity Goals</a></p> <p>Percent of governance body (board of directors) individuals by age:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Age</b></th> <th style="text-align: right;"><b>Percent</b></th> </tr> </thead> <tbody> <tr> <td>&lt;30</td> <td style="text-align: right;">0%</td> </tr> <tr> <td>30 – 50</td> <td style="text-align: right;">0%</td> </tr> <tr> <td>&gt;50</td> <td style="text-align: right;">100%</td> </tr> </tbody> </table> <p>Percent of governance body individuals by gender:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Gender</b></th> <th style="text-align: right;"><b>Percent</b></th> </tr> </thead> <tbody> <tr> <td>Female</td> <td style="text-align: right;">33%</td> </tr> <tr> <td>Male</td> <td style="text-align: right;">66%</td> </tr> </tbody> </table> <p>Employee breakdown by age:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Age</b></th> <th style="text-align: right;"><b>Male</b></th> <th style="text-align: right;"><b>Female</b></th> <th style="text-align: right;"><b>Prefer Not to Disclose</b></th> </tr> </thead> <tbody> <tr> <td>&lt;30</td> <td style="text-align: right;">14.1%</td> <td style="text-align: right;">14.8%</td> <td style="text-align: right;">0.1%</td> </tr> <tr> <td>30 – 50</td> <td style="text-align: right;">33.6%</td> <td style="text-align: right;">25.4%</td> <td style="text-align: right;">0.2%</td> </tr> <tr> <td>&gt;50</td> <td style="text-align: right;">6.7%</td> <td style="text-align: right;">5.1%</td> <td style="text-align: right;">0.0%</td> </tr> </tbody> </table>	<b>Age</b>	<b>Percent</b>	<30	0%	30 – 50	0%	>50	100%	<b>Gender</b>	<b>Percent</b>	Female	33%	Male	66%	<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Prefer Not to Disclose</b>	<30	14.1%	14.8%	0.1%	30 – 50	33.6%	25.4%	0.2%	>50	6.7%	5.1%	0.0%
<b>Age</b>	<b>Percent</b>																															
<30	0%																															
30 – 50	0%																															
>50	100%																															
<b>Gender</b>	<b>Percent</b>																															
Female	33%																															
Male	66%																															
<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Prefer Not to Disclose</b>																													
<30	14.1%	14.8%	0.1%																													
30 – 50	33.6%	25.4%	0.2%																													
>50	6.7%	5.1%	0.0%																													
<p><b>405-2</b></p>	<p>Ratio of basic salary and remuneration of women to men</p>	<p>Our disclosure of basic salary and remuneration ratios in the United Kingdom is one of many steps that State Street has taken toward gender equity. We are not currently able to share global information publicly but expect to evolve in this area in the future. For more information, see <a href="#">Pay Equity</a>.</p>																														

<b>Material Topic: Climate Change</b>	
The State Street material topic "Climate Change" includes the GRI topics "302 Energy" and "305 Emissions."	
<b>Disclosure on Management Approach</b>	
<b>103-1</b>	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>Our environmental impacts reflect our operational efficiency, and good performance helps attract and retain clients, save money and engage employees. As a financial services company, our main impacts are indirect and related to the assets we manage and to issues of ESG integration into our client offerings, see <a href="#">Our ESG-related Products and Services</a>. However, when compared to our operations, our products and services have minimal direct environmental impact. Hence, our focus lies in our emissions from operations and supply chain issues.</p> <p><u>Energy and Emissions</u></p> <p>We recognize the threat of climate change and are committed to reducing our fossil fuel consumption. Therefore, greenhouse gas (GHG) emission management and mitigation is a key aspect of environmental sustainability at State Street. Our energy usage in our buildings and data centers is responsible for most of our carbon emissions. Other emission sources are business travel and commuting.</p>
<b>103-2</b>	<p><b>The Management Approach and its Component</b></p> <p>In our Environmental Sustainability Committee, Global Realty, Procurement, Information Technology (IT), Travel, and Environmental, Social and Governance (ESG) teams are all represented. This group manages GHG from operations, with Scope 1 and 2 emissions predominantly arising from the Realty and IT functions, and indirect Scope 3 emissions arising from Procurement and Travel functions. ESG directly impacts investment emissions within our REC and carbon offset strategy. Our broader CR strategy is managed by the Executive CR Committee. Our global Environmental Sustainability Policy states that we are "committed to being a leader in environmental sustainability, both in the way we carry out our operations and in the products and services we offer." By conducting our business in this manner, we align our long-term success with the environment and create enduring benefits for our shareholders, clients, employees and the communities in which we live and work. We consider adherence to this policy to be the responsibility of all individuals who take part in our activities.</p> <p><u>Environmental Targets</u></p> <p>As a financial services provider with mainly office-based operations, we are not subject to GHG emissions policies or regulations beyond what is typically required for other large companies in our markets. However, on a voluntary basis, we are committed to progress with respect to emissions. In 2016, the Science-Based Target Initiative officially approved our goal of a 30 percent reduction in Scope 1 and 2 emissions per square meter by 2025 from a 2015 base year.</p> <p>We are subject to Article 8 of the EU Energy Efficiency Directive, and the UK Carbon Reduction Commitment legislation for our operations in the UK and Europe. State Street follows GHG Protocol best practices and dual-report GHG emissions using both the location and market-based methods. For market-based figures, RECs are included. Purchased RECs are Green-e (NA) or EECS-GO (EMEA) certified. Per GHG Protocol guidance, carbon offsets are not included in market-based method calculations.</p>

103-3	<b>Evaluation of the Management Approach</b> Our Environmental Sustainability Committee oversees and regularly assesses our progress with our environmental initiatives and goals. We also consider suggestions from stakeholders. Our ISO certifications are audited by external parties annually. In 2019, we were able to reduce our carbon emissions intensity by more than 30 percent from a 2015 baseline.	
<b>GRI Topic-specific Disclosures: 302 Energy</b>		
302-1	Energy consumption within the organization	<a href="#">Climate Change: Energy Use</a>
302-2	Energy consumption outside of the organization	<a href="#">Climate Change: Energy Use</a>
302-3	Energy intensity	<a href="#">Climate Change: Energy Use</a>
302-4	Reduction of energy consumption	<a href="#">Climate Change: Energy Use</a>
<b>GRI Topic-specific Disclosures: 305 Emissions</b>		
305-1	Direct GHG emissions (Scope 1)	<a href="#">Climate Change: GHG Emissions</a>
305-2	Energy-based indirect GHG emissions (Scope 2)	<a href="#">Climate Change: GHG Emissions</a>
305-3	Other indirect GHG emissions (Scope 3)	<a href="#">Climate Change: GHG Emissions</a>
305-4	GHG emissions intensity	<a href="#">Climate Change: GHG Intensity</a>
305-5	Reduction of GHG emissions	<a href="#">Our Footprint: Energy and Greenhouse Gas Emissions: Reducing Our Building Stock Footprint</a>
<b>Material Topic: Environmental, Social and Governance (ESG) Products and Services</b> The State Street material topic “ESG Products and Services” includes the GRI Indicator “201-2 Financial Implications of Climate Change.” Please refer to the Management Approach for “Economic Performance.”		
<b>Disclosure on Management Approach</b>		
103-1	<b>Explanation of the Material Topic and its Boundary</b> The range of products and services we offer directly affects our stakeholders and our customers. Environmental, social and governance (ESG) factors are increasingly used to capture intangible, off-balance sheet risks and opportunities. We recognize that firms that perform well on material ESG factors may be better positioned to generate sustainable long-term returns. <sup>1</sup> As a result, we endeavor to offer our clients a range of products and services that draw on best-in-class data and analytics to bring ESG considerations into client portfolios. This is especially important for our Asset Management division, State Street Global Advisors.	

<sup>1</sup> Khan, Serafeim et al. “Corporate Sustainability: First Evidence of Materiality.” *Harvard Business Review*, 2016.

	<p>State Street Global Advisors currently has more than \$381 billion in ESG assets under management, or 12.3 percent of State Street’s assets under management as of December 31, 2019. We systematically integrate ESG in the investment process for our actively managed strategies and offer a variety of ESG investment styles across asset classes: Exclusionary Screening, Best-in-class Investment Selection, Thematic, and ESG Integration.</p> <p><u>Active Ownership</u></p> <p>Our primary fiduciary obligation to our clients is to maximize the long-term returns of their investments. It is our view that material ESG issues can both create risk as well as generate long-term value in our portfolios. This philosophy provides the foundation for our value-based approach to asset stewardship.</p>
<p>103-2</p>	<p><b>Evaluation of the Management Approach</b></p> <p><u>Product Portfolio</u></p> <p>Ultimate responsibility for oversight of State Street Global Advisors’ ESG investing and asset stewardship efforts sits with our CEO, Global CIO, and the State Street Global Advisors Investment Committee (IC). Each asset class CIO oversees the implementation of ESG investment strategies by portfolio managers and research analysts. Nearly all of our global investment teams manage ESG portfolios and conduct ongoing research of ESG data and themes, with ESG portfolios being managed within each investment team rather than by a dedicated team. This reflects the breadth and depth of investment capabilities that we provide, and effective collaboration ensures that clients’ assets are managed by professionals with expertise in their asset class and investment style with support from subject matter experts.</p> <p>State Street Global Advisors’ ESG Investment Strategy and ESG Research teams, together with the Asset Stewardship team, lead our firm-wide effort to systemically identify the ESG risks and opportunities within State Street Global Advisors’ investment products. They work collaboratively with internal and external business partners and provide relevant insights to our global investment teams. Internally we focus on investing in innovative research ideas, richer information/data sets and focusing on the pricing of ESG factors across the asset classes to find new ways to meet our clients’ ESG investing goals. Underscoring our commitment to integrating ESG across the organization, State Street Global Advisors has also instituted an ESG Working Group representing a cross-section of regions and investment expertise. Below is a list of ESG solutions we offer:</p> <ul style="list-style-type: none"> <li>• State Street ESG Liquid Reserves Fund</li> <li>• All World Equity Climate Balanced Multi-Factor Index Sub-Fund</li> <li>• SPDR STOXX Europe 600 ESG Screened UCITS ETF</li> <li>• SPDR S&amp;P 500 ESG Screened UCITS ETF</li> <li>• State Street Emerging Markets ESG Local Currency Government Bond Index Fund</li> <li>• State Street CCF World ESG Screened Index Equity Fund</li> <li>• State Street Emerging Markets ESG Screened Index Equity Fund</li> <li>• State Street IUT Ethically Managed Fund<sup>4</sup></li> <li>• State Street Global Index Plus (Hedged) Trust<sup>2</sup></li> <li>• State Street MSCI Europe Screened 100% Hedged to EUR Index Non-Lending Common Trust Fund<sup>1</sup></li> </ul>

- State Street MSCI North America Screened 100% Hedged to EUR Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street MSCI Pacific Screened 100% Hedged to EUR Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street World ESG Index Equity Fund<sup>1</sup>
- State Street Climate ESG International Equity Fund
- State Street IUT Global Ethical Value Equity Fund<sup>3</sup>
- State Street Europe Enhanced Equity Fund<sup>2</sup>
- State Street Global Enhanced Equity Fund<sup>2</sup>
- Fixed Income Fund for Charitable Trusts<sup>1</sup>
- State Street Australian Equity Fund<sup>2</sup>
- SPDR® SSGA Ultra Short Term Bond ETF
- State Street S&P 500® Screened Index Securities Lending Common Trust Fund<sup>2</sup>
- State Street S&P 500® Screened Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street S&P 500® Ex Tobacco Index Non-Lending Common Trust Fund<sup>1</sup>
- SPDR® S&P 500 Fossil Fuel Reserves Free ETF<sup>1</sup>
- SPDR® SSGA Gender Diversity Index ETF<sup>1</sup>
- State Street U.S. Community Investing Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street Russell 3000® Screened Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street MSCI Europe Screened Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street MSCI North America Screened Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street MSCI Pacific Screened Index Non-Lending Common Trust Fund<sup>1</sup>
- SPDR® MSCI EAFE Fossil Fuel Reserves Free ETF<sup>1</sup>
- SPDR® MSCI Emerging Markets Fossil Fuel Reserves Free ETF<sup>1</sup>
- State Street Emerging Markets SRI Enhanced Equity Fund<sup>2</sup>
- SPDR® MSCI ACWI Low Carbon Target ETF<sup>1</sup>
- State Street MSCI ACWI ex USA IMI Screened Non-Lending Common Trust Fund<sup>1</sup>
- State Street IUT Global 4Good Enhanced Equity Fund – Gross<sup>2</sup>
- State Street Global Index Plus Trust<sup>2</sup>
- State Street Multi-Factor Global ESG Equity Fund<sup>1</sup>
- State Street Socially Responsible U.S. Credit Index Non-Lending Common Trust Fund<sup>1</sup>
- State Street Euro Sustainable Corporate Bond Index Fund<sup>1</sup>

1 - indicates index strategy

2 - indicates active quantitative strategy

3 - indicates active fundamental strategy

4 - indicates multi-asset strategy

State Street Global Advisors has an advanced level of engagement in many ESG-related organizations such as United Nations Principles of Responsible Investing (UNPRI), the Sustainable Account Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), Ceres Investor Network on Climate Risk & Sustainability Risk, the Carbon Tracker Initiative and the Climate Bond Initiative. In addition, we play an active role in the Council of Institutional Investors, and members of both the ESG Investment Strategy and Asset Stewardship team have contributed to the public dialogue on new and emerging ESG issues. Additionally, as an original member of the Corporate Governance Advisory Council, State Street Global Advisors has advised on the organization's policies and priorities. As a global investor, we have been an active member of the International Corporate Governance network (ICGN), contributing to policy discussions and development. Our membership allows us to stay abreast of regulatory, policy and other developments across the globe. As a signatory to the Japanese Stewardship Code, State Street Global Advisors has committed to being an active participant in the Japanese market and the advancement of corporate governance practices. We are also a founding member of the OnePlanet Initiative, an initiative founded by France's president Emmanuel Macron to accelerate the integration of climate change issues into the management of large, long-term asset pools.

We have region-specific proxy voting and engagement guidelines that are disclosed on our [website](#), and we are developing our ESG Policy based on our five core principles on ESG investing.

#### Active Ownership

SSGA's approach toward proxy voting and issuer engagement is premised on the belief that companies that adopt robust and progressive governance and sustainability practices should be better positioned to generate long-term value and manage risk. As near perpetual holders of the constituents of the world's primary indices, the informed exercise of voting rights coupled with targeted and value-driven engagement is the most effective mechanism of creating value for our clients.

All voting and engagement activities are centralized within the Asset Stewardship team irrespective of investment strategy or geographic region. Further, the Stewardship team leverages the breadth of our investment capabilities to make informed decisions. By consolidating and harmonizing our voting decisions and engagement efforts, we leverage the full power of our institutional discretionary holdings and exert greater influence with management and boards.

In conducting our voting and engagement activities, SSGA evaluates the various factors that play into the corporate governance framework of a country, including macroeconomic conditions, political environment and quality of regulatory oversight, enforcement of shareholder rights and the effectiveness of the judiciary. SSGA complements its company-specific dialogue with targeted engagements with regulators and government agencies to address systemic market-wide concerns.

	<p>SSGA has a dedicated team of ESG analysts, based in Boston, Kraków, London and Tokyo, who are charged with implementing its proxy voting guidelines and engagement activities on a global basis. The activities of the Stewardship team are directly overseen by SSGA’s Investment Committee. The IC is responsible for approving the annual stewardship strategy, engagement priorities and proxy voting guidelines, and monitoring the delivery of objectives. Furthermore, the Proxy Review Committee, a dedicated subcommittee of the IC, provides day-to-day oversight of the Stewardship team, including approving departures from proxy voting guidelines and management of conflicts of interest.</p> <p>The Stewardship team is supported by several specialists within SSGA in executing their stewardship responsibilities. These include members of SSGA’s proxy operations team who are responsible for managing fund set-up, vote execution, vote reconciliation, share recall and class action lawsuits, and members of SSGA’s client reporting and compliance teams.</p>
<p>103-3</p>	<p><u>Product Portfolio</u>  We regularly evaluate our ESG product portfolio management approach through Global Investment Committee reviews and a Quarterly Business Review delivered to the Executive Management Group. In addition, we also use a formal employee evaluation process as part of the annual performance planning and review cycle, and client feedback for evaluation.</p> <p><u>Active Ownership</u>  SSGA conducts real-time and quarterly audits to review the accuracy of application of proxy voting guidelines to agenda items. In addition, SSGA’s Proxy Operations team conducts vote audits on firm-wide accounts to look for anything out of the ordinary. For example, more than the usual number of ballots rejected due to ballots rejected after vote cutoff. These cases are then investigated to understand the reason for ballot rejection.</p> <p><b>Real-Time Audits</b>  During the first two calendar quarters (Q1 and Q2) the Asset Stewardship team performs a real-time audit on a daily basis of voting decisions by SSGA’s proxy voting agent. Under this process, a company under review is identified as an audit company through a random process and is assigned to an analyst on the Asset Stewardship team. The analyst reviews the votes inputted by the proxy agent for each item on the ballot to ensure that SSGA’s voting guidelines are implemented accurately.</p> <p><b>Quarterly SSGA’s Proxy Agent</b>  At the end of every quarter Institutional Shareholder Services provides a Meeting Level Statistical Summary report to the Asset Stewardship team. Once the Stewardship team advises which broad issues/categories they would like the audit to focus on, ISS will generate a list of meetings for review (25 meetings are selected in Q1, Q3, Q4 and 50 meetings in Q2). The list of meetings for review is sent to the Stewardship team for sign-off. From the time the Stewardship team signs off on the meeting list, ISS has 30 days to complete the audit and provide results to the Stewardship team. A memo explaining any errors identified in the audit should accompany the audit results.</p> <p>Annually, SSGA undertakes an on-site due diligence exercise at ISS’s main offices. The SSGA team consists of governance, audit, compliance and operational specialists and undertakes a review of ISS staff resources and competencies, systems, processes and controls.</p>

<b>GRI Topic-specific Disclosures: 201 Economic Performance</b>		
<b>201-2</b>	Financial implications and other risks and opportunities due to climate change	<a href="#">Our ESG-Related Products and Services: Climate Risk Strategies</a> <a href="#">TCFD Report: Risk Management</a> A description and classification of risks and opportunities can be found in <a href="#">103-1</a> , <a href="#">103-2</a> and <a href="#">103-3</a> for this topic.
<b>Material Topic: Innovation</b>		
The State Street material topic “Innovation” refers to our efforts to simplify our business processes through developing technologies, conducting research and streamlining operations.		
<b>Disclosure on Management Approach</b>		
<b>103-1</b>	<b>Explanation of the Material Topic and its Boundary</b> State Street must innovate in order to stay relevant. Investing in innovation is paramount for excelling in business, and success in this area differentiates us from our competitors. This is relevant across the entire organization.	
<b>103-2</b>	<b>The Management Approach and its Component</b> Efforts around innovation continue to be at the forefront of the financial services industry — and we strive to remain on that cutting edge with our own initiatives around those areas.  In 2019, we continued to focus our innovation efforts on integrating Charles River Development’s investment management front-office tools and solutions into our existing systems. Once this process is complete, we will be able to deliver a global interoperable front-to-back platform for asset managers and owners that is unique in the investment servicing industry.  Our innovation process is focused on the needs of end-users and on ways to automate labor-intensive processes. State Street Corporation’s CEO, together with our Management Committee, set the framework that motivates all employees to be innovative. We believe, however, that innovation must happen across the organization, not just from the top down. In addition, involving people who have client interaction in the innovation process is particularly important.	
<b>103-3</b>	<b>Evaluation of the Management Approach</b> Our Global Strategy Team conducts quarterly reviews to evaluate the process and advancement of current innovation and transformation initiatives.	
<b>Detailed information on this Non-GRI Topic</b>		
<b>Non-GRI Topic</b>	Metric on the material topic	<a href="#">Our Business: Investing in Innovation</a>
<b>Material Topic: Board Governance</b>		
The State Street material topic “Board Governance” refers to our efforts to improve the diversity of the board of directors, their oversight of sustainability issues and their overall effectiveness in creating long-term value for our stakeholders. This topic includes the GRI Indicator “405-1 Diversity of Governance Bodies and Employees.”		

Disclosure on Management Approach	
103-1	<p><b>Explanation of the Material Topic and its Boundary</b></p> <p>At State Street, effective board governance is critical across all of our business units and operations. Our management of board governance extends beyond corporate structures and procedures and encompasses the responsible and proactive management of the company's environmental, social and governance (ESG) issues. State Street's corporate governance structures strive to ensure ethical business practices and include processes for systematically measuring financial and strategic risks through financial and non-financial risk metrics.</p>
103-2	<p><b>The Management Approach and its Component</b></p> <p>The board serves several functions, including overseeing the business and financial strategies and risk appetite of the company; evaluating, providing counsel on and authorizing major corporate actions; promoting honest and ethical business practices and conduct, sound corporate governance, sound risk management, full, fair and timely public disclosure, and avoidance of conflicts of interest; approving the financial statements and the program for compliance with the law; evaluating the performance of the CEO and overseeing CEO succession planning; approving the incentive compensation arrangements for senior executives; providing advice on the selection of senior management and overseeing management development; periodically reviewing the alignment of the company's culture with the company's strategy and long-term objectives; and monitoring the company's material activities and practices regarding ESG matters. The board's decision-making and conduct is guided by State Street's <a href="#">Corporate Governance Guidelines</a>, the <a href="#">Governance Standards Relative to the Investor Stewardship Group (ISG) Governance Principles</a> and the following <a href="#">board committee</a> charters, which outline the specific functions and responsibilities of each committee:</p> <ul style="list-style-type: none"> <li>• <a href="#">Examining and Audit Committee</a></li> <li>• <a href="#">Executive Committee</a></li> <li>• <a href="#">Human Resources Committee (renamed from Executive Compensation Committee as of February 20, 2020)</a></li> <li>• <a href="#">Nominating and Corporate Governance Committee</a></li> <li>• <a href="#">Risk Committee</a></li> <li>• <a href="#">Technology and Operations Committee</a></li> </ul> <p>We believe that our board of directors should have a variety of qualifications, skill sets and experience that, when taken as a whole, best serve the company and our shareholders. We recognize the importance of diversity with regard to the composition of the board and strive to have a board that provides diversity of thought and a broad range of perspectives. In an effort to achieve these objectives, the Nominating and Corporate Governance Committee and the board consider a wide range of attributes when determining and assessing director nominees and new candidates, including personal and professional backgrounds, gender, race, national origin, tenure of board service and age. The Nominating and Corporate Governance Committee is committed to considering diversity in its director candidate recommendations; however, the committee does not assign specific weight to the various factors it considers and no particular criterion is a prerequisite for nomination.</p>

103-3	<p><b>Evaluation of the Management Approach</b></p> <p>Our board, in their role of overseeing the sound management of the company, have the responsibility to exercise their business judgment in what they believe to be in the best interests of the company and the shareholders, taking into account the interests of the employees, the customers and the community at large, and in so doing enhancing the long-term value of the company. The board meets regularly to evaluate the company's business strategy, performance and policies, as well as our corporate responsibility initiatives and objectives. Adjustments to board governance are made based on emerging issues, major changes in business operations and the result of our work.</p>
-------	---

**Detailed information on this Non-GRI Topic**

405-1	Diversity of governance bodies and employees	<p>Percent of governance body individuals by gender</p> <table data-bbox="646 695 1166 793"> <thead> <tr> <th>Gender</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>Female</td> <td>33%</td> </tr> <tr> <td>Male</td> <td>66%</td> </tr> </tbody> </table> <p>Percent of governance body (board of directors) individuals by age</p> <table data-bbox="646 846 1166 970"> <thead> <tr> <th>Age</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>&lt;30</td> <td>0%</td> </tr> <tr> <td>30 - 50</td> <td>0%</td> </tr> <tr> <td>&gt;50</td> <td>100%</td> </tr> </tbody> </table>	Gender	Percent	Female	33%	Male	66%	Age	Percent	<30	0%	30 - 50	0%	>50	100%
Gender	Percent															
Female	33%															
Male	66%															
Age	Percent															
<30	0%															
30 - 50	0%															
>50	100%															

**European Union  
Directive on  
Non-financial Reporting  
Content Listing**

# EU Directive on Non-financial Reporting Content Listing

The EU Directive on Non-Financial Reporting outlines certain requirements for corporate disclosures that companies of a certain size must comply with. State Street is subject to these requirements. Below is an index of information found within our 2019 Corporate Responsibility Report, aligned with the requirements of the EU Directive.

Environmental matters	<ul style="list-style-type: none"> <li>- Our Footprint</li> <li>- Our Business</li> <li>- SASB Report (Incorporation of Environmental, Social and Governance Factors in Investment Management &amp; Advisory)</li> <li>- SASB Report (Software and IT Services Response)</li> <li>- TCFD Report (Physical Risks Associated with Climate Change, Investment Risks Associated with Climate Change)</li> <li>- GRI Index (Climate Change)</li> <li>- GRI Index (Environmental, Social and Governance (ESG) Products and Services)</li> <li>- UN Global Compact</li> <li>- UN Sustainable Development Goals</li> </ul>
Social and employee matters	<ul style="list-style-type: none"> <li>- Inclusion and Diversity</li> <li>- Talent Recruitment and Retention</li> <li>- SASB Report (Employee Diversity &amp; Inclusion)</li> <li>- SASB Report (Recruiting &amp; Managing a Global, Diverse &amp; Skilled Workforce)</li> <li>- GRI Index (Inclusion &amp; Diversity)</li> <li>- GRI Index (Talent Recruitment and Retention)</li> <li>- UN Global Compact</li> <li>- UN Sustainable Development Goals</li> </ul>
Respect for human rights	<ul style="list-style-type: none"> <li>- Responsible Sourcing</li> <li>- Inclusion and Diversity</li> <li>- SASB Report (Employee Diversity &amp; Inclusion)</li> <li>- SASB Report (Recruiting &amp; Managing a Global, Diverse &amp; Skilled Workforce)</li> <li>- GRI Index (Inclusion &amp; Diversity)</li> <li>- UN Global Compact</li> </ul>
Anti-corruption and bribery matters	<ul style="list-style-type: none"> <li>- Risk Excellence and Compliance</li> <li>- GRI Index (Risk Excellence and Compliance)</li> <li>- UN Global Compact</li> </ul>

# EE0-1 Report

# EEO-1 Report

CO= 5546101  
U= 5546101

EQUAL EMPLOYMENT OPPORTUNITY  
2018 EMPLOYER INFORMATION REPORT  
CONSOLIDATED REPORT – TYPE 2

## SECTION B – COMPANY IDENTIFICATION

1. STATE STREET FINANCIAL CENTER 1  
LINCOLN STREET  
BOSTON, MA 02111

2.a. STATE STREET FINANCIAL CENTER 1  
LINCOLN STREET  
BOSTON, MA 02111  
SUFFOLK COUNTY

c. Y

## SECTION C – TEST FOR FILING REQUIREMENT

1-Y 2-N 3-N DUNS NO.:062156427 EIN :113644300

## SECTION E – ESTABLISHMENT INFORMATION

NAICS: 523991 Trust, Fiduciary, and Custody Activities

## SECTION D – EMPLOYMENT DATA

JOB CATEGORIES	HISPANIC OR LATINO		NOT-HISPANIC OR LATINO											OVERALL TOTALS	
	MALE	FEMALE	MALE						FEMALE						
			WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE	TWO OR MORE RACES	WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE		TWO OR MORE RACES
EXECUTIVE/SR OFFICIALS & MGRS	7	1	219	6	0	28	1	1	93	1	0	10	0	2	369
FIRST/MID OFFICIALS & MGRS	89	66	2252	77	5	519	2	27	1212	68	3	277	1	12	4610
PROFESSIONALS	181	149	3102	215	8	1246	7	54	2068	222	8	1054	4	29	8347
TECHNICIANS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALES WORKERS	9	5	190	4	0	11	0	2	64	2	0	5	0	0	292
ADMINISTRATIVE SUPPORT	129	136	483	151	2	208	3	20	542	197	2	269	6	20	2168
CRAFT WORKERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPERATIVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LABORERS & HELPERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SERVICE WORKERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	415	357	6246	453	15	2012	13	104	3979	490	13	1615	11	63	15786
PREVIOUS REPORT TOTAL	385	352	6380	465	14	1648	10	80	4134	512	14	1512	12	53	15571

## SECTION F – REMARKS

DATES OF PAYROLL PERIOD: 12/17/2018 THRU 12/31/2018

## SECTION G—CERTIFICATION

CERTIFYING OFFICIAL: VALERIE BENNETT

TITLE: VICE PRESIDENT AAP COMPLIANCE

EEO-1 REPORT CONTACT PERSON: VALERIE BENNETT

TITLE: VICE PRESIDENT AAP COMPLIANCE

EMAIL: VSBENNETT@STATESTREET.COM

TELEPHONE NO: 6176647419  
CERTIFIED DATE[EST]: 05/20/2019 11:18 AM

# Assurance letter from ERM/CVS

## Independent Assurance Statement to State Street

ERM Certification and Verification Services (ERM CVS) was engaged by State Street to provide limited assurance in relation to State Street's Corporate Responsibility (CR) Report 2019 ('the Report') as set out below.

Engagement summary	
Scope of our assurance engagement	<p>Our engagement was designed to provide assurance on whether:</p> <ul style="list-style-type: none"> <li>• the Report presents a complete and balanced presentation of State Street's CR activities and performance in the 2019 reporting year in accordance with the GRI Standards ('Core' option);</li> <li>• the 2019 data for the following indicators are fairly presented, in all material respects, in accordance with the reporting criteria: <ul style="list-style-type: none"> <li>• Total Scope 1 GHG emissions (metric tonnes CO<sub>2</sub>e)</li> <li>• Total Scope 2 GHG (location and market-based) emissions (metric tonnes CO<sub>2</sub>e)</li> <li>• Total Scope 3 GHG emissions (metric tonnes CO<sub>2</sub>e) for the following three categories: <ul style="list-style-type: none"> <li>◦ Category 5 – Waste generated in operations</li> <li>◦ Category 6 – Business travel</li> <li>◦ Category 7 – Employee commuting</li> </ul> </li> <li>• Total water usage – absolute (million cubic feet) and per employee</li> <li>• Total waste – absolute (short tons) and recycling rate percentage.</li> </ul> </li> </ul>
Reporting criteria	<p>GRI Standards  WBCSD/WRI GHG Protocol (2004, as updated January 2015)  State Street's internal reporting criteria and definitions.</p>
Assurance standard	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
Assurance level	Limited assurance.
Respective responsibilities	<p>State Street is responsible for preparing the Report and for the collection and presentation of the information within it.</p> <p>ERM CVS' responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgment.</p>

## Our conclusions

Based on our activities, and noting the exclusions explained in the 'Limitations' paragraph below, nothing has come to our attention to indicate that the following statements are not correct:

- the Report presents a complete and balanced presentation of State Street's CR activities and performance in the 2019 reporting year in accordance with the GRI Standards ('Core' option);
- the 2019 data for the following indicators are fairly presented, in all material respects, in accordance with the reporting criteria:
  - Total Scope 1 GHG emissions in metric tonnes CO<sub>2</sub>e
  - Total Scope 2 GHG (location and market-based) emissions in metric tonnes CO<sub>2</sub>e
  - Total Scope 3 GHG emissions in metric tonnes CO<sub>2</sub>e for the following three categories: Category 5 – Waste generated in operations; Category 6 – Business travel; and Category 7 – Employee commuting
  - Total Water usage – absolute (million cubic feet) and per employee
  - Total Waste – (absolute short tons) and recycling rate percentage.
- the Report includes information required by the European Union Directive on Non-Financial Reporting, as well as relevant information for the Task Force on Climate-related Financial Disclosure (TCFD) and the United Nations Global Compact (UNGC).

## Our assurance activities

We planned and performed our work to obtain all the information and explanations that we believed were necessary to provide a basis for our assurance conclusions. A multi-disciplinary team of corporate responsibility and assurance specialists performed the following activities:

- A review of external media reporting relating to State Street to identify relevant sustainability issues in the reporting period.
- Attendance at regular meetings with the reporting team and report writers throughout the writing process to understand the development of the Report and issues raised during the process.
- Interviews with management representatives responsible for the sustainability strategy implementation.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes) used for collecting and reporting the 2019 performance data and related disclosures for the topics covered in the Report.
- A review at corporate level of a sample of qualitative and quantitative evidence supporting the reported information.
- For the 2019 data on GHG emissions, water usage and waste, interviews with the external company responsible for collecting and consolidating utility data across State Street's operations as well as a review of the completeness and accuracy of the data including unit and emission conversion factors for GHG emissions, the reasonableness of estimations and extrapolations and the accuracy of the data consolidation.
- A check on whether the report is in accordance with the GRI Standards ('Core' option) and includes relevant information for TCFD and the UNGC.
- A check of the consistency of the financial performance data disclosed in the Report with State Street's 2019 Form 10-K, where relevant.

## The limitations of our engagement

For the financial performance data disclosed in the Report, we have restricted our work to checking the consistency of those data with the audited State Street Annual Report on Form 10-K for the year ending 31 December 2019. We have not assured the personal views expressed in the Letters and interviews (Q&As) or the information in the 'Sidebars' included in the Report.

While we have confirmed that the Report is 'in accordance' with the GRI Standards ('Core' option), we have not assured the additional information in the GRI Table in the Appendix.

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

## Our observations

We have provided State Street with a separate Management Report with our detailed (non-material) findings and recommendations. Without affecting the conclusions presented above, we have the following key observations:

- The Report includes disclosures based on a range of reporting frameworks and guidelines, including GRI, SASB and TCFD; each of these emphasizes a focus on issues and topics which are material. In addition to material topics, the Report also includes information regarding topics which have been assessed as not material but deemed important to State Street' corporate culture. Structuring the Report to differentiate between disclosures relating to material topics and to other, non-material topics would enhance the relevance and accessibility of the Report for State Street' stakeholders.



Jennifer Iansen-Rogers  
Head of Corporate Assurance

27 April 2020

ERM Certification and Verification Services

[www.ermcvs.com](http://www.ermcvs.com) Email: [post@ermcvs.com](mailto:post@ermcvs.com)

*ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to State Street in any respect.*



# Disclaimer

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

All sources of data are from State Street unless otherwise stated. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information.

This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. Investing involves risk including the risk of loss of principal. You should consult your tax and financial advisor.

**ESG risk:** The returns on a portfolio of securities that excludes companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities that includes such companies. A portfolio's ESG focus may result in the portfolio investing in securities or industry sectors that underperform the market as a whole.

**Gender diversity risk:** The returns on a portfolio of securities that excludes companies that are not gender diverse may trail the returns on a portfolio of securities that includes companies that are not gender diverse.

Concentrated investments in a particular sector or industry (technology sector and electronic media companies) tend to be more volatile than the overall market and increase risk that events negatively affecting such sectors or industries could reduce returns, potentially causing the value of the fund's shares to decrease.

**Equity securities** may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

**Non-diversified funds** that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

**Passively managed funds** hold a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

**ETFs** trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value. Brokerage commissions and ETF expenses will reduce returns.

Distributor: State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC, an indirect 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 which contains this and other information, call 1-866-787-2257 or visit [www.spdrs.com](http://www.spdrs.com). Read it carefully.**

**Not FDIC Insured • No Bank Guarantee • May Lose Value**

State Street Corporation, One Lincoln St., Boston MA 02111

3062464.1.1.GBL

Expiration Date: 4/30/2021

©2020 State Street Corporation — All Rights Reserved

# STATE STREET®

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

[www.statestreet.com](http://www.statestreet.com)