



STATE STREET

Corporate Responsibility
2013 Report

THE WAY AHEAD



LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Joseph (Jay) L. Hooley
Chairman, President and Chief Executive Officer



At State Street, we know that being a responsible corporate citizen is essential to the success of our business — and our strategy to create value for our clients, employees, shareholders and communities. Our stakeholders have told us they care deeply about corporate responsibility (CR), particularly as it relates to economic responsibility, social consciousness and environmental sustainability. This report examines these three aspects of our CR strategy in detail, and I'd like to touch on each.

Economic Responsibility

We partner with institutional investors globally, helping them better serve the financial needs of their clients and achieve success within a challenging and increasingly complex economic and regulatory environment. We're committed to creating economic value, not only for our clients but for society in general. We apply financial exper-

tise to make investments with both economic and social benefits, including tax-advantaged affordable housing in the US, small-scale venture capital funds that fuel economic growth and job creation in underserved US markets, and microfinance investments benefiting hundreds of small businesses around the world.

We believe it's our responsibility to engage with issuers of securities on matters that affect shareholder value, including environmental and social issues. We do this primarily through extensive dialogue with company management and boards, and by encouraging clients to exercise their ownership rights through proxy voting. Each year, we vote approximately 14,000 proxies in 70 geographic markets around the world on behalf of our clients, and we make our voting guidelines and complete results available to clients.

Social Consciousness

We're committed to supporting the communities in which we live and work. In 2013, we invested nearly \$20 million and 87,000 volunteer hours in our communities — 70 percent of which was directed to education and workforce development initiatives. By concentrating our giving, we can have a greater impact and develop deeper relationships with our community partners.

Expanding the diversity of our workforce is a very important part of our talent management strategy. We partner with local educational and charitable organizations that train urban young people and adults for corporate work experience, place them in internships, and provide support services like mentoring and counseling. Our Foundation also partners with many of these organizations, complementing our internship program with investment

“Protecting and preserving our natural resources helps us to increase efficiency, attract and retain clients, save money, and engage employees.”

support. We’re particularly proud of our partnership with the Boston Private Industry Council (PIC), which works closely with Boston Public School staff to prepare students for employment through job readiness workshops and career exploration programs. Since 2008, State Street has employed nearly 1,000 summer interns through PIC alone.

Strict adherence to the highest ethical standards and all applicable laws and regulations is a priority for us, as reflected in our values and Standard of Conduct. In 2013, we developed a new, global compliance enforcement procedure. We also hired a new chief anti-money laundering (AML) officer to join our Compliance department in 2013, and in early 2014 we named a new head of ethics responsible for increasing ethical awareness and training.

Environmental Sustainability

Protecting and preserving our natural resources helps us to increase efficiency, attract and retain clients, save money, and engage employees. Our Environmentally Preferable Purchasing Policy (EPPP) guides conversations with suppliers about reducing our impact on the environment. As we evolve our corporate-wide environmental sustainability program, we make an even greater impact by directly involving our employees and giving them tools to help reduce our environmental footprint. We’ve created an employee environmental sustainability dashboard that measures factors like commuting, tree plantings, composting and flexible work solutions — and provides solutions for reducing consumption and emissions. Our Office of Environmental Sustainability sets our overall environmental sustainability strategy and coordinates

cross-company engagement through regional Eco-Advisory Councils. At the local level, we have a total of 18 Green Teams globally to provide opportunities for employees to get involved — from volunteering, to recycling and energy-efficient commuting. Read more about Green Teams on page 54.

The Way Ahead

Corporate responsibility is an essential part of who we are, what we believe and how we act. We’re proud of the value we are delivering to our stakeholders and the positive impact of our efforts. We believe we have a strong foundation, a clear strategy for the way ahead, and the right people and processes to get us there.



Joseph L. Hooley

STATE STREET'S 2013 SUSTAINABILITY HONORS

ECONOMIC

Listed on all four of the **STOXX Global ESG Leaders indices** — Environmental, Social, Governance and Global ESG Leaders — for the third consecutive year / Received the **bronze ranking** in Business in the Community's Corporate Responsibility Index / Listed on MSCI's ESG Indices for the **sixth consecutive year**

SOCIAL

Named an **outstanding Chinese Corporate Citizen** by the China Corporate Citizenship Committee / **Listed on the Civic50** as one of the US' most community-minded companies / Ranked on *Corporate Responsibility Officer* magazine's lists of the **Top 10 Corporate Citizens** in the Financial Industry and the **100 Best Corporate Citizens** (seventh consecutive year) / Named a **top employer for women** by *The Times* and *workingmother.com* / Listed as a **2013 Best of the Best Top Employer** by *Hispanic Network Magazine*, *Professional Women's Magazine* and *Black EoE Journal* / Named to the list of **100 Top Companies Providing Opportunities for Latinos** by *Latino Magazine* / **Recognized for diversity and inclusion achievements** by DiversityInc, *Uptown Magazine*, Stonewall UK, Diversity Council and the *Boston Business Journal* / Received the **Innovation in Excellence Award** for flexible work program from Alliance for Work-Life Progress / Received the CorpComms Digi Award for **Most Innovative Product** for ClientView

ENVIRONMENTAL

Ranked by the US Environmental Protection Agency as No. 29 on the **National Top 100 Green Power List** / Ranked by the US Environmental Protection Agency as No. 16 on the **Fortune 500 Partners List**

CONTENTS

At State Street, we partner with institutional investors all over the world to provide comprehensive financial solutions. By practicing CR, we're better equipped to help our clients navigate and thrive in today's ever-changing, complex marketplace. When our actions create better outcomes, we know

OUR APPROACH

we're doing the right thing for all our stakeholders — clients, shareholders, employees and communities. This report shows our commitment to being a responsible corporate citizen — our progress, successes, plans for the future and areas for improvement. This is the way ahead.

DETERMINING MATERIALITY

Our 2013 CR Report reflects the issues most important to our stakeholders. Every two years, we update our list of material topics, and in 2013, we asked an independent organization to facilitate a materiality assessment workshop. The topics in the materiality assessment were based on the sustainability reporting guidelines provided by the Global Reporting Initiative (GRI), the ISO 26000 Guidance on Social Responsibility and topics identified in the Sustainability Accounting Standards Board (SASB) initiative.

Participants included:

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

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

A Clear Focus

This report only includes topics deemed most material. We continue to monitor and address other CR issues but devote fewer resources — including reporting — to their management.

We also asked our longtime partner, Ceres, a nongovernmental organization (NGO) focused on sustainability issues, to validate our materiality assessment with a group of external stakeholders.

Our current reporting and future strategy aims to reflect the participants' comments:

- Clarify that materiality is a dual process of evaluating how the company impacts economic, environmental and social issues and how these factors influence its resilience. Additionally, the process should account for financial implications of sustainability issues and the changing relevance of issues.
- Incorporate broader external feedback earlier in the process.
- Prioritize highly relevant issues.
- Use the materiality assessment results to develop a formal sustainability strategy.
- Define what the issues mean to State Street's business model.

Although still important to State Street, based on our materiality assessment, we are no longer reporting on the following topics:

Economic

- Government financial assistance
- Employee benefits

Social

- Collective bargaining
- Non-discrimination
- Labor grievance mechanisms
- Human rights risk management
- Resolving human rights grievances
- Protecting consumers' health and safety

Environmental

- Waste minimization
- Water discharge
- Environmental grievance mechanisms
- Environmental impact from product use, recycling and reclaiming
- Environmental expenditures
- Environmental compliance
- Protecting biodiversity
- Other air emissions

MATERIALITY MATRIX



REGIONAL VARIATION

Internal stakeholders across regions had similar views on our most material issues. However, there were a few topics where regional stakeholders had differing opinions, which we'll be mindful of when we determine and execute our CR strategy locally.

- **Proxy voting:** EMEA and United States (US) stakeholders gave this topic high importance for clients and regulatory compliance; APAC stakeholders said that some markets have little interest in proxy voting.
- **Financial implications of climate change:** EMEA and US stakeholders cited impacts of climate change on product management and clients' interest in this area as important; APAC stakeholders thought air pollution was of greater concern and that related local regulations had real financial impact.
- **Energy efficiency:** APAC stakeholders believed energy use and efficiency was of paramount concern across Asia.
- **Gender compensation equality:** Stakeholders in the US noted increased visibility of this issue; EMEA stakeholders said this issue is not discussed as much as wider diversity topics.
- **Protecting consumers' health and safety:** All internal stakeholders believed this issue was less relevant, but APAC pointed out that investments can have public health impacts and that financial health of pensioners is a growing concern.

STAKEHOLDER ENGAGEMENT

We also solicit stakeholders' feedback to inform our overall approach to CR. Whenever possible, we rely on personal communication to gather their thoughts on our performance.

CLIENTS



Over the past few years, we've been talking to clients about their challenges, what they want to receive from their solutions providers and how we can better help them meet their needs. As a result, we've restructured the way we market and deliver solutions. We're also listening to them when it comes to CR, to make our reporting as effective as possible. They've told us that CR issues matter to them — they want to partner with companies that reflect their own values.

EMPLOYEES



We gather employee feedback regularly through our employee engagement survey, and constantly speak to employees formally and informally. Most notably, in 2012, we launched our internal social media tool, Collaborate. Employees with shared interests, affiliations or business objectives gather in Collaborate communities. Teams spanning regions and time zones can work together more efficiently, and employees from different departments are able to connect. Environmental sustainability and volunteering are two of the most popular Collaborate communities.

COMMUNITIES



Our Corporate Citizenship team spearheads connections with our local communities. But we also rely on employee volunteers to manage relationships with community partners and stay informed of local needs. Additionally, Corporate Citizenship works with CR- and sustainability-focused organizations to stay informed of best practices and participate in the global dialogue on these issues. In 2012, through our partnership with Ceres, we hosted our first in-person external stakeholder session focused on overall CR strategy. We used feedback to guide reporting and inform our Executive CR Committee's agenda in 2013. Session highlights and our resulting progress are included on the next page.

STAKEHOLDER ENGAGEMENT FEEDBACK

TOPIC	SUMMARY FEEDBACK	PROGRESS
Sustainability strategy	Establish an overarching, enterprise-wide sustainability strategy that connects initiatives and aligns with our core business.	See Patrick Centanni's letter on page 13.
Materiality	Continue good work on determining materiality and consider external feedback more fully in the process.	Held materiality workshop in 2013; external feedback incorporated into final results.
Impact	Identify the impacts of our CR initiatives on key sustainability issues and demonstrate progress where appropriate.	Developed metrics for community investing; see page 29 for more information.
Risk management	Formally incorporate environmental and social factors into enterprise-wide risk management systems.	Conducted an environmental, social and governance (ESG) risk assessment in 2013; results available throughout report.
Integration	Incorporate ESG considerations into all products and services.	See page 19 (ESG products and services section).
Create demand	Focus on direct communication and education with investors; include key material sustainability data in financial disclosure statements.	Under review.
Leadership	Lead the industry with strong climate and energy policies.	Under review.
Employee engagement	Further engage employees in philanthropic efforts and encourage employees to be sustainable outside the office.	Integrated Corporate Citizenship with Global Inclusion and Talent Acquisition; created sustainable transportation program and employee environmental sustainability dashboard.

ABOUT THIS REPORT

We've gathered information using in-person interviews with subject matter experts and external sources. In this year's interview process, we focused on the progress we've made in addressing material issues, responding to stakeholder input, implementing innovative approaches and strengthening partnerships. For the report, we supplemented this information with policies, training materials and public information.

This report also includes results of an ESG risk assessment conducted by Morgan Stanley Capital International (MSCI). MSCI ESG Research Intangible Value Assessment (IVA) provides research, ratings, and analysis of companies' risks and opportunities arising from ESG factors as compared with industry peers. The IVA-company rating is expressed on a seven-point scale (AAA-CCC). We received an AA rating, continuing our three-year upward trend. Our overall strengths included continued improvement, increased disclosure, and expanded coverage of ESG risk and improvements in privacy protection disclosure. MSCI cited talent

attraction and retention in the medium term as an area for potential improvement.

Reporting Practices

We report in accordance to the GRI's principles and disclosures. This is our first year reporting to GRI's G4 standard. This transition will largely affect our online GRI report, which can be found [here](#). The GRI report contains our most material issues as well as disclosure on our emerging issues. Because we're focusing on material issues, we will no longer report on a number of previously disclosed topics. We'll continue to monitor these issues — and in some cases track performance — for future materiality assessments.

We continue to engage an independent firm to verify the information in this report and our GRI report. Environmental Resource Management (ERM), a leading global provider of environmental, health, safety, risk, social consulting and sustainability-related services, performed the verification for the second consecutive year. ERM had no other business relationship with State Street in 2013. The assurance statement begins on page 57 of this report.

For more information on our CR initiatives or reporting, contact our CR Officer, Richard Pearl, at rwpearl@statestreet.com or +1 617 664 3107. To comment on our CR report, please click [here](#).

MANAGING CR ISSUES FOR THE LONG TERM

Patrick Centanni
Executive Vice President, Realty, Procurement, Continuity
Chair of State Street's Executive
Corporate Responsibility Committee



Since we introduced our first environmental sustainability policy in 2003, we've made a lot of progress integrating corporate responsibility into our day-to-day operations — from our robust CR governance structure, to real estate design, to signing the UN Principles for Responsible Investment. But there's always room for improvement.

Forward Progress

In 2013, we continued to use our environmental, social, governance and products framework to shape our sustainability targets. I'm particularly proud we attained ISO 14001 certification in four major buildings and one data center, bringing our share of certified controlled locations to 85 percent. We've also implemented

our 20/20 goals. This aggressive set of environmental goals, targeted for January 1, 2020,¹ includes reducing greenhouse gas emissions by 20 percent,² reducing water usage by 20 percent and achieving zero waste to landfills.

We are pleased the MSCI Risk Assessment rated us "AA" for integrating our environmental and social factors into our enterprise-wide risk management systems — underscoring the strength of our ESG investment products. In 2013, we created an ESG Working Group in State Street Global Advisors (SSgA) to make sure we continue to focus on responsible investing. The assessment also highlighted opportunities for improvement, which we will use to inform our future CR strategy.

Driving Change

Though we're focused on moving forward, sometimes setbacks can be great drivers of change. In 2013, we fell off the Dow Jones Sustainability Indices for the first time in seven years. Our score improved slightly from the previous year, but a change in our peer group and the ever-increasing standards for CR performance means we need to up our game. We also need to improve our data collection processes for surveys and this report to better reflect our corporate-wide CR performance.

¹ Baseline year is 2012.

² Emissions from operations; metrics based on per person.

“We want to make sure everyone understands the importance of CR, particularly as we increasingly standardize and report on our performance in this area.”

Looking Ahead

Our policies and processes go a long way toward making us a more sustainable company. But employees are the key to true integration. In 2014, we'll expand a successful pilot that challenges employees to bike to work, and we're partnering with a bike-sharing company in our new Boston Channel Center building — our new global standard for new buildings and redesigns. Employees will be able to track their commuting miles and see how they help reduce greenhouse gas emissions. And in 2015, we plan to add a CR goal to our employee performance and review cycle.

The push for greater engagement goes all the way to our board of directors. As chair of

the Executive CR Committee, I know senior executive engagement is a major driver of accountability and performance. We will engage our board and Management Committee even further with our activities.

We want to make sure everyone understands the importance of CR, particularly as we increasingly standardize and report on our performance in this area. So at every level of the company — including all employees and the board of directors — we're creating awareness and opportunities for involvement.



Patrick Centanni

As a reliable and responsible financial partner, we're committed to creating economic value for our clients, communities and society in general. We collaborate with clients to provide solutions that



solve their business challenges and achieve their financial goals. We also use our investing expertise to benefit the communities where we operate.

MANAGING THE ECONOMIC VALUE OF ESG

CHRIS MCKNETT

ESG INVESTING, STATE STREET GLOBAL ADVISORS
BOSTON

As head of ESG investing at SSgA, I champion sustainable and responsible investment on behalf of SSgA and our clients across the globe. When I started here in October 2007, ESG assets were less than 5 percent of the total assets under management and now they represent almost 9 percent. In my view, this growth looks poised to continue.

I believe there's an increasing recognition that ESG performance can affect financial performance for better and for worse, especially when you consider macro sustainability dynamics like population growth, demographic shifts, urbanization, resource constraints and climate. More and more investors are looking at these issues as forces that will reshape global and local economies, government policy, company strategy and ultimately, investment performance. These aren't just risks, either. In many respects,

the solutions to these challenges represent potentially large revenue opportunities. Transcending the materiality debate, considering ESG criteria is an enduring attribute of values-based investors.

It's challenging to do this work on SSgA's playing field — with such a breadth and depth of asset classes, investment styles, regions, clients and internal perspectives.

We have ESG AUM of \$203.7 billion* — that's huge! But SSgA as a whole manages \$2.4 trillion*, which is an incredible opportunity to scale ESG. I'm encouraged that we're not just building custom ESG portfolios for our clients — we're aligning ESG trends with prevailing forces in asset management and contemplating sustainable and responsible investing as something that can be a growth driver for SSgA.

*As of December 31, 2013.

THE EVOLVING ESG INVESTMENT FIELD

Rick Lacaille
Chief Investment Officer
State Street Global Advisors
Member of Executive CR Committee



We have a broad perspective on the field of ESG investing. Our clients trust us to manage \$203.7 billion in ESG assets, which exposes us to a variety of client viewpoints and needs. The majority of our ESG investments are in client-directed index strategies, where we take an agnostic approach and allow clients to express their own views through investments. In our research efforts and actively managed funds, we use a wider ESG lens while maintaining the same risk and return constraints we use for every other investment approach.

Financial Return

The field of ESG investing is still young, and data sets for these investments are just now starting to yield conclusions. In 2013, we secured a large investment mandate with

an Australian client that will integrate ESG factors into a global equity portfolio. The client chose to partner with us, in part, due to our long-term research on the correlation between ESG ratings and equity returns. We're likely to see growth in mandates of this type over the coming years as more research results become available.

Investment Framework

Although ESG investing is gaining traction, a consistent set of factors that influence value has yet to emerge. That's why we're looking forward to the results of Project Delphi, an initiative we've been involved with for several years. A team of asset managers, asset owners and external analysts are working together to zero in on key ESG factors and metrics and build a

ENVIRONMENTAL AND SOCIAL PRODUCT MANAGEMENT/ESG CONSIDERATION IN INVESTMENTS

On the MSCI ESG Intangible Value Assessment, we ranked in the 71st percentile in the Responsible Investment category.

STRENGTHS

- Availability of ESG-themed investment options
- Bulk of client assets are invested in listed equities and cash, which have minimal relative ESG risk
- Expansion of ESG team coverage, including proxy voting procedures and the establishment of subcommittees dedicated to each ESG pillar and ESG-related products

AREAS OF POTENTIAL IMPROVEMENT

- Prepare for potential increase in client ESG demand
- Continue ESG integration into State Street's governance systems

“The field of ESG investing is still young, and data sets for these investments are just now starting to yield conclusions.”

standard framework for the investment community. This framework has potential use in SSgA as well as research units in State Street Global Exchange. We can even play a role in helping clients apply it across their portfolio screens.

Disclosure

Assigning a set of ESG factors goes hand-in-hand with disclosure, something regulators in the US and UK are particularly focused on. We believe disclosure should be balanced with industry sensitivity and clarify investment risk. In many cases, industry-specific risks may overshadow ESG risks within a company. This doesn't mean ESG isn't important to the company, but in terms of predicting financial performance, it may be relatively minor. In other

cases, ESG risks may be highly relevant and the investment community may be already asking the company for performance disclosure.

As the field continues to take shape, we'll maintain our client-driven approach to ESG investing and research. We'll also share our knowledge of ESG factors more broadly across State Street, with an eye toward fully integrating it into our broader investment philosophy. ❖

ESG Investing

SSgA, our asset management arm, manages \$203.7 billion in ESG investments — 9 percent of all assets under management as of December 31, 2013. Our ESG team leverages SSgA's investment and research expertise globally to provide solutions to clients interested in investing their assets in an environmentally or socially responsible manner.

We do this in three ways:

- Design and implement funds with explicit ESG mandates
- Work with investment teams to look for ways to integrate ESG into processes to improve investment outcomes
- Produce ESG research and thought leadership

The majority of our ESG assets under management are positively or negatively screened funds in separately held accounts. Our clients express their own environmental or social priorities through these funds — we have no authority over the ESG investment mandates. Anecdotally, we're seeing an increase in clients moving from negative screening for “bad” companies that they want to avoid, toward positive screening

for “good” companies to target. We're also seeing a rise in the number of clients interested in applying ESG screens. Both represent slow but steady shifts toward environmental and social investing.

In our commingled assets, where we control the investment mandate, we offer a forward-thinking approach to ESG investing. Some of our more innovative solutions include:

- High-Quality Green Bond Strategy: offers investors a way to direct fixed income investments to climate solutions
- US Community Investing Index Strategy: seeks to match the return of an investment index that positively screens for companies with strong track records engaging the economically underserved

In 2013, we received a \$300 million ESG investment mandate from an Australian super-annuation fund. The win was based in part on ongoing research SSgA conducted regarding company ESG ratings³ and correlations to their stock performance. The global equities portfolio will directly integrate this research into stock selection — rather than use a positive or

negative screen — with the goal of showing strong risk-adjusted returns over time.

Integrating ESG Principles

Underscoring our commitment to integrating ESG across the organization, SSgA launched an ESG Working Group representing a cross-section of regions and investment experience. The group is co-chaired by the head of ESG and proxy voting.

The group is also one way we are institutionalizing the UN Principles for Responsible Investment (PRI) we signed in 2012. We stepped up our involvement with PRI in 2013 as our head of ESG now serves on the PRI's listed equity working group. The group supports further integration of ESG into investment decisions and disclosure of material information. We expect to complete our first annual PRI reporting cycle in 2014.

³ Third-party indices, such as the Dow Jones Sustainability Index and the STOXX ESG Leaders Indices.

Project Delphi

We are completing our multi-year involvement in Project Delphi, a global collaboration of investment professionals working to clarify and define the value of ESG issues on financial performance. Sponsored by CSR Europe, the collaborative will publish its final report in mid-2014, with a draft framework of ESG factors that influence financial value, metrics that comprise each factor and the industries the factors most affect.

While Project Delphi's findings are not yet influencing our own approach to ESG investments, we expect that they will in the future. The factors could be wholly or individually integrated into our research efforts or supplement the third-party research we employ in our ESG investment products.

Municipal Finance

In the US, we offer credit enhancement to issuers of municipal bonds for the long-term capital of utilities owned by municipalities or independent agencies. These investments are, on average, relatively low credit risk investments that also enable communities to obtain more affordable financing for sustainability projects.

“SSgA has conducted substantial research that examines the correlation between ESG ratings and equity returns. We use this research to directly incorporate ESG into selection of equities and portfolio construction in certain investment strategies in a quantitative manner.”

Peter Mitchell

SSgA director of business development
for Australia and New Zealand⁴

The projects are driven by regulatory requirements and behavior changes. Many utilities are responding to and pushing more sustainable choices for the end consumer.

Our total current investment in this area is \$1.4 billion, a decrease of about 23 percent since 2010. This is due largely to an overall decline in the market as governments issued less debt following the global financial crisis. In the past, municipal finance deals included projects that financed:

- Water conservation (repairs of water main lines, education, incentive programs, etc.)
- Cleanups
- Alternative energy (solar and biomass)
- Shoreline protection
- Environmental management systems
- Carbon emissions reduction
- Reclaimed water use

⁴ “VicSuper chooses SSgA for active global equities ESG mandate,” *The Sustainability Report*, November 27, 2013.

Because environmental issues are inherent in utilities' operations, we consider them part of the credit risk analysis. Current and emerging environmental issues we look for include environmental litigation risk, cost of Environmental Protection Act compliance, future carbon tax and trade regulation, and access to water.

Investment Services

To help institutional clients analyze their portfolios, State Street Global Services offers social responsibility screening as part of our compliance service.

Issuer Engagement

We believe it's our responsibility to engage with issuers of securities on matters that affect shareholder value, including environmental and social issues. We do this primarily through extensive dialogue with issuing-company management and boards, and by encouraging clients to exercise their ownership rights through proxy votes.

When we consider environmental and social issues through engagement or voting, we look first to determine the materiality to the company or industry and the financial value risk. We

encourage issuers to be more transparent in their disclosure of sustainability risks, and to implement policies and procedures to manage these risks. We regularly follow up with issuing companies to determine whether our suggestions have been addressed.

Each year, we vote approximately 14,000 proxies in 70 different markets around the world on behalf of our clients. Our voting guidelines and complete results are available to clients. Where we voted with management on resolutions related to environmental and social topics, we believe the issues did not represent a material risk to the company.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE

Investing in Alternative Energy

In the US, investments in renewable energy projects offer an opportunity to expand the use of alternative energy while earning economic returns in the form of tax credits and cash flows. Over the past two years, we've grown our investment in renewable energy projects to more than \$400 million — largely due to recent growth in the solar and wind sectors. To earn

and retain tax credits, the initiatives must generally be owned and produce electricity for 5 to 10 years. Our investments are on pace to meet these goals.

From the launch of the solar energy investment credit in 2005 to 2012, the amount of solar installed grew by 77 percent.⁵ Our investment in solar projects helps fuel innovations that can improve quality of life in developing countries and provide energy to remote educational, health and business locations. See page 24 for how we invest in affordable housing tax credits with additional social benefits.

⁵ "2013 Policy Priorities — Federal and State," Solar Energies Industry Association, January 29, 2014.

A CLIENT-FOCUSED SOLUTIONS APPROACH

Jack Klinck
Head of Global Strategy and New Ventures



Q: State Street recently realigned the way solutions are offered to clients, with an emphasis on industry sectors. Why was this done?

A: Our clients are facing more pressures than ever before, from heightened complexity and competitiveness to regulatory pressures and globalization. The impact of these pressures varies by sector as do the solutions we can offer. For example, what an asset manager needs is often very different from that of an insurance company. Our goal with sector solutions is to understand our clients' goals and challenges and the larger environment they're operating in and provide them with solutions and insights that they can't get anywhere else.

Q: How does this make State Street more effective?

A: Our people now have a much deeper understanding of our clients' challenges. By focusing on the client's sector, we're better able to support and anticipate their needs and propose customized solutions to meet them. We're also able to provide a flexible suite of solutions, as opposed to standalone products.

Q: What are the challenges your clients are looking to you to solve?

A: Risk management, regulation, and finding ways to grow in the current market are challenges that cut across all our client sectors. Clients often want to meet with our risk team and industry and regulatory affairs group to get our perspective on these issues. Increasingly, they also want to know how best to harness and extract value from the growing availability of data.

Q: Do clients ask about the impact of environmental and social issues on business?

A: Very much so! These issues come up informally through conversations and as part of the new business bid process. The fact is, clients expect us to pay attention to environmental and social topics — both in the products and services we provide and the way we run our business. For example, as part of our sector research, we've seen environmental issues growing in importance for clients. In the insurance industry, climate change and its effect on weather and flooding is an emerging risk factor. If it's something our clients are concerned with, we need to be aware of it and prepared to offer solutions. ❖

Audit Oversight

Our Corporate Audit team conducts internal audits of our products and services annually. Though we can't cover every investment product, each arm of the company is audited at least once every four years. Depending on the level of risk in the business, audits can occur more frequently. Following standard practice, we examine a sampling of products to make sure they accurately reflect their investment objectives. In the case of ESG products, this could include auditing for use of negative or positive screening.

To date, we've found no evidence that our ESG products are not carrying out their investment mandates. Compared with other potential risks within products, like corruption and compliance, ESG investment objectives present relatively low risk for the company.

Our corporate audit work is increasingly shifting toward governance issues — corporate governance represented about 10 percent of all audit work in 2013. Corporate Audit carries out “bottom-up” risk assessments at the business unit level and “top-down” assessments at the macro level. Every year, senior leaders agree on

four or five macro issues that are integrated into every audit. Senior management consistently views governance and reputational risks as key focus areas.

Corporate Audit's effectiveness relies on its ability to be independent from management. To that end, the general auditor reports directly to the board of directors and maintains a dotted-line reporting structure to the chairman, president and chief executive officer (CEO).

ECONOMIC VALUE GENERATED AND DISTRIBUTED

We put our financial expertise to work by making investments with both economic and social benefits. We believe this is important for living our corporate value, “global force, local citizen,” while offering financial returns. They include investments in affordable housing projects in the US and microfinance investments that benefit hundreds of small businesses around the world.

ESG/RISK AUDITS IN PRODUCTS AND SERVICES

On the MSCI ESG Intangible Value Assessment, we ranked in the 43rd percentile in the Governance category.

AREAS OF LOW CONCERN

- Audit
- Board structure

AREAS OF MEDIUM CONCERN

- Compensation
- Shareholder rights

Affordable Housing

Providing access to decent, safe housing is one of the greatest ways to improve outcomes for low-income individuals and families in the US. When people have stable living conditions, they're more able to focus on education and career goals. However, the demand for affordable housing outpaces supply by an estimated 6.4 million units.⁶

Since 1991, we have invested more than \$600 million in low-income housing projects (as of December 31, 2013) as part of a public-private partnership program that provides private investment capital to build low-income rental housing. The program has produced more than 2.4 million affordable rental units since 1986 — virtually all of the affordable housing built annually.⁷ In addition, the program is estimated to produce 95,000 new full-time jobs annually and about \$2.8 billion in federal tax revenue.⁸

The program's financial benefit to private investors, most significantly in the form of low-income housing tax credits, is linked directly to public policy objectives. To fully earn and retain tax credits, the housing developments must be in use for 15 years. As a result, investors like us

apply rigorous due diligence to these investments and have developed expertise in quality affordable housing development proposals. Because the low-income housing tax credit is a permanent part of US tax code, the market is very stable. We expect to continue investing in these assets as part of our overall corporate investment strategy.

Outstanding Reviews

Our investments in affordable housing are part of our strategy for earning "outstanding" ratings by federal and state regulators as part of the US Community Reinvestment Act. In 2013, we completed exams at both levels and received outstanding ratings for the sixth consecutive two-year exam period. The exams look at how we help build better communities where we operate, with a special focus on our headquarters region.

For more than 20 years, we've invested nearly \$160 million in low-income housing investment partnerships with the Massachusetts Housing Investment Corporation (MHIC). This partnership of community-based developers, nonprofit organizations and financial institutions has pro-

vided more than \$1.8 billion in financing for 455 projects — creating or preserving nearly 17,000 affordable housing units in Massachusetts.⁹ In 2013, we invested \$12 million in MHIC low-income housing investment partnerships.

The exams also take into account our investment in small-scale venture capital funds that fuel economic growth and job creation in underserved US markets. Our overall investment in small business reached \$35 million since 1998. Our note purchase provides debt capital to microfinance institutions (MFIs) located in emerging market countries (non-US). These MFIs make micro-loans to underserved citizens and small businesses that historically have had limited access to banking products, credit, etc. In 2013, we invested \$1.4 million and subsequently donated the notes investment to the State Street Foundation.

⁶ "2012 Q&A on the Housing Credit Program," National Council of State Housing Agencies, April 9, 2012.

⁷ "National Consensus Letter to Support and Improve the Low-Income Housing Tax Credit (Housing Credit) Program," Affordable Rental Housing ACTION, November 2013.

⁸ "2012 Q&A on the Housing Credit Program," National Council of State Housing Agencies, April 9, 2012.

⁹ "2012 Annual Report: Building Healthy Communities," Massachusetts Housing Investment Corporation, 2012.

Microfinance Investments

Microfinance investments provide access to capital for small business owners traditionally underserved by the banking community — largely in the developing world. Over the past 10 years, we've invested \$10.4 million in microfinance funds, largely through Deutsche Bank, a leader in these investment vehicles.

Our outstanding transactions include a \$3 million investment in the Global Commercial Microfinance Consortium II, which we donated to the State Street Foundation. The Foundation now holds the coupon to the bond, which will mature in 2019 and pays annual dividends. We believe this investment is a solid source of new revenue for the Foundation, while aligning with its mission of supporting local communities. The fund will provide loans to microfinance institutions that are client-focused, innovative and transparent. It will also offer loans to social enterprises that support the community with services like healthcare, education, agribusiness and technology.¹⁰

We also hold a \$2.9 million investment in the FINCA Microfinance Fund, which provides loans to microfinance institutions affiliated with FINCA International, a leading international microfinance network. The investment matures in 2016.

We believe these investments hold much potential for growing the Foundation's assets, and we'll continue to explore new opportunities. Our ability to do more investments of this type is constrained by the resources required to analyze and approve these deals, which are not part of our general investment approach. We review opportunities on a case-by-case basis as they become available.

INCREASING MATCHING GIFT PROGRAM USE GLOBALLY

Despite the Matching Gift Program's dramatic overall growth in recent years, this growth varies by location. Employees use the program widely in the US, where it's been available for more than 30 years. Outside the US, it's strongest in the UK and Ireland, where we have Corporate Citizenship staff available to assist employees and promote the program. Germany also has strong program uptake, partly due to employee ambassadors. We expect more activity in Asia, now that we have a full-time Corporate Citizenship staff member based in Hong Kong. Hands-on support has been invaluable to the Matching Gift Program's success in local locations.

¹⁰ "Global Commercial Microfinance Consortium II," Deutsche Bank, https://www.db.com/usa/docs/Consortium_II_Fund_Profile_2013Q4.pdf, accessed February 3, 2014.

EMPLOYEE GIVING

Matching Gift Program

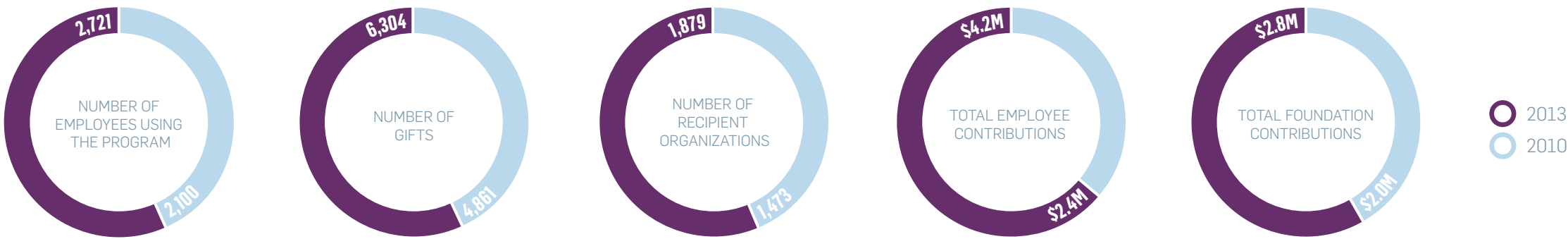
Our employees continue to impress us with their generosity and commitment to various charitable causes. Employee contributions totaled more than \$4.2 million in 2013 or 21 percent of our total giving portfolio. Employee giving is on the rise, especially through our Matching Gift Program, which has grown more than 40 percent since it expanded in 2010 to include all State Street global employees.

We continually seek employees’ input on program design and execution. Despite high participation and generous donations, our employees expressed a desire for greater choice in their at-work giving opportunities. With this in mind, our Matching Gift Program will now be the primary vehicle for employee financial contributions. The Matching Gift Program is open to virtually all charitable organizations and provides matches for financial contributions as well as volunteer and fundraising efforts.

To further encourage employee giving, we’ll offer several enhancements in 2014:

- Eliminating the one-year employment requirement
- Increasing the giving caps and eligible activities for volunteering and fundraising
- Reducing the number of volunteer hours required for eligibility

MATCHING GIFT PROGRAM GROWTH



STATE STREET FOUNDATION

Sustainable employment is a critical component of wealth creation and people's ability to support themselves and their families. We strive to be an employer of choice, and we support education and workforce development opportunities for low-income populations in our communities through the State Street Foundation. We believe these investments are the best use of our charitable resources throughout the 40 locations and 28 countries where the Foundation has a presence.

A Focus on Youth Unemployment

In the US and Europe, consisting of roughly 75 percent of our total giving portfolio, persistent youth un-employment is a major barrier to improving the lives of the underserved. In 2013, global youth unemployment was estimated at 12.6 percent, or 73.4 million young people.¹¹ Increasingly, our giving is geared toward programs that address this job crisis and support services for low-income youth disproportionately affected by unemployment.

¹¹ Global Employment Trends for Youth 2013: A generation at risk, International Labour Organization, 2013.

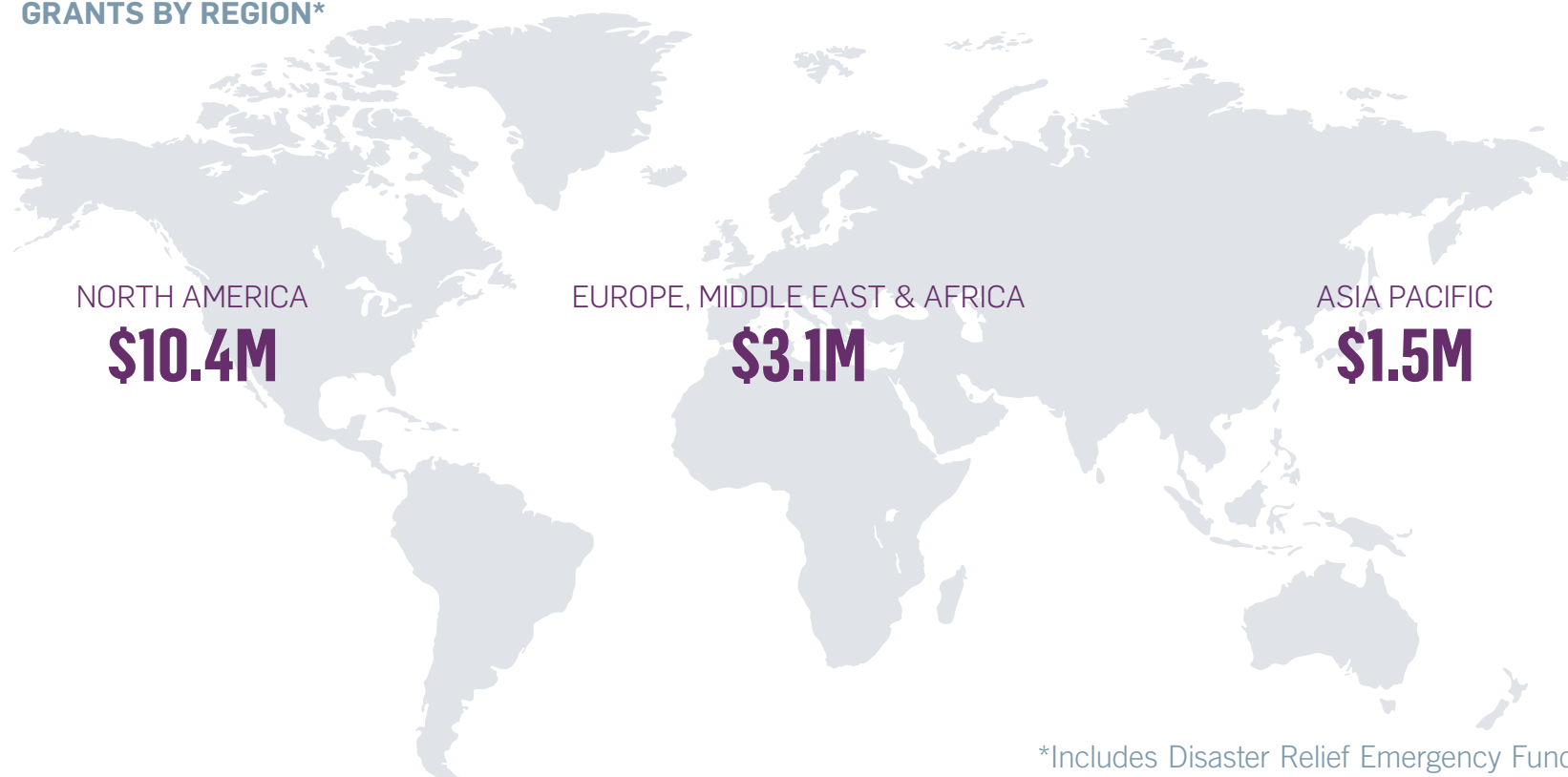
KEEPING OUR FOCUS ON LOCAL NEEDS

Our Community Support Program (CSP) Committees are employee volunteers who make Foundation investment decisions in response to their community's needs as well as provide volunteer support from local employees. About 20 percent of our grantmaking budget helps address local issues.

Highlights of local variation include:

- **Poland:** Poverty and housing, especially in rural areas
- **Luxembourg and Singapore:** Elderly populations
- **Hong Kong and Hangzhou, China:** Environmental education
- **Australia:** Healthcare

GRANTS BY REGION*



*Includes Disaster Relief Emergency Fund

Programmatic support targets:

- High school/secondary school dropout rates
- Low college enrollment and completion
- Decreased funding for employment opportunities

Strengthening Our Investment Approach

Our focus on education and workforce development helps us to see our global grantmaking as a portfolio of investments.

This enables:

- Decision-making frameworks
- Community-impact outcomes and associated metrics
- Greater alignment with community issues
- Subject-matter expertise
- Strategic partnerships with charities
- Deeper engagement with employees involved in our global CSP Committees

We've exceeded our initial goal of investing 70 percent of grants in education and workforce development, while reserving the remaining 30 percent for legacy relationships and programming. Now at a ratio of 80:20, we see CSP Committee enthusiasm for the investment focus and the adaptability across our global locations.

In 2013, we required that our global charitable partners report to us against metrics that align with our investment focus. We'll evaluate the quality and outcomes of the reporting in 2014 to inform future reporting and our framework.

MEANINGFUL EMPLOYMENT OPPORTUNITIES

In our more than 35 years of working with organizations that serve low-income populations, we've found that certain sectors of the population need more services to support their educational and work-related aspirations. In many cases, there is a lack of organizations equipped to meet these unique needs. We've learned that meaningful employment opportunities can increase positive outcomes.¹²

Meaningful employment is defined as:

- Paid work experience with quality supervision
- A well-designed learning plan
- Connections to supportive services

The Foundation's grantmaking impact framework includes life skills and mentoring as drivers for improving educational and employment outcomes. Additionally, the work with organizations serving low-income youth informs our approach to hiring young people, especially in Boston, including increased outreach to certain populations and manager training.

¹² "Social Impact Investment Guide," Root Cause, December 4, 2013.

STATE STREET FOUNDATION INVESTMENT OUTCOMES

Employment for Low-Income People

In Boston, we’ve compiled a snapshot of how our investments are helping low-income people attain the skills they need for employment. We expect to produce more complete and robust data as we refine our analytic approach.

EDUCATION

Gaining access to basic skills critical to lifelong success, such as attaining a high school/secondary degree and language literacy skills for non-native speakers.

CREDENTIALS

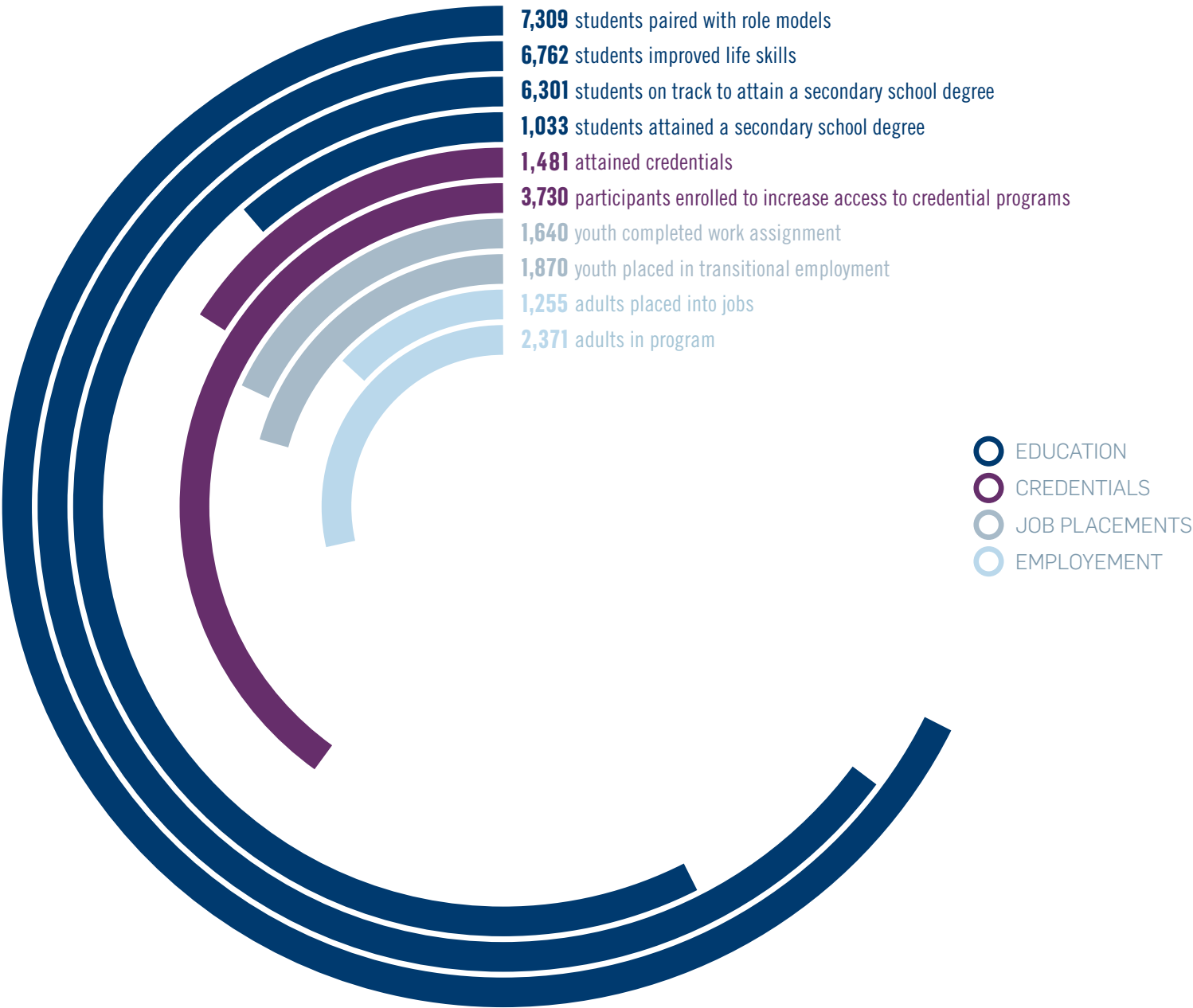
Becoming aware of and ultimately attaining an industry-recognized credential related to educational achievements, specifically a college/university degree or vocational/technical certification.

EMPLOYABILITY

Obtaining basic job-readiness skills to succeed in the workplace, which can include a transitional/exploratory placement such as an internship.

EMPLOYMENT

Securing permanent jobs and succeeding in maintaining employment with a self-sufficiency wage.



RISK MANAGEMENT IS OUR CORE BUSINESS

Taking on and managing risk for our clients is an essential component of State Street's core business and central to what we do every day. In our heightened risk management role following the global financial crisis, it's in our — and all our stakeholders' — best interest to have the fullest picture of risk as possible. It's also important that we constantly evaluate our areas of focus and risk mitigation strategies.

Maintaining an Independent View

Our board of directors helps determine our risk appetite and offers an independent lens to both challenge and confirm management decisions in this area. As the chief risk officer, I'm the only member of our Management Committee reporting both to the CEO and a board committee. We instituted this dual reporting structure before it was legally mandated.

The board's array of professional experience is also extremely valuable as a source of risk identification and mitigation. For instance, a board member with experience in cyber security prompted us to re-examine our approach to IT risk and use best practices from across sectors to inform our new strategy.

Safeguarding our Reputation

Reputation is always a top priority when it comes to risk. Our clients depend on us and expect us to maintain the highest level of integrity and service. When these factors come into question, we are in danger of damaging valuable client relationships. Risk is of particular importance in terms of government regulations, authorities, and compliance with State Street policies related to portfolio decision making and the management of State Street and client funds.

Andrew Kuritzkes
Chief Risk Officer



While reputation is difficult to measure — aspects like credit ratings and stock price come to mind — it's relatively easy to identify companies with poor reputations. More than any other risk, reputation has the greatest potential to affect the health of our company. Reputation management is really the role of every employee at State Street, and proper management of all our major risks is an essential first step toward protecting our reputation.

Expanding our View of Risk

While all risk management is essential to being a responsible corporate citizen, we're now taking an expanded view of environmental and human capital risks, which are particularly important. In 2013, we completed a stress test that determined our ability to adapt, should an extreme weather event, like a hurricane,

“Our view of risk and approaches for mitigating risk will continue to evolve and expand, particularly as we better understand the value of natural and human capital.”

affect any of our locations. Since many of our major buildings are in coastal areas, we’ve also assessed the vulnerability of new locations to potential impact from climate change.

In the area of human resources, we’ve trained business line risk managers to recognize and address potential areas of human capital risk. Skills shortages and the impact of outsourcing and offshoring are extremely relevant to operating in today’s financial services industry and could significantly affect our ability to meet clients’ needs.

Our view of risk and approaches for mitigating risk will continue to evolve and expand, particularly as we better understand the value of natural and human capital. From the Office of Environmental Sustainability to ESG research and investing, we are working to make this assessment, so we can better incorporate these factors into our overall strategy. ❖

We're focused on recruiting top talent and creating an inclusive and rewarding culture. This is our approach for developing human capital — among our potential and current employees and within



our communities. By encouraging growth and creativity, we help our employees develop invaluable skills, find new ways to meet our clients' needs and play active roles in our communities.

RESPONDING TO POST-DISASTER SOCIAL NEEDS

YOSHITAKA MATSUOKA

CHAIRMAN OF STATE STREET TRUST AND
BANKING CO., LTD, JAPAN DISASTER RELIEF, TOKYO

There's only one way to describe the Tohoku earthquake and tsunami that hit Japan in March 2011 — absolutely devastating. Thousands were killed, people were left homeless and the effects on the region were crushing. I lost two distant relatives. Although I live in Tokyo now, my hometown, Iwate, is in the Tohoku region. Like most people throughout the world, I wanted to help.

My friend who is a member of Medecins Sans Frontieres (Doctors Without Borders) told me about the number of children he'd seen who lost their parents and were under severe physiological stress. After hearing these heartbreaking stories, I knew where I could help. With support from the Iwate Board of Education, I made a plan to support the 95 Iwate children orphaned by the tsunami.

But I didn't do it alone, I had help from my personal and business relationships. People like a former baseball player, an amateur musician and a Japanese business executive were among the many who agreed to be a part of the effort. It was essential to build a team of supporters. My mission isn't to support every one of these children directly, but to connect them with other people who continue to help them. And my hope is that they'll convey their experience to young people once they're adults — a pay-it-forward kind of idea.

Employees drive our relationships with clients, create and innovate, and build and execute our business strategy. In short, they're our most important asset. We look to develop talent within our company, and find new employees who bring diverse experiences and expertise.

Identifying Top Talent

We're focused on identifying top talent and employees with the right potential. Our employees are evaluated against criteria through our annual review process. Managers use our Talent Reward and Differentiation Tool (TRDT) to identify employees at the vice president level and above who are outstanding performers across these talent differentiators and individual performance goals. The criteria build a holistic picture on employees' performance and facilitate comprehensive decisions for development, compensation, promotion and succession planning.

The TRDT also provides invaluable information to HR to support ongoing talent needs within teams. For example, the tool can help managers and their HR partners:

- Assess critical roles within the business
- Identify top talent
- Differentiate compensation for top talent
- Decide who should receive development resources
- Make promotion decisions

In 2013, we piloted this evaluation process at the assistant vice president level in Poland and Ireland. We plan to expand the TRDT tool to this level of employees over the next few years, which will cover about one-third of all our employees.

A key aspect of talent development is providing broad experiences that offer employees diverse management and skill-building opportunities. By enabling more mobility across the company, we can offer a wide array of work experiences to our top talent. We are developing a formal job rotation program that will help round out employee career paths and strengthen succession planning.

TALENT RECRUITMENT AND RETENTION/ PROFESSIONAL DEVELOPMENT AND TRAINING

On the MSCI ESG Intangible Value Assessment, we ranked in the 71st percentile in the Human Capital Development category.

STRENGTHS

- Provides guides to acquired employees to ease transition
- Regular employee surveys
- Professional development and online training opportunities

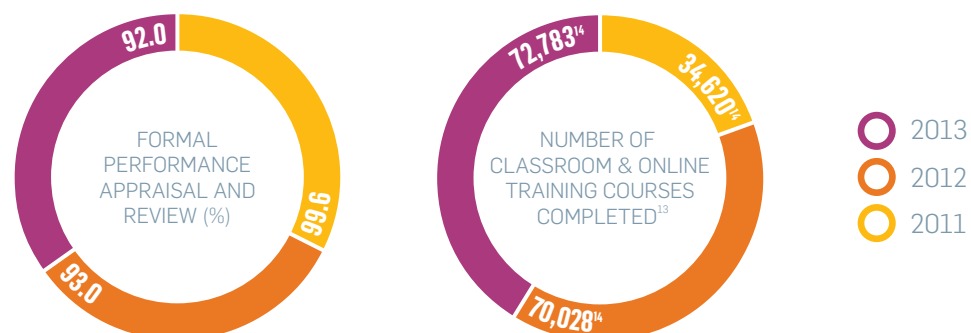
AREAS OF POTENTIAL IMPROVEMENT

- Alleviate increased pressure on human capital from acquisitions and layoffs
- Create procedures related to formal employee grievance reporting or escalation

WORLDWIDE VOLUNTARY EMPLOYEE TURNOVER



WORLDWIDE EMPLOYEE DEVELOPMENT AND PERFORMANCE



¹³ Includes classroom (approximately 10 percent) and online (approximately 90 percent) courses. Most classroom courses are four hours long; a few run eight hours (one day) or 16 hours (two days).

¹⁴ Reflects number of enrollments.

Tools for Success

State Street University (SSU) is our online development platform that provides employees with resources and tools to guide their careers. Annually, SSU has more than 200,000 enrollments and more than 22,000 employees attend one or more programs. SSU provides common competency guides to help our global workforce understand what skills they need to progress at the company and training modules to meet their goals.

Our programs are designed for all experience levels and are offered globally, in a mix of online- and classroom-based environments. We continuously enhance our courses to provide the latest regulatory and industry developments so that employees are prepared to navigate today's increasingly complex environment.

We also use training modules to achieve greater employee engagement and inclusiveness. Employees globally can participate in our Building an Inclusive Environment at State Street program. This includes a webinar and an e-learning module to help employees overcome challenges in the workplace, and change their behaviors and biases. Since the modules launched in 2011, 4,700 managers have completed the e-learning module and nearly 2,800 have finished the webinar.

Encouraging Employee Engagement Through Community Involvement

In our 2012 employee engagement survey, 71 percent of employees involved in Corporate Citizenship programs demonstrated a higher emotional commitment to the company. Engaged employees are, on average, more productive and less likely to leave for other job opportunities. This translates into real financial value — the total cost of disengagement for US companies is between \$450 billion and \$550 billion a year.¹⁵ With this in mind, we're conscious of ways we can encourage employee involvement in community activities.

State Street On Board

One of our most successful programs is State Street On Board, a training program for our executives interested in or already serving on the boards of charitable organizations. The program provides a full day of training on nonprofit management with the option to be matched to an organization. Launched in Boston, we've rolled out this program globally, with training sessions in Dublin, Kansas City and London.

¹⁵ "The State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders," Gallup, June 11, 2013.

"I think the Professional Women's Network's charitable board matching event was a great success as, more than anything, it facilitated the right conversations. This was a wonderful and well-executed idea!"

Katherine Lucas

Vice President, Global Marketing

Matched with the Boston Ballet Board of Directors

Executives on boards provide an invaluable service to our community partners, and also build new skills and a network of employees with similar interests. The training is also unique, as much of our talent development programs are classroom or online based. In fact, all members of the annual Leading Women class, a leadership program for high-potential female employees, are required to complete State Street On Board. The program has strong interest from employees and Human Resources, but cost and the availability of training partners globally challenges growth. We are piloting events to bring aspects of the program to more employees:

- In 2013, our Professional Women's Network in Boston hosted *Volunteering is Good for Your Career*, a networking event where employees were matched with charitable organization leadership opportunities. The event matched 45 employees to charitable boards and nearly 40 to committees.
- Our Global PRIDE network will host a mini-training session in 2014 led by the facilitator of the State Street On Board program. The session will cover an overview of charitable board service, legal information, and expectations of time and financial commitments.

In 2014, we plan to take the following steps to strengthen and expand the program:

- Launch a formal State Street On Board networking group on our social media platform, Collaborate
- Establish mentor relationships aligned with board service
- Provide additional trainings on board service specialties, like finance and development

Community Events

We're revamping our community event sponsorship program to be more aligned with our Foundation's focus on education and workforce development and to forge deeper connections with employee networks.

We invested \$6 million in community sponsorships in 2013 and believe these events are great employee engagement tools. They have high visibility within the company and community.

Employees who volunteer with an organization make up our largest target audience for community events. More and more, we're looking to our employee networks as sources of new event attendees. Networks tend to have high levels of engagement and appeal to younger employees, our fastest-growing employee demographic. We've had several successful models of this engagement in 2013, including:

- The Asian Professionals Group and the Chinese Professionals Network sent employees to attend and volunteer at the YMCA of Greater Boston's Annual Legacy Event, which benefits the Wang YMCA in Chinatown in Boston
- Members of the Black Professionals Group in our Boston office attended the Posse Power of Ten event, which celebrates diversity in higher education and the workforce
- The UK Arts and Culture Network leverages our sponsorship of the Museum of London to host art and cultural networking events

Transforming How We Manage Human Capital

Human Resources has evolved with the workforce through the development of "virtual" teams, led by a senior business partner, who provide the full suite of HR services to business units and their managers. We find this holistic approach creates greater operational efficiency while letting HR take a more proactive role in business planning.

In 2013, the team used Collaborate, our social intranet, to more effectively work across time zones and teams. For example, Alison Quirk, chief human resources and citizenship officer and member of State Street's Management Committee, blogs on Collaborate and is available throughout the year to answer employee questions. As the HR team grows outside Boston, tools like Collaborate keep everyone on the same page so they can deliver consistent services to all our global offices.

FOSTERING COLLABORATION THROUGH INFORMATION TECHNOLOGY

Q: Information technology (IT) at State Street has been undergoing a major transformation since 2010. How is this initiative making the company a better partner to clients?

A: We're working more closely than ever with our business units and using their client insight to enhance our IT solutions. And we've already seen benefits for our clients. By automating processes, we now provide more real-time data and offer greater risk management across portfolios. We've also improved our own infrastructure, which creates more operating efficiencies and enhances security.

Q: How has the IT transformation impacted employees?

A: Our focus on collaboration means we need people who know how to talk to clients and have the right skills to translate their needs into solutions. Today, employees must bring depth and breadth to their roles. I call this "go wide, go deep." This means changes to current roles, creating new roles and eliminating roles that may not fit in our current model. We're also looking at best practices outside the financial services field, like manufacturing, to inform how we build our teams and collaborate internally. The greatest challenge is finding enough people with the engineering skills we need. I think many companies are grappling with a skills gap.

Chris Perretta
Executive Vice President
Chief Information Officer



Q: What's next for the IT transformation?

A: We're scheduled to complete the initiative in 2014, but we'll continue to evolve and innovate. We have to. IT is at the heart of the products and services we sell. We've learned a great deal during this transformation and we know there's still much more to do.

Our next wave of technology at State Street will be an enterprise-wide initiative we're calling The Digital Enterprise. It's designed to enable greater straight-through processing and link information and workflows — creating a digital information environment and automating many manual processes. It uses state-of-art computing methods that will allow us to bring powerful new tools to our clients, faster than ever, with a higher level of reliability and performance. ❖

DIVERSITY, FLEXIBILITY AND INCLUSION

Global Inclusion is our company-wide effort to make every employee feel valued, engaged and respected. It's in our best interest to create an inclusive culture, as it has real financial value, helping us to provide better solutions for our clients and retain our valuable employees. Now approaching its 10th year, Global Inclusion uses infrastructure, industry best practices and programmatic support to drive successful implementation across the company.

Diversity

At State Street, managing diversity has shifted over the years to focus on changing the make-up of our global workforce. Our Management Committee members have diversity goals in their annual development plans, driving accountability for meeting targets through the organization. Diversity is also a key part of our talent management strategy, so we can be proactive in our approach to finding diverse talent. We look at all dimensions of diversity in our

efforts to build a more inclusive workplace. Increasingly, this includes disability, religion and veteran status. This broad view is especially meaningful outside of the US, where diversity has different interpretations.

But we know employees and other stakeholders want to see improvement in key diversity criteria. We currently track our progress toward goals around women in management roles and people of color in the US.

Building Our Diversity Pipeline

We're committed to investing in new ways of finding and cultivating diverse candidates. Our internship program in Boston is one of the most promising vehicles for building our diversity pipeline. We partner with local educational and charitable organizations that train urban young people and adults for corporate work experience, place them in internships, and provide support services like mentoring and counseling. The State Street Foundation also partners with many of these organizations, complementing our internship program with investment support.

GLOBAL INCLUSION INITIATIVES

Measurement and Accountability

- Employee engagement survey
- Manager insights feedback tool
- Global Inclusion embedded in annual employee review process

Structure

- Senior-level leadership through the Global Inclusion Executive Committee and Global Inclusion Advisory Committee
- Grassroots support through Global Inclusion implementation teams

Programmatic Support

- Flexible work
- Mentoring programs
- Work/life
- Learning and development

External partners and surveys

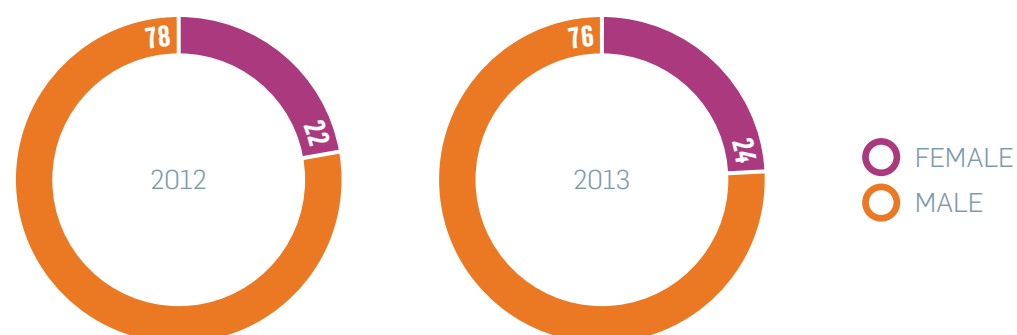
- Professional and industry associations
- Key rankings

Brand recognition

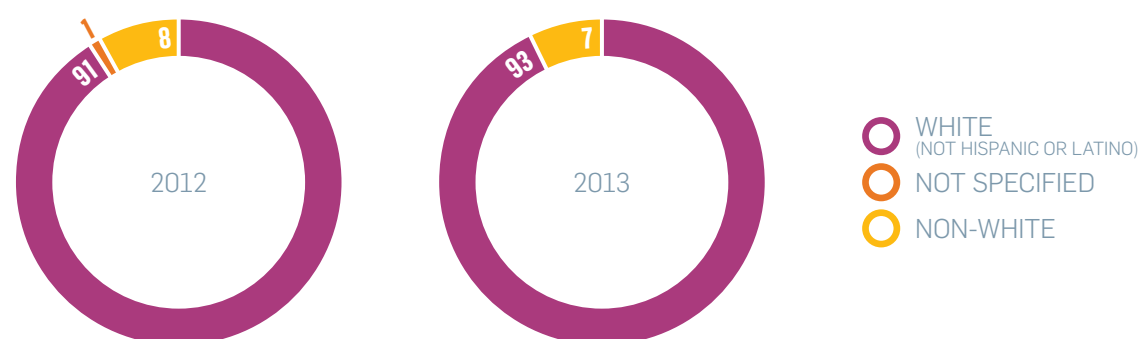
- Global Inclusion logo recognized internally and externally

PROGRESS ON DIVERSITY GOALS

Increase female representation in senior management to at least 27 percent globally in 2014, up from 22 percent in 2011 (hires globally at SVP and EVP levels; percent)

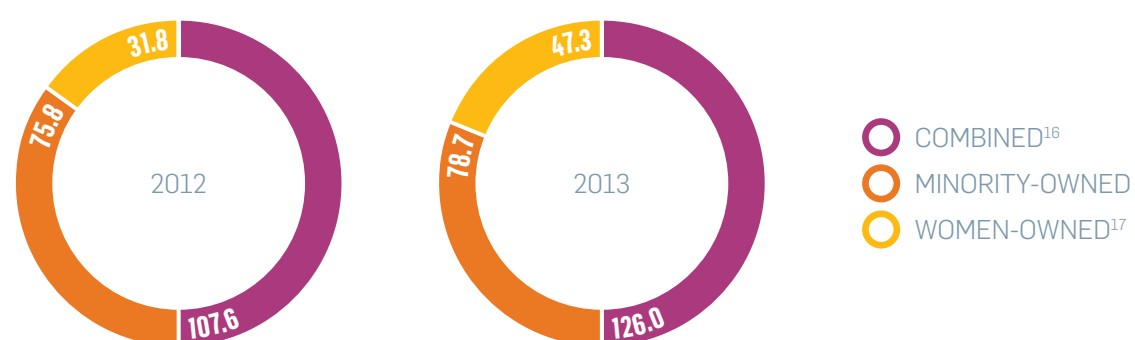


Increase representation of employees of color at least 12 percent in the US in 2014, up from 7 percent in 2011 (hires globally at SVP and EVP levels; percent)



SUPPLIER DIVERSITY PROGRAM SPENDING

(US) \$ millions



¹⁶ Combined supplier diversity total accounts for overlap between women- and minority-owned business spend.

¹⁷ In 2011, minority women-owned businesses were counted as women-owned. In 2012, we changed the methodology to count minority women-owned businesses as minority-owned.

Some of our most successful partnerships include:

- **Year Up:** Approximately 675 interns, 320 hires since 2005
- **Urban League of Eastern Massachusetts:** 93 interns, 57 hires since 2008
- **St. Mary's Center for Women and Children:** 35 interns, 4 hires since 2010
- **Boston Private Industry Council (PIC):** PIC Career Specialists work closely with Boston Public School staff to recruit students and prepare them for employment through a series of job readiness workshops and career exploration programs. State Street has worked with PIC since 1979 and since 2008 we have employed 979 summer interns.

The success of our Boston internship program has led to expansion with one of our partners in Kansas City. We're exploring further opportunities for growth in the US and globally.

Expanding Our Definition of Diversity

We're also expanding our internship program to include more people with disabilities. In 2013, we piloted a summer program for interns in Boston with hearing and sight disabilities. Two Boston-area organizations, Perkins School for the Blind and the Carroll Center for the Blind, matched us with students and provided guidance for managers, information technology and facilities. Additionally, we began active outreach to the Asperger Syndrome community at the request of our research arm. People with Asperger's have outstanding analytical and research skills, but because of their disability, often cannot find work through traditional methods.

Pilot programs like these help us identify how to make our workplace more accessible to employees with disabilities. This includes physical changes, as well as training our talent acquisition team to work with disabled populations. We took a first step in 2013 by producing recruitment materials in both sign language and Braille.

Other key partnerships include Work Without Limits, a Massachusetts collaborative that aims to increase employment among individuals with

disabilities, and Wounded Warrior Project, which provides aid and services to disabled veterans and their families. We're also relying more on our employee networks when recruiting disabled populations. The networks can provide potential employees with first-hand accounts of working at State Street and invaluable insight on the needs of people living with disabilities.

Measuring Employee Engagement

Our employee engagement survey drives much of our organizational focus on Global Inclusion. Conducted every 18 to 24 months, the survey measures employees' commitment to the company and intent to stay. In 2013, we continued our focus on driving improvement around the findings from the 2012 survey.

Employees will be invited to take our next survey in early 2014. We keep many of the questions consistent across surveys to track our progress on key issues. But we are planning to ask more questions about innovation and employees' understanding of the company's direction. We believe positive results across both these areas are key drivers of success.

2012 EMPLOYEE ENGAGEMENT SURVEY RESULTS AND ACTION STEPS

IMPROVEMENT AREA	RECOMMENDATIONS
Development and Opportunity	<ul style="list-style-type: none">• Develop programs for top talent.• Consider cross-functional/department or regional rotations.• Build development programs that increase skill sets and keep assignments challenging and impactful.
Communications	<ul style="list-style-type: none">• Continue focus on transparency in communications.• Invest resources to ensure social networking opportunities take hold in the organization.
Empowerment	<ul style="list-style-type: none">• Examine bureaucracy that inhibits employees' ability to do their job. Determine what is and is not necessary.• Consider changing processes that do not add significant value.

CLOSING THE GENDER WAGE GAP

Successful companies actively work to identify and remove the visible and invisible barriers to women's advancement — including the gender wage gap. In 2013, we were one of the first signatories to the Boston Women's Compact, which aims to create a more equitable workplace by closing the wage gap between men and women and removing invisible barriers to women's advancement. The compact outlines proven and new strategies that help employers attract, retain and promote women — such as gender-blind application processes and standardized compensation packages.

At State Street we've set organizational goals for diversity, developed specialized mentoring to increase the number of women in leadership roles, and created more ways for them to connect and engage. We've also offered ways to

better support work/life balance. Here are some of our key achievements over the past year:

Diversity goals: Women make up approximately 45 percent of our workforce. We've set goals to increase gender diversity at the senior management level to at least 27 percent women globally in 2014, up from 22 percent in 2011. In 2013, 24 percent of our executive hires were women.

Mentoring: Our Leading Women program integrates mentoring and sponsorship. High-potential women at the vice president level and above are paired with women executive vice presidents.

Employee Networks: Our Professional Women's Network, one of our longest established employee groups, has 20 chapters and approximately 2,000 members around the globe.

Alison Quirk
Executive Vice President,
Chief Human Resources and
Citizenship Officer



Flexible Work: Close to 70 percent of our employees participate in some type of flexible work arrangement, and we've seen 41 percent less turnover for these employees. Our remote work capability has been key to maintaining business continuity during such incidents as severe snowstorms in the Northeast and an earthquake and tsunami in Japan. It's also a great benefit to employees — one of whom works from home so she can study for her master's degree during the time she would be commuting. In addition, employees with formal flexible work arrangements report saving a total of more than 200,000 miles of driving each week, a significant environmental benefit.

I'm proud that as a signatory of the Boston Women's Compact and through our own efforts, we're helping to create a workforce where everyone is treated equally, valued for their unique talents and given the tools to thrive. ❖

EMPLOYEE COMPENSATION AND GENDER COMPENSATION EQUALITY

To attract and retain the best employees, we need to keep our pay scale competitive. Compensation is an important way of rewarding employees for outstanding performance and incentivizing them to choose or stay at State Street. We've invested in tools and research that can provide managers with pay practice data at the individual employee level. This is especially useful in our talent development strategy and encouraging top performing employees to grow their careers at State Street.

Gender Wage Equity

We recognize that stakeholders are increasingly interested in the issue of wage gaps between men and women, especially in the US.¹⁸ Clients ask about our non-discrimination policies as part of the new business proposal process and several US states have or are considering regulation around gender pay equity.

¹⁸Through our materiality mapping assessment, employees in APAC noted slightly higher stakeholder interest in this issue compared with stakeholders in North America and EMEA.

HUMAN RIGHTS POLICY AND TRAINING

We introduced our Corporate Human Rights Statement in 2007 in response to external stakeholder feedback and best practice in the industry. Our main human rights risks are workplace issues, like discrimination and sexual harassment, so we maintain several global policies related to these risks. Our HR team has established enforcement procedures that follow any instance of non-compliance. We also expect our security personnel — both proprietary and contracted by vendors — to comply with our policies. More than 80 percent of our contracted security staff receives additional training in areas like harassment, bullying and workplace violence.

Because we rely on global suppliers, we recognize the human rights risks within our supply chain. In response to these risks, we've added the following topics to our new vendor response tool:

- Child and/or forced labor policies (including coverage of suppliers and subcontractors)
- Human rights policy

- Social compliance audits (including coverage of subcontractors)
- Identification of child labor risks within supplier and subcontractor operations

Read more about our sustainable sourcing efforts on page 54.

ANTI-CORRUPTION POLICY AND TRAINING/REGULATORY COMPLIANCE

To maintain our reputation in the industry, we must have the highest ethical standards and comply with all applicable laws. Over the past two years, we've streamlined ethics standards, including anti-money laundering (AML), to help us increase efficiency and make smart use of staff to administer policies globally. We hired a new head of AML in 2013 to join our Compliance department. In early 2014, we named a new head of ethics, who reports directly to the chief compliance officer and will be responsible for increasing awareness of ethics issues.

Overseen by the Ethics Office, our Standard of Conduct (SOC) is our primary governance document for employee behavior and business conduct. Because acknowledgment of the SOC

is a condition of employment, we run an annual training and certification process so that all employees understand our expectations. We currently have 100 percent participation. Most of our employees understand and agree to comply with the SOC. When we do receive questions, most relate to employees' own concerns about complying and requests for further guidance.

In 2013, we developed a new, global compliance enforcement procedure that formalizes our response to non-compliance issues. A cross-functional working group created the process using best practices and local regulation and customs for the first instance of non-compliance. If a second instance occurs, the process is then handled by our HR employee relations team. Non-compliance can affect an employee's ability to apply for other jobs within the company, promotion and discretionary pay, and can result in termination depending on the severity.

Our compliance and ethics committee runs an annual compliance risk assessment to determine where we need to strengthen our compliance procedures and trends on the horizon. In 2012, we added anti-corruption risks to

the assessment, recognizing the growing global focus on the topic from various external stakeholders, especially regulators. We maintain a global anti-corruption policy — administered by the Ethics Office and implemented by business units. Our Ethics Office also regularly monitors areas of the company with potential corruption risks, like Procurement, Corporate Accounting and Corporate Citizenship.

Employees are encouraged to speak directly with their manager whenever they have a question related to compliance or ethics. They can direct any inquiries on the SOC, individual policies or other ethics matters to the Ethics Office via an email inbox that is staffed by a global team. We also have a third-party hotline that employees can use to raise concerns, anonymously if they choose, which are directed to our General Auditor and reported to our board of directors. We gauge employee satisfaction with compliance and ethics policies and procedures through our employee engagement survey and annual surveys of business units.

PUBLIC POLICY AND ADVOCACY

Our clients increasingly view government regulation as a major influence on their future economic value.¹⁹ The heightened global regulatory environment can have far-reaching implications for their businesses as well as our own. We provide policymakers globally with industry insight and knowledge to help shape a balanced dialogue on key issues.

Adding Our Voice to the Retirement Savings Discussion

SSgA research shows retirement plan sponsors and plan beneficiaries are concerned about Americans' ability to save properly for their future. Lawmakers are increasingly focused on creating policies that strengthen retirement savings practices. As the manager of more than \$913 billion in retirement assets,²⁰ SSgA provides policymakers with industry expertise, data and client research. In turn, feedback from lawmakers can help shape future SSgA research.

¹⁹ Managing government relations for the future: McKinsey Global Survey results, McKinsey & Company, February 2011.

²⁰ As of December 31, 2013.

We focus our advocacy efforts on three core themes, with potential policy implications that include:

SAVE MORE

- Encourage increased retirement savings
- Automatic enrollment and re-enrollment
- Increased administrative ease
- Broader access to retirement savings plans for all employees

GROW MORE

- Ensure retirement savings growth throughout individual's career
- Asset allocation options for optimal investment growth
- Reasonable fees and transparent disclosure
- Limited leakage throughout savings accumulation years

MAKE IT LAST

- Promote solutions for sufficient lifetime income
- Continued plan participation post-retirement
- Simplified fiduciary safe harbors
- Defined benefit plan de-risking and liability-driven investing

Proactive engagement with lawmakers is relatively new for SSgA, so we're focused on building relationships with key regulators and administrative staff to become a trusted resource on retirement issues. Over the next few years, we plan to expand our US model of public policy advocacy to Europe, where retirement issues are of growing concern to clients, regulators and society at large.

Protecting the Role of Custody Banks

Policymakers continue to seek our consultation and advice in the wake of the regulatory activity that followed the financial crisis. We provide ongoing expertise on various regulations around the world that affect the financial sector. Our role is focused on educating lawmakers on the unique characteristics of custody banks and preventing industry legislation from unintentionally impacting our business. One example is our work on the Volcker Rule of the US Dodd-Frank Wall Street Reform and Consumer Protection Act. Our comments appear more than 100 times in the final draft of the rule and many of our suggestions were incorporated into the final text.

Because of the complexity of financial regulation and the duration of rulemaking and implementation, we've stayed focused in the areas of regulatory activity around liquidity, capital concentration, money market reforms and surcharges for systemically important financial institutions. In 2013, we sent 58 comment letters to global, regional and national regulators and policymakers.

RESPONSIBLE MARKETING

Our reputation is one of our greatest assets, and we take every precaution to protect it. That doesn't mean we always get everything right. But commitment to integrity and honesty are at the core of our values, standards of conduct and governance principles. We take these commitments especially seriously when communicating with our clients and potential clients who trust us with their financial assets and expect us to always work in their best interest.

We've evolved our approach to client communication based on research over the past two years with more than 2,000 business leaders and influencers. They provided insight into global issues, industry concerns as well as perceptions of State Street and how we communicate about our solutions. Since then, we've shifted our communication approach — specifically when it comes to our thought leadership and research-based publications — so that what we're saying resonates with the broader business community. We believe our role in the industry gives us wide insight into issues that cut across our client sectors.

Relying on Partners

Recently, we've expanded our partnerships with media outlets, research organizations and others to provide new value and a more independent lens to our marketing campaigns. We've partnered with other firms to help produce executive roundtables, industry research surveys and Vision reports. We believe it's important for clients and all stakeholders to know we're working with both internal and external experts to provide comprehensive information.

In 2013, we also became a partner of TED — a nonprofit organization devoted to spreading ideas — and the first financial services firm to participate in the TED Institute, the professional development arm of TED. As a partner of TED, we're exposed to some of the best and the brightest minds that provide fresh perspectives, spark creativity, and inspire us to come up with new ideas that will benefit our clients, communities and society in general.

Best-In-Class Approach

Regulators across our areas of operation are also concerned with the way we talk to our stakeholders through advertising and other channels. We rely on our Global Marketing, Compliance, and Regulatory and Industry Affairs teams to keep us informed of pending and active regulation. Across our marketing and communication policies, we use stringent regulation or recommendation as our global standard. Our Global Marketing team is responsible for applying the policies locally and making any necessary adjustments.

FINDING NEW WAYS TO HELP CLIENTS

Technology offers new opportunities to talk to clients and help them gain a better understanding of their business. In 2013, following client research, we launched ClientView, an iPad application that gives clients a visual representation of how they benchmark against their industry peers across a number of key industry challenges, including risk. Using this tool, clients have a way to think differently about their business and start internal discussions.

ClientView won *CorpComm* magazine's 2013 Digi Award for Most Innovative Product and is shortlisted for The Chartered Institute of Marketing's Marketing Excellence Awards.



REFLECTIONS ON A LEGACY OF COMMUNITY SUPPORT

Mr. Russell retired in 2013 after 33 years of service, the last 28 as head of State Street's Corporate Citizenship Division and the State Street Foundation.

Q: When reflecting on your career at State Street, what are you most proud of?

A: I'm most proud of the truly global scale of the State Street Foundation and our community engagement programs. When I first headed this effort, the Foundation's focus was only on Boston. While its impact and reputation in the local community was strong, I saw a lot of potential in expanding our reach to other communities where we had offices — both for the charities in those areas, as well as for employee morale and pride. It took a tremendous amount of work, but it was worth it.

George Russell
Retired as head of Corporate Citizenship
and the president of the State Street Foundation



Q: How did State Street's model of corporate citizenship change during your career?

A: When I first started, the model was focused on how much money we gave to charities. Now we think of ourselves as investors and measure the success of our grantmaking on community issues. In 2012, we began focusing our investments on education and workforce development, and in 2013 our charitable partners began providing us with data showing their programs' effectiveness in these areas. The Foundation is still digesting this information but, ultimately, it will help make State Street a smarter, better-informed community investor. By narrowing our focus, we're able to make a real impact on important issues.

Q: Has the focus on education and workforce development been a success?

A: All change is accompanied by some challenges, but largely the shift has been well received because it makes sense for our business and communities. If we help underserved people receive the training and learn skills they need to get sustainable work, it means we're investing in human potential. Every community where we operate can benefit from a larger, more educated and employable talent pool. In turn, this helps generate global wealth by servicing pensions, retirement funds and other investment vehicles. When people have well-paying jobs, they're more likely to invest their money for the future, which is good for our business.

Q: How does the Foundation engage employees in its efforts?

A: Employees play an active role in our work globally. With the Foundation's help, employees decide their communities' most urgent education and workforce development needs and which organizations to partner with. We're also realigning our event sponsorship program with our investment focus and targeting employee networks that can develop mutually beneficial relationships with the charities.

It's important to give employees multiple opportunities to engage their communities, so we keep our volunteer and matching gift programs open to nearly all organizations and causes. Everyone needs to find their own way of making a difference, which fits perfectly with our corporate value, "global force, local citizen."

Q: Looking to the future, what excites you most about corporate citizenship?

A: I think the alignment between our Corporate Citizenship team and Human Resources will have a lot of great outcomes because it means there are new ways of using community involvement to engage and build human capital. Our volunteer program and CSP committees have proven to promote skills development and employee commitment to the company. I think there will be even more opportunities for employees to contribute to their communities while investing in their professional development, as well as improved ways for us to measure their growth and impact. ❖

"When I first headed this effort, the Foundation's focus was only on Boston. While its impact and reputation in the local community was strong, I saw a lot of potential in expanding our reach to other communities where we had offices — both for the charities in those areas, as well as for employee morale and pride."

Every day we consider the environmental impacts of our decisions to increase efficiency, attract and retain clients, and save money.

Environmental sustainability is also one of our fastest growing

ENVIRONMENTAL

SUSTAINABILITY

opportunities to engage employees. We're committed to reducing our environmental footprint through our operations and to helping employees make more informed choices — at work and at home.



CORPORATE RESPONSIBILITY PROFILE

GREENING OUR TEAM

CHRISTINE LOHS

FINANCE OPERATIONS GREEN TEAM, MUNICH

In such a big city, I see opportunities to reduce waste every day. After I joined the Green Team in Munich, I've found that a lot of my colleagues are also interested in being green — they just don't always know where to start. That's where I come in. As part of the Green Team, I help raise awareness of the things we do, individually and as a corporation, to be more sustainable.

I'm proud of what we've accomplished so far, like adding additional bins to collect bottle and can deposits and hosting the "Green Olympics," where employees earned points for environmentally friendly activities. I think we've helped people realize being green doesn't take much extra effort.

I'm also excited that the Green Team is aligning with Germany's nationwide campaign "Zu gut für die Tonne." Translated into "too good for the bin," this government-supported campaign is working to inform people about food waste. I was shocked to hear we throw away about one out of eight food items we buy — in Germany that's about 82 kilos of food waste per person every year.

I think our Green Team is off to a great start, but I'm excited to see what we can continue to do. And with State Street's corporate environmental goals in place, I think we're going to see more and more people in the Munich office embrace sustainable practices.

GLOBAL ENVIRONMENTAL SUSTAINABILITY GOALS FOR OPERATIONS²¹
TARGET DEADLINE: JANUARY 1, 2020

To protect and preserve our natural resources, we aim to meet aggressive environmental goals by the year 2020.

GOALS

20% ↓ REDUCTION IN
CARBON EMISSIONS

20% ↓ REDUCTION IN
WATER USAGE

0 WASTE TO
LANDFILL

HOW WE'LL GET THERE

**TECHNOLOGY
ADVANCEMENT**

Evolve technology to create new
or faster ways of mitigating impacts

**OPERATIONAL
EFFICIENCIES**

Continue to implement processes
and infrastructure to reduce use

**EMPLOYEE
ENGAGEMENT**

Raise employee awareness to change
behavior for positive impacts

²¹ Baseline year is 2012 and metrics are per person.

To learn more about our current performance in environmental sustainability, please [click here](#).

CHANNEL CENTER

Officially opening in February 2014, our new Boston building, Channel Center, incorporates technology, employee well-being and environmental sustainability into its design to help create a space fit for the “workplace of the future.” We built Channel Center to consolidate employees in four Boston locations with leases expiring in 2014 — reducing our real estate footprint in Boston.

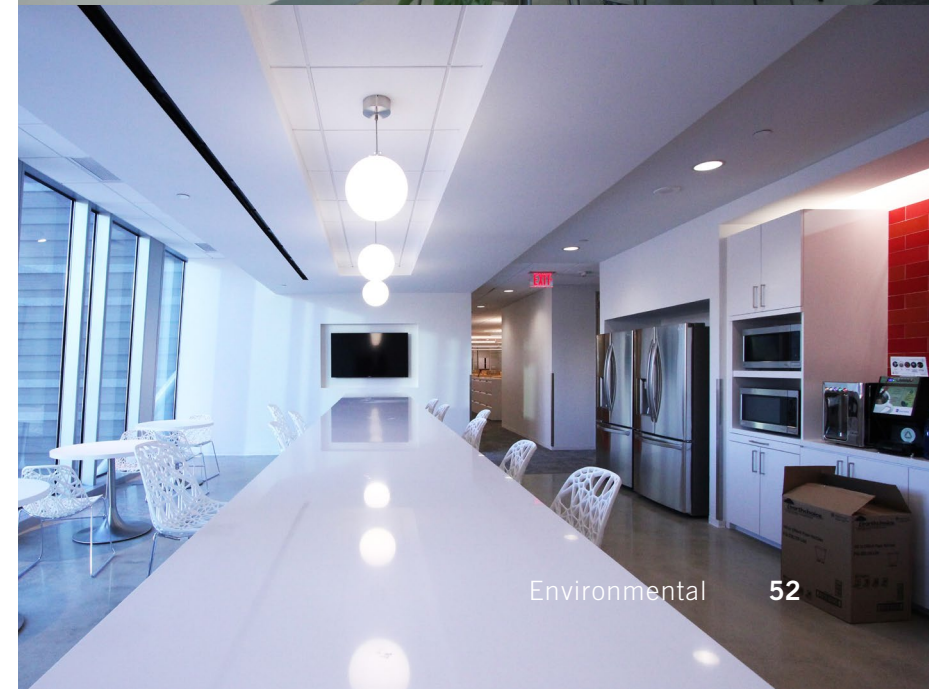
We consulted internal and external stakeholders throughout our design process. Business units moving into Channel Center wanted more collaborative space that would encourage engagement and team building — a trend happening industry-wide. Channel Center will be more conducive to our increasingly mobile workforce. Wireless Internet will be available throughout the building, and there will be more unassigned workstations than in any of our other properties. The new space also features enhanced ergonomics and maximum use of natural light.

Channel Center is located in an area of Boston long known for its artist community. We engaged the community and have incorporated several features we’ll all benefit from:

- The public lobby aligns with the neighborhood aesthetics
- Local artists provided the building’s artwork
- There is a 1.5-acre public park adjacent to the building

As a new property, the design of Channel Center is more environmentally sustainable than if we had retrofitted an existing building. It is designed to LEED® Silver standards, which takes into account access to public transportation, water consumption, energy performance and green energy, and indoor environmental quality, among other factors.

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



IMPACTS FROM BUSINESS TRAVEL AND COMMUTING

Sustainable Transportation

Employee commuting patterns represent a significant portion of our carbon footprint — we estimate it at about 27 percent of our overall emissions. In 2013, we joined several bike commuting challenges globally and tracked mileage to encourage more sustainable transportation.

More than 400 employees participated in the US-based National Bike Challenge and local initiatives. State Street locations in 12 countries took part — including offices in Asia, Canada, Europe and the US. Employees biked many miles in commuting contests and as a result saved four tons of carbon emissions through these challenges.

As a result of our increased focus on biking, we discovered that many of our employees bike to work as their primary commuting option. To meet cyclists' needs, we're updating many of our global locations with adequate bike racks and shower facilities. At our new Channel Center office in Boston, we're installing a bike-sharing station.

ENVIRONMENTALLY PREFERRED SUPPLIERS/SUSTAINABLE SOURCING

Given the nature of our business and our reliance on global suppliers with robust ESG risk management systems, we believe our supply chain is at low to moderate risk of being disrupted by environmental or social factors. But we believe these issues are of growing concern to our stakeholders and could more materially affect our business in the future. We are continuing to expand our dialogue with our global supply base on ESG topics and build environmental and social performance standards into our new vendor selection process.

Supplier Performance

We added environmental factors into the new vendor selection tool in 2012 and social issues in 2013. Supplier responses to this section of the tool are weighted and incorporated into the final selection process. Topics that help determine suppliers' commitment to environmental sustainability and corporate citizenship include:

- Policies covering equal opportunity, child or forced labor, health and safety, and human rights

- Supplier and subcontractor audits for social compliance
- Anti-corruption, and gifts and entertainment
- Environmental certification

We've asked our suppliers to provide information on their diversity and hiring practices for nearly 30 years. Depending on the nature of the bid or location, we'll also ask vendors to identify as women-, minority- or disability-owned. In the US, we have a formal supplier diversity program that provides opportunities for minority- and women-owned businesses to work with State Street.

Our Procurement team monitors suppliers' environmental and social performance on an ad-hoc basis. We have a formal process for following up with vendors on governance issues, like data security and privacy. We'll explore whether environmental and social factors can be more formally integrated into our supplier monitoring procedures.

To date, we have never disqualified suppliers because of their environmental and social performance reporting. In fact, many suppliers have been eager to discuss their commitment

to sustainability. We are working to educate our employees on the new screening criteria and its impact on the overall supplier selection process. These conversations enable more dialogue throughout the company on ESG issues.

Environmentally Preferable Purchasing

Our Environmentally Preferable Purchasing Policy (EPPP) guides conversations with suppliers about reducing our impact on the environment. The policy is especially useful in negotiating products like paper, cafeteria and office supplies for use in our global offices.

The EPPP is widely used across our European locations and with our largest suppliers. In 2014, we'll work to broaden the policy's use in all our global sites and with some of our smaller, local suppliers. We also hope to more formally capture data on the policy's impact on our commitment to reduce use of natural resources.

Supplier Risk Assessment

Our Risk Assessment Management Program (RAMP), launched in 2012 in the US and Canada, offers new opportunities for talking with our global suppliers about sustainability and governance. It's been especially

useful in driving more transparency around where suppliers are performing work on State Street's behalf.

Though we have not uncovered instances of environmental or social issues, we believe RAMP helps us to monitor potential sustainability risks. RAMP covers 75 percent of our supplier spend in North America and will be launched in Europe in 2014. Several of our offices in Asia are also incorporating elements of RAMP into their vendor selection process because supplier risk assessment is a growing priority for our compliance and audit teams in that region.

EMPLOYEE ENGAGEMENT ON ENVIRONMENTAL SUSTAINABILITY

As we continue to evolve our corporate-wide environmental sustainability program, we know employee engagement will allow us to have an event greater impact.

Supporting Employee Efforts

Our Office of Environmental Sustainability, with input from the Executive CR Committee, sets our overall environmental sustainability strategy

and coordinates cross-company engagement. Regionally, Eco-Advisory Councils work with the office to develop engagement strategies. The councils rely on local Green Teams to provide opportunities for employees to get involved — from volunteering, to recycling, to bike challenges. In 2013, we added a Green Team in Singapore, bringing our global total to 18.

Local environmental sustainability engagement opportunities are supported by centralized strategy and resources. Additionally, the Office of Environmental Sustainability relies on feedback to identify local, relevant environmental causes and effective engagement models. We've used similar structures with great success in the past, like our CSP Committees and employee giving campaign structure.

Getting Involved

Employees are interested in environmental sustainability and want to know how State Street is reducing its environmental impact. But they also want to learn more about what they can do at work and at home.

In 2013, we created an employee environmental sustainability dashboard that quantifies employees' positive impact on the environment. It

measures factors like commuting, tree plantings, composting, flexible work solutions and recycling. The dashboard will also provide solutions for reducing consumption and emissions to offer employees new ways of thinking about their environmental impact. Teams of employees will be able to compete in Green Your Team challenges in 2014 using the dashboard as a performance scorecard. Read page 54 for more ways we encourage sustainable commuting.

In 2013, more employees took part in our North American Speaker Series, which grew nearly 60 percent to 1,900 total attendees. The series of environmental sustainability topics ranged from climate change's impact on oceans to residential energy efficiency strategies. In 2014, we'll expand the Speaker Series outside of North America.

One of the more popular sessions featured a Boston charitable organization, Bikes Not Bombs, which discussed its bicycle reclamation and youth engagement efforts. Due to its popularity, we chose it for our annual environmental sustainability fundraising effort in Massachusetts. Employee donations and a matching gift from the State Street Foundation totaled nearly \$10,000.

“Cycling to the office is not only fun, but improves your health and avoids remarkable amounts of CO₂ polluting our atmosphere. Even for longer distances, commuting by bike in combination with public transportation could be an alternative means of travel. For the Frankfurt and Munich locations, we organized six teams participating in the nationwide ‘Bike to Work’ campaign last summer. By providing additional awards, State Street made it even more attractive to bike on as many days as possible within a three-month period.”

Dietmar Behrens
Frankfurt

GREEN TEAMS BY REGION



INDEPENDENT ASSURANCE STATEMENT BY ERM

State Street — 2013 Corporate Responsibility Report

Environmental Resources Management (ERM) was retained by State Street to provide an independent review and assurance statement for State Street's 2013 Corporate Responsibility Report (CR Report).

Scope of Work

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

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

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

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

Responsibility

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

Assurance Methodology

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

The review was conducted during the period January 2014 to May 2014 and covers the calendar year ending December 31, 2013. The review included interviews with personnel

at State Street's headquarters in Boston, MA and via conference calls.

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

During this review, ERM focused on:

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

Adherence to AA1000AS

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

Alignment with GRI

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

Review of Environmental Performance Data

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

Environmental Data was assured against the following criteria:

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

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

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

ASSURANCE FINDINGS

Evaluation of Adherence to AA1000AS (2008)

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

Inclusivity

State Street has established robust processes for effective and quality stakeholder engagement. State Street engages a wide range of stakeholders — including clients, employees, community members, regulators, charitable organizations and nongovernmental organizations — through a number of normal business channels. For example, client account managers collect information regarding stakeholder needs and concerns during meetings, written correspondence and other relationship management-related interactions. Similarly, the company collects employee feedback regularly through the employee engagement survey. The company also participates in a number of philanthropic initiatives as well as industry organizations, such as Sustainability Accounting Standards Board (SASB). In many cases, these

interactions cover topics critical to corporate responsibility and are used to inform strategy.

Materiality

State Street has established robust processes for identifying the material issues for the company. State Street conducts a materiality assessment every two years using the help of an external consultant. The most recent assessment was conducted in 2013 with participation from employees in all operational regions, key internal functions, and external stakeholders. The assessment was based on the sustainability reporting guidelines provided by GRI, ISO 26000 and SASB and resulted in the identification of topics deemed most material. The approach and results of the assessment were validated by an external group of stakeholders coordinated by Ceres.

Responsiveness

State Street has in place the processes for developing appropriate and timely responses to material issues that address the needs, concerns and expectations of stakeholders. State Street demonstrated appropriate levels of response with resources, programs and

strategy development for all of the company's most material issues. Responses are detailed in the CR Report and GRI Index. For the GRI Index, State Street transitioned to the new G4 Guidelines to better respond to the evolving stakeholder expectations regarding transparency of strategic approach and progress in the movement towards more sustainable business practices.

Evaluation of Alignment to the GRI G4 Guidelines

State Street has developed their GRI Index and has included responses for each of the disclosures required for a core level report. The transition to the GRI G4 Guidelines requires a more thorough disclosure of management approach (DMAs), i.e., why an aspect is material, the methods for managing the aspect and for evaluating progress. During the review, opportunities were identified to further develop the DMAs and to ensure complete disclosure for some of the indicators to ensure full alignment with the G4 requirements.

ERM Conclusions

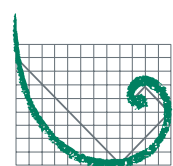
On the basis of the work undertaken, nothing came to our attention to suggest that the CR Report does not properly describe State Street's adherence to the AA1000AS (2008) and GRI principles.

In terms of environmental data accuracy, nothing came to our attention to suggest that environmental data has not been properly collated from information reported from State Street-occupied properties and business travel partners. Some inconsistencies were identified in the determination of Scope 3 emissions, but we are not aware of any errors that would materially affect the data reported.

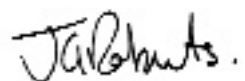
The opportunities to further develop State Street's reporting approach and the associated recommendations are included in detail in a separate assurance project report to State Street management.

ERM Competence

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



ERM



Guy Roberts

Partner in Charge

Rolling Meadows, IL

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors, including investment servicing, investment management, and investment research and trading. With \$27.4 trillion in assets under custody and administration, and \$2.3 trillion* in assets under management at December 31, 2013, State Street operates in 29 countries and more than 100 geographic markets worldwide. For more information, visit State Street's website at www.statestreet.com.



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NYSE ticker symbol: STT



*This AUM includes the assets of the SPDR Gold Trust (approximately \$31 billion as of December 31, 2013), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent.