

STATE STREET[®]

2016 Corporate
Responsibility Report

We're Putting Aspiration into Action.

Corporate responsibility (CR) is a long-term commitment we've made to our clients, employees, shareholders and communities to conduct our business responsibly.

It's a commitment to creating an environment where employees are valued and engaged. It's investing with impact, protecting our environment and connecting with our communities. Most importantly, CR is at the foundation of our corporate strategy. We're leading The Way Ahead by finding new ways to reduce environmental impact; helping our clients weave environmental, social and governance (ESG) investing into their business; and influencing gender equality across corporations.

This report summarizes the steps we've taken to ensure that we act as a responsible corporation across all facets of our operations, including our Investment Management and Investment Servicing businesses. All data within the report is as of December 31, 2016, unless otherwise noted, and this material follows the Global Reporting Initiative (GRI) G4 framework. The appendix of this report includes more detailed information on our management approach and our performance over the past year.

2016 CR Report Snapshot



Contents

Strategic Role of Corporate Responsibility	4
Letter from Joseph L. Hooley, Chairman and CEO	4
Letter from Rick Lacaille, Chairman of the Executive Corporate Responsibility Committee	7
CR Goals and Progress	8
Material corporate responsibility topics	9
Materiality and The Way Ahead	10
Risk excellence	11
Compliance and business ethics	12
Our compliance culture	14
Creating Value for Clients and Shareholders	16
Client experience and feedback	16
Ethical marketing and fair competition	18
Data protection and privacy	19
Environmental, social and governance investment solutions	20
ESG Products and the Gender Diversity ETF	24
Asset stewardship	27
Economic performance	29
Engaging Employees and Suppliers	31
Talent recruitment and retention	31
Training and professional development	32
Wage equity and flexible work options	33
Diversity and inclusion	36
Human rights	41, 45
Engaging suppliers	42
Supporting Communities and the Environment	47
Wealth and income creation in society	47
Strengthening communities and the workforce	48
State Street Foundation and Boston WINS	49
Environmental sustainability and greenhouse gas emissions	55
Science-based targets	58
Impacts of climate change	60
Appendix I: External Commitments and Memberships	63
United Nations (UN) Sustainable Development Goals	63
UN Global Compact	65
Overview of our memberships	68
Appendix II: Report Structure, GRI References and DMAs	69
Report structure and GRI references	69
Appendix III: Independent Assurance Statement	87
Independent Assurance Statement to State Street	87
Appendix IV: Disclaimer	89

Strategic Role of Corporate Responsibility



Letter from Joseph L. Hooley, Chairman and CEO

Being a responsible citizen is a vital part of who we are and what we stand for as an organization. We're proud of the steps we're taking to conduct our business in a responsible manner that benefits all our stakeholders.

This report details the significant progress we made toward our corporate responsibility (CR) goals in 2016 and discusses the programs and initiatives we're pursuing to increase our positive impact.

Creating a Culture of Risk Excellence

We know that earning the confidence and trust of our stakeholders is essential to our continued success. We work diligently to hold ourselves to the highest standards of integrity and governance, while recognizing that this is a process of continuous improvement. Over the past five years, we've taken significant steps to strengthen our risk assessment and monitoring capabilities, as well as our controls and governance — with the goal of making risk excellence a competitive strength and point of pride for us. We've increased our annual investment in compliance, audit and risk management and adopted a comprehensive compliance framework across the company. We've also more than doubled the size of our compliance staff over the past five years and made risk management part of each employee's annual performance ratings.

In 2016, we enhanced our Standard of Conduct training that all employees must complete annually. We implemented a program to actively encourage employees to speak up if they see something that doesn't seem right and to challenge decisions irrespective of their role or level within our organization. We also partnered with the International Business Ethics Institute to conduct a series of workshops to train senior leaders on how to foster the right environment to help employees feel comfortable challenging decisions or expressing their concerns.

Investing in ESG

Building on more than 30 years of experience in environmental, social and governance (ESG) investing globally, State Street Global Advisors, our asset management business, expanded its range of ESG products in 2016. One notable highlight was the launch of a proprietary gender diversity index along with an ETF to track it. The SPDR® SSGA Gender Diversity ETF comprises the stock listings of large US companies with the highest levels of women in leadership positions relative to other firms in their sector. It's designed to allow investors to invest in companies

with gender diverse leadership — and use their capital to influence company behavior and promote efforts to increase gender diversity in corporate America.

State Street Global Exchange, our data and analytics business, also launched an ESG Solutions business to apply quantitative analytics capabilities to help clients identify and mitigate exposure to ESG-related risks. This cross-functional team collaborates with other groups across the company to support the development of ESG-related products and services to help clients manage risk and generate alpha.

Environmental Sustainability

More than three years ago we set a series of goals to reduce our greenhouse gas emissions and water usage by 20 percent per person and to divert 90 percent of waste sent to landfills by 2020, compared to a 2012 baseline. I'm pleased that we met or surpassed these goals in 2016, three years ahead of our original target. Our success reflects greater employee involvement in environmental initiatives all across our company, enhanced energy efficiency and recycling at our facilities and reduced commuting times due to flexible work arrangements, to name just a few.

We're building on our momentum by committing to new science-based targets to reduce our global greenhouse emissions by another 30 percent by 2025. We invested in a number of projects during the year to offset carbon emissions from our operations and business travel, including the purchase of renewable energy certificates (RECs) to completely offset our North American electricity use. We also invested \$418 million in renewable energy projects, including residential and utility solar and wind programs.

Strengthening our Communities

Living up to our responsibility as a good corporate citizen means supporting the communities in which we operate. Our employees are incredibly generous about giving back, and during 2016 more than one-fifth of them participated in company-sponsored volunteer activities and donated more than 120,000 hours of their time to charitable causes. In addition, our State Street Foundation provided \$19.6 million to nonprofit organizations around the world, including matching employee contributions to 2,229 charitable organizations.

We focus our charitable efforts on education and workforce development because we believe that providing disadvantaged individuals with the education and skills they need to build careers is vitally important. One initiative that I'm especially proud of is Boston Workforce Investment Network (Boston WINs), a four-year, \$20 million effort launched by our Foundation in 2015 in partnership with five nonprofit organizations working to advance job readiness and create meaningful career pathways for Boston youth. Boston WINs made great strides in 2016 providing key college and career readiness services to seniors in 20 Boston public high schools. We also made substantial progress toward our four-year goal of expanding the reach of the five partner groups by 60 percent, and our commitment to hire 1,000 Boston youth who have worked with one or more of our Boston WINs partners.

Diversity and Inclusion

Drawing on a variety of ideas and perspectives from across our global workforce makes us stronger and helps us develop a more engaged workforce, a more inclusive and innovative culture and better business results. In 2015, we established specific targets to increase the diversity of our leadership ranks by the end of 2017, and we're making good progress toward achieving these goals. We've implemented measures to address potential barriers in our selection, promotion and talent development processes, such as providing unconscious bias training to our

recruiting professionals, building out a global diversity sourcing team and requiring a diverse slate of candidates for all openings at senior-level positions. We know from past experience that improving the diversity of our workforce requires commitment from the top, so measuring progress on diversity and inclusion is now a key part of our annual performance reviews for all managers.

Sustainable Development

As a signatory since 2014 to the United Nations (UN) Global Compact, we turned our attention in 2016 to the 17 UN Sustainable Development Goals aimed at addressing important ESG challenges. After a careful assessment, we chose to focus our efforts on several of the goals that most closely align with our CR priorities, such as education, economic growth, gender equality, affordable clean energy and climate action. We continue to make progress in addressing these longer-term goals, but realize we have much more to do to play our part in helping realize these global priorities by 2030.

Always Finding Better Ways

2017 marks our 225th anniversary — specifically, the founding in 1792 of our oldest predecessor company, Union Bank, to serve the thriving maritime trade in Boston. As our business has grown and evolved over the years, one constant has been our commitment to corporate responsibility. We don't pretend to have all the answers when it comes to CR, but we're committed to always finding better ways to conduct our business responsibly and serve our stakeholders well. We're working hard every day to live up to that challenge.





Letter from Rick Lacaille, Chairman of the Executive Corporate Responsibility Committee

Rick Lacaille is Global Chief Investment Officer (CIO) of State Street Global Advisors (SSGA) and an Executive Vice President of State Street Corporation. He became chairman of our Executive Corporate Responsibility (CR) Committee in June 2016.

As one of the largest investment managers in the world, we continually focus on how companies manage the potential impacts of environmental, social and governance issues on their businesses. We know that those issues over the long term can have a material impact on a company's ability to grow, recruit and retain good talent, benefit the broader community and generate the attractive returns we seek for our clients. That perspective reinforces our own commitment to corporate responsibility at State Street as we look to manage those same issues for all of our stakeholders.

Managing Our Impact

Our focus on responsibility and sustainability continues to inform our efforts on behalf of our clients, employees and shareholders. In 2016, we made great strides on several fronts. We created a proprietary gender diversity index and an ETF that tracks it to enable investors to leverage the growing evidence that companies with higher degrees of gender diversity in their senior ranks perform better. We developed our Environmental Sustainability Employees Network (ESEN), marked the 40th anniversary of the State Street Foundation's ongoing contributions to the broader community and included modern slavery issues in our supplier assessments. In addition, we were proud to achieve our Environmental 2020 goals three years ahead of schedule, reducing our carbon impact by 33 percent, water usage by 21 percent, and reaching a diversion from landfills of 90 percent. We also continued to strengthen our ethics and compliance strategies.

Spreading Awareness

Every year, we recognize the importance of maintaining our reputation externally and internally. This requires that we hold ourselves as a business to the highest compliance and sustainability standards, and communicate effectively about what we are achieving — especially regarding corporate responsibility. As Chairman of the CR Committee, one of my top priorities is to make our progress known inside and outside State Street, especially as our clients, particularly Millennials, increasingly focus on ESG and CR.

Committed to the Long Term

But we know there is far more work to do. We're taking a long-term view and developing strategies to achieve science-based targets for greenhouse gas emissions. These are targets consistent with limiting global warming to two degrees Celsius, the threshold at which many of the most harmful impacts of climate change can be averted.

We're also evaluating how best to contribute to the United Nations' Sustainable Development Goals, a long-term effort to support international development in meaningful ways. We're committed to strengthening our culture of risk excellence and thoughtful employee engagement. Finally, we'll continue to research ESG issues and create new ESG capabilities that will drive wider awareness and adoption of sustainable business models.

When thinking about what's on the horizon, we need to make sure that our activities reflect the complexity of our impacts. We have more than 30,000 employees and offices in 30 countries, and in our defined contribution business alone, we manage the retirement savings of more than 13 million people. In other words, we have an enormous responsibility to our stakeholders, and we're excited to rise to this challenge. To manage our impacts the right way, we need to make CR a priority and spread awareness on what we're doing. We're committed to the long term.



2016 CR Goals and Progress

Each year, the Executive CR Committee develops goals that are not only material to State Street, but also promote new ESG opportunities. Our 2016 goals were:



Promote ESG product and service opportunities

For details, see Creating Value for Clients and Shareholders section

✔ Complete



Strengthen our Human Rights Statement

For details, see Engaging Employees and Suppliers section

✔ Complete



Seek new opportunities to lower our carbon footprint, water usage and waste amount

For details, see Supporting Communities and the Environment section

✔ Complete



Incorporate and establish metrics for five UN Sustainable Development Goals as part of our CR approach

For details, see Appendix I: External Commitments and Memberships

✔ Complete

Material corporate responsibility topics

Every two years, we conduct a materiality assessment that aligns with the principles and guidelines of the Global Reporting Initiative (GRI). This exercise allows us to prioritize the most relevant CR issues for our business and stakeholders.

Our most recent materiality assessment was conducted in 2015 with support from Sustainerv Inc./GmbH, a CR consultancy. We began with a list of 32 potential CR topics compiled from GRI, the ISO 26000 Guidance on Social Responsibility, the Sustainability Accounting Standards Board (SASB) and CR reports of other financial services companies. To narrow this list, we considered whether the topic presented significant risks or opportunities to State Street, if it related to our core values and the extent to which it would impact our stakeholders' interests. We plan to reassess material issues in the reporting year 2017.

Gathering Input from Our Stakeholders

To crystalize the vision of our CR program, we asked colleagues across business units and regions to provide feedback on potential topics via an online survey. To assess the topics in a holistic manner, the survey also looked at relevant impacts that could occur in our value chain. Participants from North America; Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC) operations weighed in on the relevance of each issue to State Street's business success. We then refined this input at an in-person workshop in Boston and online workshops in EMEA and APAC.

We also invited a select group of clients, investors, suppliers, nongovernmental organizations (NGOs) and academics to complete the online survey, which we supplemented with follow-up interviews to make sure the list of topics also met the expectations of our external stakeholders.

Strategically Meaningful Materiality

The chart on the following page shows the 15 focus topics that are currently most relevant to our company and stakeholders. It also lists the topics that fell outside of the materiality scope. While we're focusing on the most relevant topics in this report, we'll continue to manage other topics appropriately and reassess their relevance for future reports.

We decided that some topics were not material on their own, but contribute to our performance on material topics. Examples include the impact of energy efficiency, business travel and commuting on our greenhouse gas emissions, and the impact of human rights policies and training on our responsible sourcing. We'll conduct a materiality assessment later this year to ensure our report continues to represent a well-balanced and broad suite of sustainability topics.

Materiality and The Way Ahead

Inspired by the guiding principles of the integrated reporting framework published by the International Integrated Reporting Council (IIRC), our 2016 CR Report continues our effort to describe how material CR topics support our strategic goals. To fully capture the complex connections between responsibility and business, we describe the primary impacts of CR topics to our strategy as well as secondary, but still meaningful, impacts. The results are clear: all parts of our corporate strategy can be supported by our attention to relevant CR topics.

Material CR Topics	Primary Impact
Compliance and business ethics	
Diversity, flexibility, equal opportunity and well-being	
Client data protection and privacy	
Talent recruitment, development and retention	
Client satisfaction	
Wealth and income creation in society	
Economic value generated and distributed	
ESG products and services	
Strengthening communities	
Fair competition	
Local job creation	
Responsible sourcing	
ESG shareholder engagement and investment screening	
Financial implications of climate change	
GHG from operations	

About The Way Ahead

The Way Ahead is our strategy and road map for the future. It's designed to move our business forward, bringing success to all of our stakeholders.

- 1 Build on Our Strong Core
- 2 Achieve a Digital Enterprise
- 3 Maintain Our Capital Strength
- 4 Pursue New Opportunities
- 5 Talent, Culture, Innovation and Risk Excellence

Risk excellence

While risk is an intrinsic element of work in the financial services sector, how we manage it can help differentiate our company from the competition. We address risk management through a company-wide Compliance Risk Management Framework (CRMF) that sets forth the roles and responsibilities of our Board of Directors and management regarding this important issue.

Risk is best managed at the point where it originates. However, to complement that, our management process adds two layers of defense that together provide guidance and structure for identifying, assessing, controlling, monitoring and reporting compliance risk.

Our three lines of defense are:

1. First line: Every employee owns and manages risk and is responsible for their own internal control environment
2. Second line: Enterprise Risk Management and Corporate Compliance staff establishes and monitors adherence to the CRMF
3. Third line: Corporate Audit provides independent assurance of the process, identifies improvement opportunities and suggests further action

In 2016, these risk assessment processes were used to identify and manage compliance risks throughout the company. In general, we analyze 100 percent of our global business for risks related to corruption.

Updating Guidance

Complementing the CRMF, in 2016 we updated our Global Anti-Bribery and Corruption (ABAC) policy and modified our Gift and Entertainment policy. We also significantly enhanced our procedures for third-party relationship management, mergers and acquisitions and risk controls for hiring client-connected persons.

As an indication of the seriousness with which we take compliance, we've made policy breaches and employee conduct matters a direct factor in performance measurement and assessment processes for all employees. In cases of the most serious compliance breaches or repeated breaches, compliance-related issues automatically override other elements of an individual's performance and place a limit on that individual's performance rating and incentive compensation. In 2016, employee sanctions included counseling and retraining, reduction in incentive compensation, limitations on posting for positions, and penalties up to and including termination in the most serious cases.

Training Programs

In 2016, all State Street employees globally received training in anti-corruption policies and procedures. All employees are required to complete the following training every year:

- Standard of Conduct
- Political Activities
- Anti-Bribery and Corruption Awareness

- Corporate Information Security and Privacy
- Conflict of Interest
- Insider Trading
- Fraud Awareness
- Global Anti-Money Laundering and Sanctions Programs

The State Street Standard of Conduct, to which every employee is required to certify, refers to our Global Anti-Bribery and Corruption Policy. Completion of the training and certification to the policy is tracked and is subject to the State Street Compliance Enforcement Procedure, which establishes a standard global framework for the enforcement of all requirements established by the policies. To further improve our compliance performance, in 2016 we partnered with an external organization and developed a “Speak Up/Listen Up” program, which was delivered to 61 executive vice presidents by year end. This program, which will be rolled out further in 2017, includes case-based, in-person training on the most effective ways to develop stronger cultures of speaking up within organizations. A whistleblower hotline is just one mechanism by which employees can feel comfortable speaking up.

Compliance and business ethics

In 2017, we’re celebrating State Street’s 225th anniversary. Our longevity as a financial institution is due, in part, to the trust we’ve earned with our clients, shareholders, employees and communities. To maintain this trust, we must continuously and vigilantly monitor adherence to the Standard of Conduct, which outlines the expectations we have for our employees. Our Standard of Conduct was updated in 2016 to include elements related to oversight of contingent workers, whistleblower protection, and the Prohibition on use of mobile devices on trading floors. It also explains the core concept of ethics, including an ethical decision-making framework that helps guide employees’ decision-making when there is not a prescriptive rule for the situation at hand.

Compliance Governance

We manage our compliance and risk assessment programs primarily through the work of three committees: the Management Risk and Capital Committee, the Business Conduct Risk Committee, and the Technology and Operational Risk Committee. These three committees are supported at the Board of Directors level by the Risk Committee and the Examining and Audit Committee. This structure provides comprehensive oversight to the wide range of issues related to risk, compliance and ethics.

Addressing Reputational Issues

In 2016, we achieved closure on two pending legal matters related to certain areas of our business. We take any issue that affects our reputation very seriously. We've addressed these matters head-on, appropriately resolved them, and taken measures to ensure that similar issues are avoided in the future.

- **Indirect Foreign Exchange** — In December 2016 we announced settlement agreements to resolve all pending litigation and regulatory matters in the United States connected to alleged insufficient disclosures in our indirect foreign exchange (FX) business. The total amounts paid in these settlements were \$575 million (see page 34 of our [2016 Form 10-K](#) for further details). These claims date back to early 2009. It's important to note that starting in 2009, we significantly strengthened our client disclosures around indirect foreign exchange and we believe that we now have the most comprehensive disclosures in the industry.
- **Pension Fund Servicing** — During the year we entered into a settlement with the US Securities and Exchange Commission related to alleged improper solicitation of business with the State of Ohio pension plan. Addressing this issue internally included eliminating the use of consultants in the selection of public fund mandates.

Our compliance culture

We spoke with Cuan Coulter, Executive Vice President and Chief Compliance Officer, about our compliance culture and how it has evolved.

Q: How long have you been at State Street, and what does being a responsible company mean to you?

I've been at State Street for nine years. When I joined the company in 2008, we were coping with the turmoil of the financial crisis like many other large banking institutions. The whole world was changing. I knew I was going to have a lot to do to serve as a catalyst for culture change. It's been a dynamic and stimulating environment ever since — which makes it both challenging and incredibly fulfilling.

As a Compliance Officer, responsibility doesn't just mean whether we're complying with laws, which we make sure to adhere to, but that we're acting as stewards of the public good. This includes making sure our clients' assets are safely kept and shareholder interests are also taken into account.

Q: What are State Street's first, second and third lines of defense?

Risk is best managed at the point of its inception. If you're the one making decisions from the get-go, then you should be the one that's the most aware of risks associated with your decisions and the best ways to manage these risks. So, all employees making decisions are our first line of defense.

Second lines of defense have two roles. They're advisors that educate the first line of defense about risk management matters and how to think about these matters. They also have a monitoring responsibility to assess whether the first line of defense is adhering to agreed risk tolerances.

Third lines of defense are independent, and remain removed from the decision-making process. They try to identify situations where our actions are contrary to our stated control objectives and risk appetites.



Cuan Coulter is responsible for State Street's compliance oversight program. He leads a global team involved in assessing regulatory risk, implementing policies designed to mitigate that risk, and performing monitoring to assess how well we are meeting our regulatory requirements.

The goal is to have a control infrastructure that collectively prevents and detects excessive risk taking. The three lines of defense should act in concert to reduce residual risk to acceptable levels.

Q: What cultural shifts needed to occur to develop a strong compliance culture? How is State Street supporting and reinforcing it?

Our culture is very collaborative, with multifaceted decision-making processes. Because we're so collaborative, individuals are less likely to play "devil's advocate." Our hierarchical structure tends to aid organizational alignment, but on the margin, it also inhibits provocative advice, especially from subordinates. In the long term, complex problem solving requires active challenge and debate. We've already seen how this leads to better decision-making, so we're continuing to encourage employees to speak up.

We are building out a strong first line of defense and are encouraging our employees to think critically and practice a healthy dose of professional skepticism. We're continuing to instill a culture of compliance — which will take time — but so far, our efforts are proving successful.

Q: Aside from the collaborative and hierarchical structure of State Street, what are other challenges with creating a strong compliance culture?

An important way for State Street to thrive in the long term is to fundamentally change how we develop products and solutions. This goes for how we operate as well, which is why we need to be open to creativity and innovation, wherever they arise.

This means that at the top, we want our leaders to listen to everyone they work with — regardless of who's the expert in the room. From the bottom up, we're empowering our employees to share ideas and thoughts.

One approach includes creating problem-solving groups where our employees are challenged to be the provocative voice in a hypothetical situation. This allows them to feel comfortable with speaking out in a controlled, low-stakes setting. This also helps break up the hierarchy in decision-making. Our "Speak Up" training, which includes similar group practices and hypothetical scenarios, is continuing to roll out across our organization.

Ultimately, we don't want to fall into the trap of saying that risk gets dealt with by only certain people. We need everyone to be aware of risk and comply with risk management at every step of our processes.

Creating Value for Clients and Shareholders

The very core of our success lies in our relationships with our clients and shareholders. To make sure we're offering the very best solutions to our clients' existing and emerging challenges, we rely on continual and open dialogue. In response to client feedback, we customize our solutions, products and services to best meet their needs, such as offering financial products that embed environmental, social and governance commitments. Likewise, we've learned that when our shareholders understand our goals and our plans and progress toward achieving them, they continue to support our strategies.

With approximately \$28.77 trillion in assets under custody and administration and approximately \$2.47 trillion of assets under management* as of December 31, 2016, we prioritize acting prudently and responsibly through our position at the center of the world's financial markets.

Client experience and feedback

Measuring Satisfaction and Loyalty

Measuring the quality of our clients' experience gives us a glimpse into their loyalty and the depth of our long-term business relationships. To strengthen these relationships, we provide clients with frequent opportunities to articulate their needs and suggest ways we can improve. These include client experience and satisfaction surveys, as well as regular feedback gathered from client-facing teams. We use this insight to inform our long-term approach to delivering greater value.

Gaining Insight

To provide further insight into our client relationships, in 2014 we introduced a new approach to collecting and acting upon client feedback based on the Net Promoter® Score methodology (NPS®). During the initial NPS survey pilot phase in 2014, we included 13 of our largest global asset management clients who we support through our Global Relationship Management (GRM) team. The NPS survey addresses three areas: commercial conditions, State Street as an organization and our service quality. Most importantly it asks if the client — based on their experience working with us — would be willing to act as an advocate for our company.

In 2016, we increased the number of participants from 13 to 35 top clients and we expect to reach our top 60 clients in 2017. Year after year we're experiencing greater response rates, and more than 600 individuals responded from 35 of the top clients we surveyed in 2016. So far, we've also seen scores improve incrementally as clients provide positive feedback in each new round of surveys received. We're continuing to expand our survey respondents, and as we do so we're learning more about our clients' needs and perceptions. Our goal is to not only build on our relationships with these clients, but to also strategically and tactically dive deeper in selective audiences to gain a thoughtful perception of customer satisfaction and loyalty. Moving forward, the NPS system will essentially become the primary lever we use to evaluate client experience.

** This AUM reflects approx. \$30.62 billion (as of December 31, 2016) with respect to which State Street Global Markets, LLC (SSGM) serves as marketing agent; SSGM and State Street Global Advisors are affiliated.*

From Satisfied Clients to Loyal Advocates

After receiving client feedback, our goal is to transition from short-term satisfaction to long-term advocacy. To achieve this, we must create an environment of high accountability when it comes to acting on client feedback. To make sure we're continuously providing value to clients, we conduct a formal review with each of our 35 top clients where a range of topics is discussed and action plans are agreed upon. Engaging in this dialogue helps us better understand what our clients expect and value most, and in turn allows us to build lasting relationships.

By doing this, we built a structured framework that has already shown increases in our overall NPS scores and overall number of promoters, and that enables us to identify what we need to focus on to further increase our clients' loyalty by improving their experience.

Driving Value through Thought Leadership

Thought leadership about our industry plays a critical role in how we provide value to our clients. We conduct targeted research to provide our clients with strategic insight into issues shaping the future of the investment industry.

We carefully consider which topics may be most helpful and interesting to investors worldwide. For example, we develop resources on industry challenges and trends that help our clients deepen their understanding of the markets. When a client expresses interest in a particular subject, we can connect them with industry professionals to share best practices. As an example, we're starting to receive more interest in human rights issues. As a result, we're incorporating a human rights component in our request for proposal (RFP) process (see pages 45-46 for more information). We also share best practices on topics such as product development, regulation and technology with our clients.



Andy Muncer

Senior Vice President, Head of Marketing and Client Experience

"It is our goal to maintain open communication with our clients. At the end of the day, we want them to receive positive returns — but we also want to ensure that their feedback is heard and addressed. We'll continue to keep a pulse on their needs and satisfaction through our NPS surveys. We'll also keep an eye out for opportunities to bring our clients greater satisfaction."

Ethical marketing and fair competition

To enjoy the trust of our clients, we must always act fairly and ethically in all aspects of our business. Our employees must always represent our values in their interactions with clients, peers, the companies we invest in and even our competitors. There are also regulations that we must comply with regarding how we represent our products and how we compete for business.

Upholding these principles — and complying with all applicable laws regarding fair competition and how we represent our products to our clients — is non-negotiable. The global Standard of Conduct that all employees must abide by clearly prohibits misrepresenting any material facts, and requires that they understand and uphold the laws regarding cross-selling and bundling of products and services.

In 2016, our compliance and ethical marketing systems reflected our dedication to ethical marketing and fair competition, as we did not have any instances of non-compliance with regulations or our policies regarding marketing communications. Global Marketing was 100 percent compliant with all corporate compliance related requirements, which include all compliance trainings and annual review/management of Global Data Privacy controls. Similarly, there were no legal actions taken against State Street specifically in response to anti-competitive behavior, anti-trust issues or monopolistic practices in 2016. We have also successfully managed the 2016 compliance program requirements and implemented foundational elements for the development of our compliance program in 2017.

Marketing Ethically

State Street Global Marketing and business unit Marketing Compliance Teams work together to ensure that marketing materials and programs comply with all internal policies and applicable regulations.

We also developed a Compliance Oversight Program for Global Marketing to assist in managing regulatory risk. A Global Marketing training module is under development and is currently slated for delivery in mid-2017 to align with the development of our compliance program.

Upholding Fair Competition

A key tool for maintaining our clients' trust is the Standard of Conduct, which clearly prohibits all employees from engaging in any unfair competitive actions, failing to disclose conflicts of interest or misusing a client's confidential information. Employees must complete annual training and certification of the Standard of Conduct, which similarly outlines conflicts of interest and employee reporting requirements.

We also strictly prohibit our employees from giving or receiving anything of value in exchange for or the perception of a specific business advantage. We have strict annual territory-specific limits for gifts given to an individual, and any gift or entertainment offered to a public employee or US union official requires prior approval through our STAR Compliance platform. We train employees across the company to make sure they clearly understand their responsibility when entertaining clients or prospects.

Data protection and privacy

Our clients rely on us to provide them with tools that help them make the best investment decisions. Our tools help them analyze large volumes of data, identify trends, measure fund performance and benchmark against the industry. This requires that we safeguard sensitive information in our care. Our comprehensive information security and customer privacy programs help instill confidence and build trust between State Street and our clients.

Secure and Accessible Data

Accurate data classification is required as part of our Standard of Conduct and is essential in fulfilling our commitments to both clients and regulators. We follow strict protocols when classifying client data to ensure proper handling from its creation through its entire life cycle.

In 2016, we deployed a software tool to help enforce classification of our information assets at the point of creation. This tool requires emails and most common user-created documents to be marked with one of six classifications — *Highly Confidential*, *Personal Sensitive Data*, *Confidential*, *Limited Access*, *Company Internal* or *General*. Information must be appropriately labeled, distributed, stored and disposed of according to its classification.

Building on this platform, we've also evaluated a tool that helps manage access, encryption and revocation internally and externally shows the movement of data. When operational, this data protection tool will be fully integrated with our classification tool. By reading embedded tags, the tool can enforce policy according to our data classification protocols.

Protecting Information from External Threats

We operate a dedicated Data Loss Protection Program that includes technical tools and business processes to monitor for and mitigate against any data leakage. Examples include tools to prevent endpoint data loss, web proxy controls, file transfer protocol (FTP) monitoring and internet usage monitoring. In 2016, we formalized a corporate Data Loss Protection strategy that will enable us to standardize and streamline these programs company-wide. We did not receive any substantiated complaints with respect to our customer privacy programs during the reporting year.

A key achievement in 2016 was the enterprise-wide deployment of endpoint protection software, which provides threat detection and analysis of activity on endpoint devices such as desktops, laptops and virtual desktops. We also implemented a Shadow IT identification program to detect and analyze the communication of data to external sites to further control unsanctioned activity and data exfiltration. Building on this, we're developing a formal program to introduce additional data leakage prevention technologies and processes across the enterprise.

Environmental, social and governance investment solutions

Cross-Business Solutions for ESG Investing

Our approach to ESG investing is cross-functional, engaging several business units — specifically State Street Global Advisors, the Global Exchange team and Global Services. Each group plays an important and specific role in the ESG investment process, and helps us to deliver value to our clients. State Street Global Advisors supports clients in their investment process and manages their assets. State Street Global Exchange supports the analysis and quantification of the investment, and the State Street Global Services business uses its expertise in quantitative research capabilities to support the development of ESG-related products and services.

State Street Global Advisors currently has 22 ESG products on the market, which translate to more than \$176 billion in ESG assets, or 7.1 percent of State Street's assets under management as of December 31, 2016. We first started managing ESG portfolios in 1986 and introduced our first ESG fund in 1996. Our latest ESG products were two fossil fuel reserves-free ETFs launched in October 2016, and the Gender Diversity exchange-traded fund (ETF) launched in March 2016 (see page 25 for a description of this fund).

ESG factors are increasingly used to capture intangible, off-balance-sheet values in broader investment strategies. We recognize this as an opportunity to create innovative products for our clients. For example, negative screening to avoid unwanted exposure has been part of financial services for a long time. Alternatively, positive selection to achieve exposure to sustainability themes such as low carbon or green bonds is gaining momentum.

We're using both in developing robust ESG products for our clients, while analyzing any ESG data that sheds insight into this growing investment area.

Highlights of ESG Financial Solutions

SSGA ESG Products

- SSGA Gender Diversity Index¹
- Screened S&P 500[®] Index¹
- S&P 500[®] ex-Tobacco Index¹
- International Equities Index Trust ex-Tobacco¹
- Screened Russell 3000[®] Index¹
- US Community Investing Index^{TM1}
- S&P 500[®] Screened Index NL CTF¹
- S&P 500[®] Fossil Fuel Free Index¹
- MSCI EAFE Fossil Fuel Reserves Free ETF¹
- MSCI Emerging Markets Fossil Fuel Reserves Free ETF¹
- Screened MSCI ACWI ex-USA IMI Index¹
- Screened MSCI North America Index¹
- Screened MSCI Europe Index¹
- Screened MSCI Pacific Index¹
- World SRI Index Equity¹
- MSCI ACWI Low Carbon Target Index¹
- Global Green Bond Index¹
- Socially Responsible US Credit Index¹
- Euro Sustainable Corporate Bond Index¹
- Emerging Markets SRI²
- Enhanced 4Good²
- Global Ethical³

¹ - indicates passive strategy

² - indicates active quantitative strategy

³ - indicates active fundamental strategy

Enhancing ESG Solutions at State Street

In 2016, we launched an ESG Solutions business at State Street residing in the division of State Street Global Exchange. This cross-functional team collaborates closely with other divisions across the company including State Street Global Advisors, Global Services, Corporate Treasury and Global Markets.

The mandate of the ESG Solutions business is to collaboratively support the development of ESG-related products and services by tapping into our access to Big Data and leveraging our capabilities around quantitative research. Targeted products and services include:

- ESG factor impact assessment
- Sustainability risk profile analysis
- Carbon footprint and long-term impact to ROE
- Negative screening and peer-based comparisons
- Pre- and post-trade analytics
- Active investing and alpha generation
- ESG scenario/stress testing
- Real-time, multi-factor cross-asset portfolio monitoring by region and sector
- Hosted “data as a service” platform

Building an integrated ESG solutions business that leverages all disciplines across the company is our primary objective. Our goals revolve around:

- Engaging clients to capture demand for ESG products and services
- Building a suite of ESG products and services
- Generating revenue by executing on ESG-related commercial opportunities
- Developing State Street’s brand in ESG and demonstrating thought leadership
- Collaborating across State Street to identify commercial opportunities

As we continue to move forward with our product development and goals, our strategies help us streamline our ESG product offerings for our clients.

Municipal Finance

Our Municipal Finance group in the US makes loans and backs bonds issued by municipal clients such as water, sewer and power utilities, transportation agencies and housing authorities. Many of their capital improvement plans include provisions for more sustainable and affordable services. These services help provide the financial backing necessary to improve and extend critical infrastructure. As of December 31, 2016, we provided credit enhancement and direct loans totaling \$5.0 billion. These went to the following issuers:

- \$1.7B in debt issued by water and sewer systems
- \$1.3B in debt issued by transportation projects
- \$1.1B in debt issued by public power utilities
- \$415.6M in debt issued by airports
- \$341.1M in debt issued by housing authorities
- \$138.5M in debt issued by combined utilities

Since environmental protection is closely linked to utilities' core operations, we include those issues in

our risk analysis and due diligence processes. Current and emerging issues we review include environmental litigation risk, cost of environmental regulatory compliance, future carbon tax and trade regulation, access to water, fish and wildlife protection and several others.

Tax-Advantaged Investments

Our Tax-Advantaged Investments team had its most active year ever in 2016, committing \$558 million in new capital for renewable energy and affordable housing projects (\$418 and \$140 million, respectively). Our investment in the renewable sector saw significant growth in 2016, and the \$418 million we committed to renewable energy projects is the most we have ever invested in a year. These investments support the development of residential and utility solar and wind programs and low-income housing projects in the US. We'll continue to actively invest in renewable energy and affordable housing projects in the US in the coming years.

Municipal Finance



\$1.7^B

in debt issued by
water and sewer systems



\$1.1^B

in debt issued by
public power utilities



\$341.1^M

in debt issued by
housing authorities



\$1.3^B

in debt issued by
transportation projects



\$415.6^M

in debt issued by
airports



\$138.5^M

in debt issued by
combined utilities

Our Business Lines

Investment Servicing provides services to institutional clients, including mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations and endowments worldwide.

Investment Management, delivered through SSGA, offers a broad array of investment management, investment research and investment advisory services to corporations, public funds and other sophisticated investors. SSGA offers active and passive asset management strategies across equity, fixed-income and cash asset classes, among others. Products are distributed directly and through intermediaries using a variety of investment vehicles including ETFs, such as the SPDR® ETF brand.

Generally, approximately 75 percent of our consolidated total revenue (fee revenue from investment servicing and investment management, as well as trading services and securities finance activities) is generated by these two business lines. The remaining 25 percent is composed of processing fees and other revenue; net interest revenue, which is largely generated by our investment of client deposits; short-term borrowings and long-term debt in a variety of assets; and net gains (losses) related to investment securities. These other revenue types are generally fully allocated to, or reside in, Investment Servicing and Investment Management.

Screened Assets Under Management: In Detail

Of our total assets under management, 0.15 percent (\$3.67 billion) are subject to a positive environmental and/or social screen, 6.96 percent (\$171.9 billion) are subject to a negative environmental and/or social screen, and 0.03 percent (\$0.78 billion) are subject to a combined positive and negative environmental and/or social screen.

As of December 31, 2016, SSGA had \$176 billion in ESG assets under management, representing 7.14 percent of total assets under management. Please note that all figures are estimates.

With \$176 billion in ESG assets under management, we have a broad perspective on the field of ESG investing and the varying client viewpoints that inform our approach. The majority of our ESG investments are in client-directed index strategies. In these strategies, we collaborate with clients to express their own views through investments we manage on their behalf. In our research efforts and actively managed funds, we use a more flexible ESG lens while maintaining the same risk and return constraints we employ for every other investment approach.

ESG Products and the Gender Diversity ETF

We offer a variety of ESG products and solutions. To learn more about these, we sat down with two of our executives from State Street Global Services and State Street Global Advisors to discuss ESG and our Gender Diversity ETF.

Q: SSGA has been offering ESG products and services for several years now. What new opportunities did you envision when proposing and developing the new ESGX business?

Donohue: Global Exchange — State Street’s data and analytics division — is developing new capabilities to help our clients solve their ESG analytics challenges. For years, we’ve offered leading quantitative analytics capabilities to help our clients identify financial risks in their portfolios. Today, we’re leveraging those same capabilities to help them pinpoint their exposure to non-traditional, ESG-related risks as well.

Take governance as an example. How can a portfolio manager quantify the level of diversity, be it gender or ethnic diversity, within a company’s management ranks? Another example is climate change. What will happen to the portfolio if global temperatures rise above a particular threshold? It takes a portfolio manager 10 seconds to pull up a company’s price-to-earnings ratio. But ESG risks are much harder to identify. And as researchers discover more and more links between ESG factors and financial impact, they will only become more important. These are the kinds of challenges we’re seeking to solve.

Q: How do passion, intuition, communication and collaboration play a part in ESG data analysis?

Donohue: We’re recognizing the passion in the younger generation — the Millennials. They want to make a difference in the world, and they’re also our future clients. ESG gets at that passion, and our goal is to make a case for why ESG is important to our clients and how it will increasingly become more important as time goes on. Even the less passionate can’t ignore ESG because it has a potentially long-term impact on their portfolios! We need to help



Jessica Donohue

Executive Vice President of State Street Global Services (SSGS), Global Head of Performance & Analytics

Prior to joining SSGS, Jessica Donohue founded and was global head of the Advisory and Information Solutions business for State Street Global Exchange, where she and her team created several new business lines including investable indices and advisory solutions.

our clients embrace the opportunities and prepare for the risks that may come with pursuing, or not pursuing, ESG. In the future, we see ESG becoming an integral component of the financial analytics toolkit. If it's anything like risk management — which has come a long way in the decade since the global financial crisis — then ESG could be embedded into analytics much sooner than we think.

At the end of the day, we're here to meet our clients' needs. We have to develop tools and capabilities to help them manage risk and generate alpha. The ESG-related products and services we're developing are to answer the overwhelming demand that we are seeing from our global client base. We're also collaborating with academic partners to enhance our thinking around the development of our ESG-related products and services. As an example, this past year we supported Robert G. Eccles and Mirtha D. Kastropeli in the development of their publication, "The Investing Enlightenment: How Principle and Pragmatism Can Create Sustainable Value through ESG." This white paper, with an early 2017 publication date, sheds light on the link between ESG factors and financial performance. We've found that academics' ability to think outside of the box is critical to helping us build a best-in-class ESG offering at State Street.

Q: In 2016, State Street launched the SPDR SSGA Gender Diversity Index exchange traded fund. What was the rationale for the ETF?

Blake: In 2015, we started thinking about how we could address the gender gap in corporate America from an investment standpoint. We wanted to be able to put direct capital to work by investing in companies that had achieved strong levels of gender diversity among the senior ranks.

The ETF is benchmarked to our proprietary SSGA Gender Diversity Index, which includes listed US large capitalization companies that have the highest levels of senior leadership gender diversity within their sectors. This is a unique strategy in the marketplace, as there aren't many transparent, low-cost funds that choose investments through a gender lens. What makes it even more unique, however,



Lynn Blake

Executive Vice President of State Street Global Advisors (SSGA), Chief Information Officer of Global Equity Beta Solutions

Lynn Blake oversees a team of 70 portfolio managers globally, and more than 1,600 portfolios with assets in excess of \$1.4 trillion across all equity index and smart beta strategies. She also oversees SSGA's ESG Investments and Asset Stewardship Team as well as the Company Stock Group, which manages fiduciary transactions and company stock investments.

is SHE IMPACTS: A percent of the revenue from the ETF will be donated to organizations and programs that inspire and equip girls and young women to be future business leaders — particularly in industries where women have low representation today, such as STEM (science, technology, engineering and math). We want to enhance the likelihood that women will thrive in the corporate world, and the Gender Diversity ETF can help.

Q: Why is diversity in corporate leadership good for economic upside?

Blake: Research has shown that higher gender diversity leads to better performance. For example, a global study conducted by MSCI between 2009 and 2015 found that companies with at least three female board members outperformed others in overall return on equity by more than 36 percent.

Many other research institutions have found similar results. In fact, research has shown that greater diversity leads to more diverse opinions, which leads to better decision-making, and ultimately translates to better profitability, corporate performance and share price. According to a study conducted by MSCI, companies with higher gender diversity also have fewer ethical issues. We're looking at diversity as an ESG opportunity that makes a strong business case with positive long-term results.

Q: How does the Gender Diversity ETF fit into State Street's overall strategy?

Blake: ESG is an important initiative at State Street. As one of the world's largest asset managers, we use our voice and our vote to engage companies on issues that impact long-term value creation, which include many ESG themes. Increasingly, our clients want to align their investments with their ESG views. The gender diversity ETF is an example of this trend, and in order to continue to help our clients we need to create innovative products that meet their ESG and investment goals. Another example of an Impact Investing ETF is the MSCI ACWI Low Carbon Target Index (Ticker: LOWC), which overweights companies that have low carbon emissions. There are a lot of directions we can go in, including thinking about the intersection of factor investing and ESG. We're of course very excited about gender diversity ETF, but also overall about the future of ESG investing.

As the ETF sponsor, State Street can't be included in the Gender Diversity Index. Companies within the financial sector that are included tend to be smaller; however, as a large bank, we believe we're quite similar in our diversity when compared to other large banks. We think that the ETF will continue to drive our own internal commitment to corporate responsibility, including diversity, and externally, it encourages companies to commit to their own corporate responsibility and diversity goals.

Q: What do you hope for the Gender Diversity ETF over time?

Blake: The launch of our Gender Diversity ETF coincided with International Women's Day — March 8, 2016. We took advantage of that date to communicate our commitment to diversity and its importance in corporate America and around the world. Ultimately, we want the Gender Diversity Index to be the standard by which companies benchmark themselves and for membership to be an important milestone in their diversity goals. We also hope to develop other gender diversity indices beyond large US companies where the diversity gap is even more acute. It's a journey, and we look forward to a future where all companies achieve equality and the need for the Gender Diversity Index becomes moot!

Asset stewardship

SSGA is primarily a passive asset manager representing near-permanent capital — in other words, as long as a company is included in a particular index, it remains in the portfolio. As a result, we believe passive managers have a clear responsibility to be long-term asset stewards for their clients. Their management also affects the overall health of companies, stakeholders and economies around the world, so they are an important piece of the financial puzzle. In 2016, more than \$1.9 trillion was invested into global passive funds.

Shareholder Engagement with Portfolio Companies

SSGA screens companies in client portfolios against a range of issues that could impact performance over time. For example, ESG factors can impact the reputation of a company and create significant operational risks and costs. Therefore, well-developed corporate social responsibility programs that manage these factors can generate efficiencies, enhance productivity and mitigate risk.

Stakeholders have noted that screening for ESG factors is particularly important for US public sector clients and those in the European Nordic regions and Australia. In APAC, ESG transparency and careful screening are also increasingly becoming more important.

2016 ESG Client Engagements



Our screening focuses on thematic areas that help us stay on top of what's trending with our clients, what they're interested in and what risks and opportunities they face. Some of these areas include:

- ESG financial topics
- Board leadership
- Environmental sustainability topics (e.g., climate change, water, energy consumption)
- Social responsibility topics (e.g., diversity, education and other community investment programs)

Moving forward, we plan to continue looking at sectors that are resource-intensive, such as oil and gas, mining and other extractive industries. For diversity screens, we plan to start looking more at compensation, diversity of female representation and minority disclosures. Keeping a careful eye out for gaps in information through our thematic screens helps us maintain a continuous dialogue with companies while also enhancing transparency.

Our stakeholders expect us to provide transparent tools for screening investments — including environmental and social factors. These tools include:

- Environmental and social screens
- Identification of companies that our asset stewardship team should engage with for environmental and social issues
- Governance screens
- Examination of overall independence of a board and rights afforded to shareholders
- Tenure screens
- Identification of companies that we want to engage with to discuss ESG issues

These tools help us actively identify companies for shareholder engagement and enhance oversight of risk at portfolio companies. In 2016, we continued our engagement with investment companies’ CEOs and board chairs to make sure that shareholder interests are addressed by the Board.

Our ESG engagement efforts also included meetings with 611 global companies representing more than 32 percent of our total assets (12,114 in portfolio).

Sector Deep Dives

SSGA develops a series of strategic priorities that drive our engagement with portfolio companies every year. These are based on developing macroeconomic conditions, emerging ESG trends and client feedback. A significant challenge for all passive index managers who are invested in thousands of listed companies globally is to provide active oversight of each company. To deal with this, we take sector deep dives for all major industry sectors every four years, covering a total of 60 sectors. Sector deep dives help us proactively monitor and engage companies on matters such as long-term strategy, performance and ESG issues. In 2016, SSGA’s stewardship priorities included a sector focus on automobiles, global banks and IT.

Reviewing global holdings within a sector lets us identify business and ESG trends impacting our holdings, and puts us in a stronger position to advise boards and management teams when they seek feedback or direction from large institutional investors. We also share our insights with clients through presentations and report our findings in our Annual Stewardship Report.

Human Rights Clauses

	2016	2015	2014	2013
Significant investment agreements* and contracts that include human rights clauses or that underwent human rights screening	106 (65%)	110 (23%)	93 (33%)	52 (20%)

* *Definition of significant investment agreements:* Client accounts that have been screened for exposure to, among others, Sudan, Iran, weapons (a majority of which are classified as controversial, however some non-controversial weapons are also captured), MacBride Principles and other qualitative human rights issues such as forced labor, child labor, UN Global Compact non-compliance, etc. **Additional Comments:** The above referenced percentages refer to the percentage of environment, social, and governance (ESG) assets under management, not total firm assets under management, in which case the percentages would

be significantly lower. All figures are estimates; 2015 figures are not comparable to 2014 due to methodological changes in how we track this information. We now have a client-level view where we can look through to participants in commingled funds that screen on human rights issues, whereas before we would only count each fund as one.

Economic performance

To create value for our shareholders, we're focused on generating consistent revenue growth and maintaining disciplined expenses. The economic success of our business also determines our ability to serve all stakeholders. With this in mind, we manage the risks inherent in our business with systems, procedures and oversight to maintain transparency and long-term sustainability.

Revenue Slightly Impacted by Processing Fee Decrease

Our total revenue in 2016 decreased slightly compared to 2015. This was primarily due to a decrease in processing fees and other revenue, partially offset by increases in management fee revenue and securities finance revenue.

Servicing and management fees collectively made up approximately 78 percent of total fee revenue. The remainder was attributed to trading services, securities finance and processing and other fees. Servicing fee revenue decreased by 2 percent compared to 2015, primarily due to lower global equity markets, partially offset by stronger net new business. Management fee revenue increased by 10 percent compared to 2015, primarily due to the impact of the acquired GE Asset Management ("GEAM") business and the elimination of money market fee waivers, partially offset by lower global equity markets.

Flat expenses from counterbalancing effects

Total expenses in 2016 were relatively flat compared to 2015, primarily driven by increases in compensation and employee benefits, information systems and communications and restructuring costs, largely offset by decreases in professional services expenses, securities processing costs and lower litigation-related expenses. Costs associated with the acquired GEAM business contributed to the increase in compensation and employee benefits expenses, while savings from the State Street Beacon program contributed to partially offsetting the increases.

Increase in Dividends and Return on Equity

During 2016, we declared common stock dividends of \$1.44 per share (2015: \$1.32), totaling approximately \$559 million. Return on average common shareholders' equity increased to 10.5% in 2016 compared to 9.8% in 2015. We purchased approximately 21.1 million shares of our common stock at an average per-share cost of \$64.70 and an aggregate cost of approximately \$1.36 billion.

Additional information with respect to our financial results, our common stock purchase program, stock dividends and the method used for computing earnings per share is provided in our [2016 10-K](#) annual report.

Summary of Financial Results (Dollars in millions, except per share amounts)

	2016	2015	2014
Revenue			
Fee Revenue	\$8,116	\$8,278	\$8,010
Interest revenue	\$2,512	\$2,488	\$2,652
Interest expense	\$428	\$400	\$392
Net interest revenue	\$2,084	\$2,088	\$2,260
Gains (losses) related to investment securities, net	\$7	\$(6)	\$4
Total Revenue	\$10,207	\$10,360	\$10,274
Provision of loan losses	\$10	\$12	\$10
Expenses			
Operating costs	\$3,724	\$3,989	\$3,767
Compensation and employee benefits	\$4,353	\$4,061	\$4,060
Total Expenses	\$8,077	\$8,050	\$7,827
Income before income tax expense	\$2,120	\$2,298	\$2,437
Income tax expense (benefit)	\$(22)	\$318	\$415
Net income	\$2,143	\$1,980	\$2,022
Preferred stock dividends and dividends & undistributed earnings allocated to participating securities	\$(175)	\$(132)	\$(64)
Net income available to common shareholders	\$1,968	\$1,848	\$1,958
Earnings per common share			
Basic	\$5.03	\$4.53	\$4.62
Diluted	\$4.97	\$4.47	\$4.53
Average common shares outstanding (in thousands)			
Basic	391,485	407,856	424,223
Diluted	396,090	413,638	432,007
Cash dividends declared per common share	\$1.44	\$1.32	\$1.16
Return in average common equity	10.5%	9.8%	9.8%

Engaging Employees and Suppliers

Engaging Employees

We strive to keep our clients at the center of everything we do. And this wouldn't be possible without our engaged and motivated employees.

We succeed because we hire the best talent and support them in their professional development. We cultivate employees from diverse backgrounds and nurture the broad range of perspectives they bring to the table, keeping us innovative and competitive. We're committed to maintaining an environment that promotes inclusion, engagement and corporate responsibility.

Talent recruitment and retention

Our employees are united by a common goal: to consistently deliver value to our clients. Our ability to attract and develop the best talent in the industry relies on creating an inclusive culture where employees feel valued and engaged.

To achieve this, it's important to give employees regular opportunities to have their voices heard. In 2016, we conducted a global employee survey to gauge employee sentiment about working at State Street. Approximately 71 percent of our employees completed the survey.

As a result of what we heard from the survey, we've committed to focus on five key areas that we're confident will enhance the employee experience at State Street:

- Benefits and Compensation
- Career Development and Mobility
- Communication and Leadership
- Technology
- Risk Excellence

We've added to our paid time-off benefits, improved processes for employees to search for jobs internally, and built training for all senior managers to ensure they're cultivating an environment where all of their employees feel comfortable speaking up. Part of that program includes a global "listening tour" to gather additional insights into how employees are faring. Another way we foster ongoing dialogue with our employees is through our quarterly all-employee Town Hall events, which feature a live Q&A session with our CEO and other senior leaders.

Retaining Top Talent

With a diverse talent pool of more than 30,000 individuals, the variety of global perspectives and experiences enhances everything we do. We help our employees fulfill their personal and professional goals by providing them with the encouragement and opportunities they need to succeed. With access to a wide range of resources, flexible work schedules and development programs, employees can truly reach their full potential. These programs support our ability to retain talent for the long term. In 2016, our overall turnover rate was 16 percent, or about 5,579 employees. This includes 360 top executives who departed during the year as part of a planned restructuring process. Our hiring rate was 20 percent, as about 6,625 employees joined our team. Moving forward, we'll continue

to realign and adjust our workforce, and whenever possible will use separations such as planned retirements and reductions via attrition as appropriate to help meet our staffing needs.

Filling the Gap on Job Readiness

As our business continues to evolve, we're recruiting new talent with experience that crosses over from finance into technology. Over the year, we've applied new practices to help us source, recruit and hire these technical, financial professionals.

Last year we began working with the Boston Workforce Investment Network (WINS) to help close the gap on job readiness and create meaningful career paths for Boston youth (please see pages 52-56 for more information on Boston WINS). We had great success within the first year of our partnership, hiring more than 200 new employees.

Training and professional development

By investing in our employees' career development goals, we're investing in the future of our business. We strive to be an employer of choice where people feel supported and equipped with the resources they need to build their professional skills. We provide a host of training and development opportunities that help employees deepen their expertise and receive continuous job coaching.

Flexible and Tailored Learning

Through State Street University (SSU), all employees have access to a wide variety of courses, tools and resources to develop their careers. SSU encourages employees to take ownership of their unique career goals by creating tailored plans that fit into their busy lives. Our programs combine online and classroom-based learning on topics such as business skills, communication, technology, leadership and management development.

We continuously refine our course offerings to address our industry's changing landscape and the complex challenges faced by our clients. In 2016, we enhanced our library of more than 3,000 books, courses and videos to make these offerings more accessible and consumable. More than 10,000 employees took advantage of these programs, representing an average of 32.6 training hours per employee.

Complementing the training and development programs offered company-wide, individual business units also have learning teams that provide job-specific onboarding and learning tools to ensure employees succeed in their new roles. To help professionals looking to advance their investment analysis and portfolio management skills, we entered a partnership with the Chartered Financial Analyst (CFA) Institute in 2016 to make CFA certifications more accessible and affordable to employees globally.

Shaping the Leaders of the Future

As employees rise into leadership roles, we help them sharpen skills and develop qualities that are essential for success. In our Leadership Development Program (LDP), established in 2015, we offer a robust management and leadership curricula for assistant vice president-level employees, virtually and around the globe. The mission of the LDP is to accelerate the development of high-potential, mid-career employees who demonstrate the skills and aptitude to navigate a highly complex and dynamic global business.

Through a holistic, personalized development approach, the LDP participants complete three short-term rotational assignments over a two-year period. Senior executives serve as sponsors to each program member, and are actively engaged in their development. The global scope of the program is unique, as it offers participants an opportunity to complete an international assignment. The program's geographic breakdown is 56 percent North America, 34 percent EMEA and 10 percent APAC.

Furthering Our Employees' Development

Our Professional Development Program (PDP), established in 2007, is an early-career leadership development and rotational program designed to identify and develop future leaders within State Street. The program, which has a 72 percent retention rate since inception, involves multiple job rotations and provides hands-on experience in different roles, as well as business activities to help participants develop critical knowledge, skills and expertise. The program helps us attract diverse talent for accelerated leadership development opportunities.

In 2016, we also introduced Core Management Experience (CME), a global program designed for new managers. The two-day program received positive feedback in its first year, indicating participants are applying what they learned to become more effective managers. Furthermore, we implemented Strategic Execution (SE) for our Managing Director population. This new program has been very effective in building our senior leaders' capability to translate and execute State Street strategies in their organizations.

Providing Thoughtful Feedback

We believe it's critical for employees to understand how their roles fit within the bigger picture of State Street's success. Our employees undergo a performance planning and review (PPR) process to ensure that performance objectives and career development goals are set collaboratively with their managers. In 2016 over 97 percent of our employees participated in midyear and year-end progress reviews.

Our Chief Executive Officer, Chief Human Resources Officer and the heads of each business area and corporate function participate in our annual talent review process to enhance capabilities across our company. The 2016 annual talent review focused on increasing succession planning, optimizing our operating models and location strategies and improving our priority planning.

Wage equity and flexible work options

Equal Opportunity

We've taken strong stands for public policy initiatives, such as equal pay for women, marriage equality and safety for transgender people. In 2013, we signed the Boston Women's Compact, and we're executing its objectives in several ways: by setting organizational goals for diversity, by mentoring women in leadership roles, by engaging them in our employee networks and through our flexible work initiatives.

As a global company and one of the largest employers in Massachusetts, we're committed to providing an inclusive and supportive work environment within our walls and beyond. In 2013, we joined 277 other employers from across the country to sign an amicus brief to advise the US Supreme Court of the Defense of Marriage Act's (DOMA) harmful impact on American employers. Additionally, we supported a bipartisan campaign that led to the passage of the Transgender Anti-Discrimination Bill in Massachusetts in 2016.

Upholding Wage Equity

The ratio of wages of our female employees compared to our male employees in the company is material to our business and of interest to our stakeholders. In fact, many clients ask us about our non-discrimination policies as part of the new business request proposal process, and several US states have or are considering regulation around gender pay equity. However, we do not report the percentage of female base salary compared to male base salary. A simple, across-the-board analysis of an organization of State Street's size and multiple business-line complexity would not accurately compare similar positions or capture all elements of a total compensation program.

Providing Total Value

Recognizing that quality service begins with quality employees, we focus on the total value of our pay packages (i.e., salary, benefits and incentive compensation) to attract and retain key personnel. We allocate compensation based on yearly performance assessments at the corporate, business unit and individual level, and differentiate pay by individual to reward our highest performers for their contributions. We're also committed to adhering to local laws regarding the freedom of association and collective employee action, and have not identified any operations in which this right may be at significant risk.

In general, all employees receive benefits, a fixed-base salary and are eligible for an annual incentive award. Depending on the job level, a portion of annual incentives may be awarded in equity to further align our employees' interests with those of our clients and shareholders. We also offer sales incentive plans and recognition awards to certain employee populations.

Attracting and retaining the best employees means we need to compensate for talent in a manner that is consistent with our peers. Compensation is an important way to reward employees for outstanding performance and incentivize them to stay at State Street over other options. 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 in encouraging top-performing employees to grow their careers at State Street.

An "Open Door" Policy

We have not identified any operations in which the right to exercise freedom of association and collective bargaining may be at significant risk. We're committed to adherence to local laws regarding the freedom of association and collective employee action. Our Standard of Conduct emphasizes our commitment to foster a culture where all employees feel valued, engaged and respected. We operate our offices with an "Open Door" policy and encourage employees to engage openly with management and staff across all levels. Employees also have the opportunity to participate in global networking events to facilitate communication and idea generation and we open these events to peer and client organizations to further facilitate engagement and freedoms of expression and association.

Flexible Work

We believe that offering flexibility in how, when and where work gets done increases employee engagement and productivity. Flex work may include a consolidated schedule, or a change in work location, while job share opportunities allow more than one employee to share a position on an ongoing basis.

Benefits from a flexible work arrangement can include enhanced work-life balance and time and cost savings from commuting. The Flex Work Program is baked into our business strategy and has become a proactive, manager-initiated program supported by tools, technologies and resources.

Our Flexible Work Employee Network, a group of employees who voluntarily work together to champion our formal Flex Work Program, also contributes to our efforts in expanding the program. For example, the network provides career development guidance and support to Flex Community followers to help them in career advancement, internal mobility and becoming an advocate in their area.

Productivity through Balance

Supporting our employees' health and work-life balance also helps our employees succeed. Our global well-being program, BeWell, offers tools and resources that encourage employees to proactively manage their total well-being by focusing on three core pillars: physical, emotional and financial health.

While we view physical health as critically important, we also realize that supporting emotional and financial health is equally vital in meeting the needs of a diverse and multi-generational workforce. BeWell's objective is to create a healthier workforce, increase employee morale and enhance continued employee engagement.

BeWell Engagement

While there are many programs offered as part of BeWell, highlights include:

- **Physical Wellness:** Health risk assessment, on-site biometric screenings and flu shot clinics, on-site fitness centers (in two locations), on-site and web-based nutrition seminars, exercise classes, global fitness challenges and reimbursements for fitness club memberships, weight management programs and organized race fees
- **Emotional Wellness:** Emotional well-being and stress management seminars, a caregiver support group, Employee Assistance Program, flexible work schedules, back-up childcare and partnerships with Corporate Citizenship on charitable giving and environmental sustainability
- **Financial Wellness:** Free access to financial planning support, a college coach, on-site financial/retirement planning workshops and webinars
- **Other:** Employees can earn an additional paid day off for participating in different BeWell programming, and healthy habits challenges are held throughout the year

Many employees take advantage of these programs, and in 2016, 20 percent of our employees from across the globe participated in our first Global BeWell Steps Challenge. We look forward to rolling out even more BeWell programs and competitions.

Active Participation and Professional Growth

Along with health and wellness, we view professional growth as an important part of our employees' prosperity. To support this, we developed a College Coach Program as part of our work-life benefits in our US offices. The College Coach Program provides assistance to employees with all aspects of the college selection, application and

finance processes. The program also consists of live workplace/webinar events, on-demand resources and personalized assistance — all at no cost to our employees.

State Street is built on a foundation of talent, culture, innovation and risk excellence. In order for that foundation to be strong, our employees must be healthy and engaged professionally and personally — and compensated appropriately for their efforts. Healthy and engaged employees are more productive, which is good for them and for our business.

Diversity and inclusion

Embodying a Diverse, Inclusive Workforce

Research shows that a diverse workforce is an asset to any business. As a global company, we know that building a team with a variety of backgrounds, experiences and perspectives helps drive new ideas, create connections and enhance performance — all of which lead to a stronger bottom line. The power of our people is one of the factors that set State Street apart from our competitors. That's why promoting both our employees' differences along with traits that we all share are important components of cultivating our diverse organization. We work hard to provide an inclusive environment where all employees feel valued, respected and supported, and we remain committed to building on that diversity.

We do not tolerate discrimination or harassment on the basis of an employee's race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status or other characteristics protected by applicable laws.

Benchmarking Our Diversity

Measuring and reporting on our progress keeps us on track as we strive to foster an increasingly diverse and inclusive culture and workforce. It starts with setting strong goals. In 2014, we established clear targets to advance the diversity of our leadership ranks by the end of 2017. These include:

- Boosting female representation at the assistant vice president (AVP) level from 40.5 percent at the end of 2014 to 43 percent at the end of 2017, and at the senior vice president and above (SVP+) level from 24.2 percent to 28 percent, respectively.
- In our US operations, raising the percentage of employees of color at the AVP level from 26.7 percent to 30 percent and the SVP+ representation from 9.2 percent in 2014 to 13 percent by 2017, respectively.

In addition, the impact of our diversity and inclusion efforts can be quantitatively measured through our company-wide employee engagement survey. Our employees who either agreed or strongly agreed with the statement, "My company encourages and promotes diversity of backgrounds, talents, and perspective" are significantly more engaged than those who do not concur with that statement. With nearly 80 percent of our employees in agreement with this statement (and only 5 percent disagreeing), our diversity and inclusion efforts are clearly having a significant impact. This score is also significantly higher than the financial services benchmark.

Our Approach to Diversity Goal Setting

For our more than 30,000 employees around the world, we strive to create an environment where their diverse backgrounds and experiences contribute not only to the company's success, but to their own. Developing diversity and inclusion goals that cultivate this environment is a learning process, and we recognize that our approach will continue to evolve. To accelerate our efforts, we focus on the following initiatives:

- Establishing our leaders as champions of diversity and inclusion to help convey the importance and business value of a diverse workforce
- Ensuring that we're building a sustainable pipeline of diverse talent for leadership positions
- Implementing a clear standard to hold leaders accountable for creating a diverse workforce and behaving inclusively

These initiatives help us build a culture of diversity and inclusion from top to bottom — encouraging senior management to lead the charge with their teams.



Paul Francisco

Chief Diversity Officer at State Street

“We believe diversity enhances what we do — and it strengthens both our culture and the ideas and creativity we apply to our work. Everyone brings something to the table, and with a diverse background of employees that have a variety of experiences and perspectives, we’re better prepared to take on challenges and opportunities.”

A Snapshot of Our Workforce

Setting achievable goals requires an understanding of our current workforce composition, as well as clear processes for progressing on our commitments to diversity and inclusion.

This snapshot of our workforce highlights our current diversity statistics:

	Female				Male			
	Global Total 2015	Percent of Total (Global) 2015	Global Total 2016	Percent of Total (Global) 2016	Global Total 2015	Percent of Total (Global) 2015	Global Total 2016	Percent of Total (Global) 2016
Board Members*	3	27%	3	27%	8	73%	8	73%
Internal Executive Officers*	1	8%	2	14%	11	92%	12	86%
Managers	3,505	39%	3,442	39%	5,440	61%	5,365	61%
Non-Managers	12,260	49%	11,685	49%	12,857	51%	12,116	51%
Total (Managers and Non-Managers)	15,765	46%	15,127	46%	18,294	54%	17,481	54%

* The CEO of State Street is also the Chairman of State Street's Board, and therefore is counted both as internal and external from a governance perspective.

We don't track or report on minority representation outside of the US for privacy and regulatory reasons. Within the US:

- 30% of our workforce is made up of ethnically or racially diverse individuals
- 20% of our vice president and above (VP+) level is made up of ethnically or racially diverse individuals
- 33% of our AVP and below level is made up of ethnically or racially diverse individuals

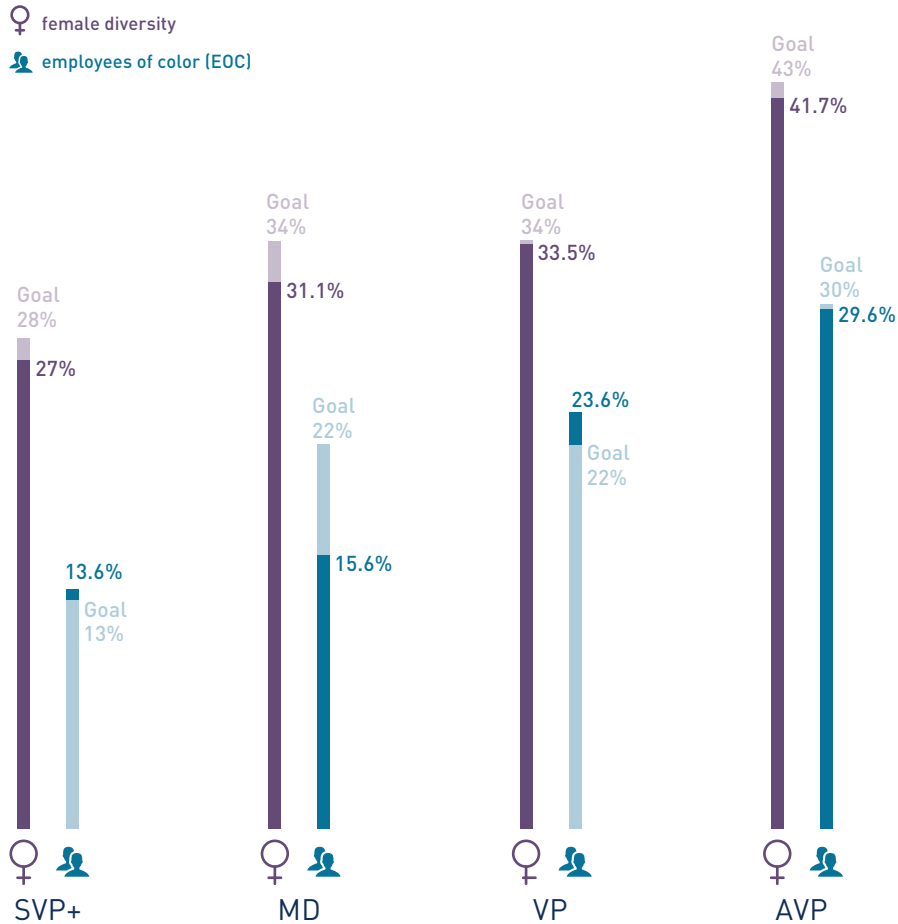
Moreover, globally:

- 46% of our workforce is female
- 32% of our VP+ colleagues are female
- 50% of colleagues at the AVP level and below are female

State Street Diversity Goals

In 2016, we made progress on our three-year diversity goals. The table below highlights these efforts with regard to female diversity and employees of color (EOC) diversity in upper management positions:

Diversity Goals



We do not track or report on minority representation outside of the US for privacy and regulatory reasons.

Connecting Our Employees

Nurturing inclusivity requires building a strong framework for employees to connect. One way we develop supportive connections is through our employee networks. Open to all employees, the 24 networks and affinity groups within our organization offer volunteer opportunities, career development and cultural expression.

With more than 110 chapters globally, these groups include the Latin American Professionals Group, the Professional Women’s Network, the Disability Awareness Alliance, the Asian Professional Alliance, an LGBTQ network, the Black Professionals Group and many more. More than 350 employees globally are involved in the leadership of these resource groups. In recent years, four of our employee networks were named Best in Class in our peer group by Prism, a leading organization that focuses on diversity.

Partners and Allies

To expand our diversity and inclusion initiatives, we launched our Global Ally Program in 2016. This program supports inclusivity and alliances across the organization, ensuring ongoing LGBTQ-friendly education and programs across all our locations — whether there are existing Pride and Friends networks and Ally Programs or the conversation is just starting locally. The Global Ally Program engages, educates and empowers our employees to continue to provide LGBTQ inclusion in their offices now and into the future.

We also engage in diversity partnerships with external organizations like The Partnership, Ascend, NAAAP, NABA, Catalyst, Diversity Best Practices, 30% Club, Out Leadership and the Conferences for Women to offer development opportunities for our employees. In addition, for the 10th consecutive year, we were the presenting sponsor of the Massachusetts Conference for Women, the world's largest women's conference.

Encouraging Dialogue

Developing a diverse workforce and inclusive culture requires effective communication. To better support open dialogue and accountability for our diversity and inclusion efforts, we launched Executive Insights in 2016. A first-of-its kind data and analysis tool at State Street, Executive Insights offers diversity and inclusion trending information for our executives.

We also provide several forums for employees to share their opinions with senior management through open discussion that includes live and pre-submitted questions. These forums afford senior managers the opportunity to engage with and become more aware of issues and questions raised by our employees. Additional Town Hall meetings are run in departments company-wide, encouraging open dialogue around topics and questions that trend over time. Our executives also regularly blog on our internal social networking site about issues related to our organization and our business strategy to which staff can add their feedback and comments — and these often lead to rich, proactive discussions.

Dedicated Leadership

Demonstrated commitment from our executives is critical to our diversity and inclusion efforts. In 2016, our Chairman and CEO, Jay Hooley, took the additional step to ask for specific diversity and inclusion commitments from all executive vice presidents (EVPs) across the company. For example, he asked all EVPs to ensure that diversity is discussed, challenged and debated during leadership team meetings.

Industry Recognition

We've received multiple awards that showcase our commitment to diversity and inclusion. These include:

- Working Mothers' Best 100
- Silver Standard Achievement for the Inaugural Hong Kong LGBT Workplace Index Award
- *Financial Times* Top 50 Employers for Women in Europe
- Placement on the shortlist of the first Luxembourg Diversity Awards
- 100% rating on the HRC Best Places to Work for LGBT Equality
- Diversity Inc.'s Top 10 Regional Companies for Diversity
- *Black Enterprise's* Best Companies for Diversity
- *Latino Magazine's* Best 100 Companies for Hispanics

- Stonewall Global Diversity Champion
- 50 Leading Company for Women’s Leadership in Asia-Pacific Economic Cooperation
- World-at-Work Alliance for Work-Life Progress Seal of Distinction.

As we continue to deepen our diversity and inclusion commitments, we learn about more opportunities to build on our programs. Putting these opportunities into practice is a priority for us — and a key to our company’s long-term success.

State Street Human Rights Statement

State Street Corporation supports fundamental principles of human rights, such as those adopted in the United Nations Universal Declaration of Human Rights. We believe that upholding these principles is an important component of our culture and values. As a signatory to the United Nations Global Compact (UNGC), we confirmed our support of the UNGC’s 10 principles and our intent to advance those principles within our organization.

State Street’s future success is built on talent, culture, innovation and risk excellence. We rely on our employees to represent and promote these critical characteristics and believe they are bolstered by diversity, inclusion and an environment that respects the dignity of all of our employees. We want to support a workplace where people of all backgrounds and experiences can succeed. We strive to increase the diversity of our workforce and the inclusiveness of our culture through a variety of employee resources and programs.

Our commitment to promoting an inclusive, safe and ethical workplace is expressed within the provisions of our employee Standard of Conduct and across our compliance, human resources and other corporate policies. We maintain policies designed to comply with local laws concerning employment and individuals’ rights in every country in which we operate. We do not tolerate unlawful discrimination or harassment in any form. We are committed to providing equal employment opportunity to all qualified persons.

State Street has policies designed to prevent the illegal use of our products and services, including those that may result in human rights violations. Our employees receive training on preventing money laundering, bribery and corruption and are expected to follow “know your customer” standards. Our employees have a duty to report actual or possible violations of policy or law, and we prohibit unlawful retaliation against employees who make such a report in good faith.

We expect the vendors with whom we interact to bear a responsibility to define their own policies with regard to human rights, while making them aware of our standards. At a minimum, we expect suppliers and their supply chain to comply fully with all applicable laws and regulations in the conduct of their business as well to meet appropriate standards related to labor practices, wages and workplace safety. Where practical, we also work with our vendors to encourage the utilization of responsibly and sustainably produced goods and services.

Our commitment to fair, ethical and responsible business practices is central to our Way Ahead.

(Revised June 2016)

Engaging Suppliers

With a supplier base of over 3,000 in North America, 3,300 in EMEA and 1,600 in APAC, we spend about \$2.6 billion, \$500 million and \$220 million in North America, EMEA and APAC, respectively, on third-party supplier services. In 2016, this added up to about \$3.32 billion globally, including financial, IT, business and professional services, and market data, travel management and office support.

In North America, 80 percent of our spend is with 78 suppliers, and 80 percent of EMEA spend is with 77 suppliers. Our Procurement team works tirelessly to identify high-quality, cost-effective, flexible suppliers that help us operate and serve our clients efficiently.

Products and Services to Meet Our Needs

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

1. **Business Services:** These include the global management of the Contingent Labor at State Street (CLASS) Program for staff augmentation and other labor services needs across the company.
2. **Financial Services:** These drive development of supplier strategies, negotiations and contracting to deliver value while minimizing risks to State Street within the subcustody, insurance and operation support areas.
3. **Information Technology:** These include, but are not limited to, business applications, hosted applications, telecommunications, hardware and storage and software.
4. **Market Data:** This encompasses financial data such as quotes, end-of-day prices, valuations, news, corporate actions, descriptions, estimates, ratings, indices, factors and information related to financial instruments.
5. **Office Support Services:** These include the vendor and program management for the print, office supplies, catering services, subscriptions and facility services in alignment with the Global Realty Services team.
6. **Outsourcing:** This involves Procurement working with the business to source and negotiate onshore, near-shore and offshore outsourcing arrangements.
7. **Professional Services:** These focus on providing best value third-party services solutions to meet the business’s needs in the areas of Consulting, Marketing, Legal, Tax and Audit.
8. **Travel Management:** This supports travel agencies that manage our business travel and employees that go on business travel.

Identifying Our Suppliers

Our Procurement team also sets procurement standards, identifies suitable suppliers and negotiates favorable price and contract terms. This is typically achieved through an initial request for proposal (RFP) process. All RFPs issued by Procurement include a section for questions related to environmental aspects, human rights, fair labor practices and legal proceedings against the organization or its officers.

Respondents are requested to answer all questions, which allows us to evaluate new suppliers for environmental certifications, workforce welfare, ethical sourcing practices, employment practices and anti-corruption. Guidelines are currently being developed to engage with suppliers who are found to be lacking in one or more of these important areas. We don't calculate the percentage of suppliers that were screened specifically for environmental, human rights, labor practice criteria and impacts on society. However, all standard RFPs and Master Service Agreements (MSAs) indicate State Street's expectations for compliance and performance regarding these topics.

By including this evaluation language in our RFPs, we're also able to understand vendors' perspectives and policies on these subjects. For example, in 2016, we expanded the Promoting Workforce Welfare series of questions in our RFPs to include specific language to rate compliance with the UK Modern Slavery Act of 2015. On top of that, all Master Service Agreements for new and renewing vendors now require written compliance of the UK Modern Slavery Act of 2015. Adding these elements to our RFPs and MSAs also signals to our suppliers that we care about these issues.

Engaging Suppliers

We seek to partner with high-quality suppliers who share our values and commitment to client service and responsible business practices. Since we have a large supplier base, the suppliers we select have an impact on local economies, our supply chain workforce, environmental protection and broader social issues.

Our vendor selection process considers ethical business practices, impacts on local economies, environmental stewardship and broader social issues. As part of this commitment, we choose to work with suppliers who offer products and services that will reduce our overall environmental footprint as part of our Environmentally Preferable Purchasing Program (EPPP) whenever possible. In cases where an eco-friendly solution is costlier, however, we manage trade-offs between environmental and economic goals.

Local Sourcing

We use local suppliers whenever we can to meet our needs. If our global business needs limit our options for local sourcing, we encourage our larger global suppliers to use local second-tier vendors if they can. We're continuing to explore more ways to include local sourcing questions in Procurement's RFP process. In addition, we plan to monitor the second-tier vendors our larger suppliers use. We're confident that continued development and implementation of these key initiatives will continue to drive better business unit engagement and enhance the selection of compliant and responsible vendors.

We're also exploring how local sourcing and our supplier diversity program — which measures and encourages sourcing from businesses owned by minorities, veterans and women — can support each other.

Furthering Our Supplier Assessments

We're enhancing our purchasing tools to ensure suppliers comply with our risk assessment protocols including Third-Party Risk Management (TPRM) and Anti-Bribery and Corruption Screening (ABAC). A mandatory No Purchase Order (PO), No Pay Policy is scheduled to launch in 2017. This will greatly improve our ability to manage vendors.

We'll continue to channel all services and goods vendors through our Procurement team's environmental and social assessments. For now, we're committed to loading all new and existing vendors into a contract repository and Supplier Hub to better screen for key program compliance. This also coincides with our P2P initiative, allowing Procurement to remain familiar with all on-boarded vendors in our Supplier Hub. In turn, that helps us make strategic decisions when advising our business units to use approved or existing vendors that meet our business needs and desire for responsible vendor partners. We're also focused on screening all EMEA vendors for ABAC and UK Modern Slavery compliance. This greatly enhances our ability to understand potential human rights issues amongst our vendors in EMEA.

Supplier Screening

All requests for proposals issued by Global Procurement Services (GPS) include a section for questions related to human rights. Respondents are requested to answer all questions, which allows us to evaluate new suppliers for workforce welfare and ethical sourcing practices. We do not calculate the percentage of existing suppliers that are screened specifically for human rights criteria.

Human rights

Human rights are an increasingly important consideration for many corporations. We spoke with Lauren Savage and Brian Downer to learn more about our commitment to human rights and how we remain vigilant with our suppliers.

Q: How is modern slavery defined? Why does it matter to you?

Savage: Modern slavery refers to human trafficking, forced labor and slavery-like practices. It comes in many forms — including the sale or exploitation of children and debt-bondage. According to the Global Slavery Index there are over 45 million people globally caught up in human trafficking and conditions that qualify as modern slavery. Personally and professionally, I find this extremely disturbing and it is rewarding to play a part in reducing these practices globally. For State Street, not investigating the practices of our suppliers would be a risk to our business and goes against our desire to strengthen and support the social well-being of the communities where we operate.

Q: How is State Street taking action against slavery and other human rights or sustainability issues in the supply chain?

Downer: We consider human rights in our supply chain. We want to make sure that we interact with quality third-party suppliers, and we're making sure that State Street only interacts with vendors who adhere to all applicable laws. Every vendor starts with an inherent risk questionnaire, and then a risk assessment weeds out vendors that don't meet our standards of risk compliance. Contract agreements that cover compliance and applicable laws and policies are then submitted by procurement, and due diligence follows up with any decisions we make. This rigorous process ensures that we choose the most compliant and appropriate vendor for our needs.

We added human rights and modern slavery as part of our RFP process to show suppliers we're serious about this. Plus, in 2017 we're including questions on human slavery and trafficking in our risk applications.



Lauren Savage

Senior Vice President, Third-Party Risk Management

Lauren Savage is the head of the Third-Party Risk Management Program. In this role, she assesses the risk of all third parties engaged on State Street's behalf on a global basis.



Brian Downer

Senior Vice President and Chief Procurement Officer, Global Procurement Services

Brian Downer is the head of IT Global Product and Platform Solutions within State Street. In this role, he focuses on developing industry-leading solutions and products critical to delivering superior client service, fueling innovation and increasing efficiencies.

Savage: We pay particular attention to any products or services delivered out of the five highest-risk countries for modern slavery — India, China, Pakistan, Bangladesh and Uzbekistan. We address other countries, but we keep a careful eye out for those five. Additionally, there are high-risk industries relating to the services we procure that we also keep tabs on. Since IT equipment is a backbone of our work, we look into our suppliers of those products too.

By taking all of this information into consideration during our vendor assessments, we're ensuring State Street's commitment to partnering with quality, compliant suppliers. On top of this, we are going to train and educate our Procurement and Global Human Resources (HR) teams so that they look out for any human rights issues in their work.

Q: Do you believe State Street employees and/or clients support the initiatives you have taken or plan on taking?

Downer: There is interest from all of our clients and employees in the decisions we make. We need to make sure we protect our clients from risk — including procurement risk. We've received inquiries from clients regarding the UK Modern Slavery legislation, for example, and we've assured them that we're taking action in our procurement processes for this new legislation. We're currently developing our statement and protocols, and expect to have a statement on our website by June of 2017. Our clients also perform due diligence on us against a broad set of topics, and they relate to environmental sustainability and human rights. These issues do not feel like a fad — they're a permanent way we're doing business.

Savage: We have an engaged and socially conscious group of employees — many ask about the environment and issues like human rights — so we're making sure we're impacting our community and the planet in positive ways. We're doing what we can to put our money where our mouth is through various philanthropy and environmental commitments. As a result, we've developed a culture based on the principles of environmental sustainability and engaging in the neighborhoods where we work and live.

Supporting Communities and the Environment

Supporting Our Communities

While providing value for our clients is one of our top priorities, active engagement in our local communities is one of our fundamental values. In fact, it's an integral part of our culture. Through volunteerism, employee engagement programs and our grant-making charitable arm, the State Street Foundation, we've supported the communities in which we operate for over 40 years. In addition, by using our resources — both human and financial — to protect the environment, we're not only supporting our communities, but also reducing costs and attracting and retaining clients and employees who share these priorities.

Since 2014, we've also been a signatory to the United Nations Global Compact — a global initiative uniting organizations to help build prosperous societies (see the table on pages 65-67 for a description of our commitment).

Wealth and income creation in society

Responsible Impact in the Global Economy

Our greatest responsibility is to connect our clients with the right opportunities. To do this, we evaluate both established and emerging markets for growth potential. For example, E7, a group of seven emerging economies, is projected to have close to 50 percent of global banking assets by 2050, despite holding less than 20 percent in 2013. Through global expansion and further integration of our products and services, we're ready to meet the demand driven by the industry's globalization.

Our approach to responsible investment management is exemplified in how we service our pension fund clients, who are responsible for safeguarding the retirement assets of people all over the world. To continue delivering value to these clients, we provide comprehensive long-term investment management solutions for their pensions. These options not only better the lives of those receiving pensions, they strengthen the prosperity of financial networks.

Supporting Wealth and Communities

We believe investing is a powerful tool. For example, as of December 31, 2016, we currently hold \$766 million in low-income housing tax credit investments. These investments provide equity to developers of low-income housing, and economic benefits that reach far beyond the individuals and families that receive housing.

We also recognize the opportunity to support communities through designated open space. For example, in 2016, we acquired 40 acres of undeveloped land in San Diego County, California, due to a loan enforcement process. This land was surrounded on three sides by a California state preserve, and we decided to donate it to the preserve via The Nature Conservancy. This decision aligned with our goal of supporting prosperity in local communities, and we look forward to seeing this recreational land benefit the community and the health of the surrounding ecosystem.

Acknowledging Our Efforts

As a result of our efforts and commitment to strengthening communities, we received an "outstanding" Community Reinvestment Act (CRA) rating from both the Federal Reserve Bank and the Massachusetts Division of Banks. Our last "outstanding" rating, awarded after the 2015 CRA exam, was our seventh consecutive rating at the

highest level. These exams look at all the ways we meet community development needs where we operate, with a special focus on our headquarters region.

Strengthening communities and the workforce

Creating Local Jobs

We prioritize creating sustainable, local impact beyond our normal business operations. As we have more than 30,000 employees in our operations around the globe, we provide substantial job opportunities in the communities where we live and work. New job opportunities in any of our global offices are always advertised locally first. For example, 100 percent of senior management positions were filled locally in 2014, and 89 percent in 2015. In 2016, our commitment continued, as 97 percent, or 30 of 31 new hires at our senior-level, were filled by local candidates. These senior-level candidates included senior vice presidents and above.

We also rely on our University Relations team partners, who work with undergraduate and graduate schools in the greater Boston, Kansas City, New York, New Jersey, Sacramento and Atlanta areas to recruit the best and brightest for jobs in those locations. Our Summer Internship Program, Professional Development Program and Future Focus Programs also fill our local talent pipeline. In addition, in Singapore, we recently began hiring 50 Nanyang Polytechnic students annually for six-month professional programs for academic credit, and in Ireland, we launched a new apprenticeship program in partnership with the National College of Ireland. The first apprenticeship group will begin their work at State Street in 2017. Our Boston WINs project (see pages 52-54) also creates local job opportunities.

Engaging Employees and Encouraging Philanthropy

Our employees' engagement with meaningful projects and volunteer opportunities is also evidence of our commitment to corporate responsibility. For example, in our offices around the world, Community Support Program committees (CSPs), made up of local employees, assist with community engagement activities including grantmaking, volunteerism and event sponsorship. Our Corporate Citizenship team trains, funds and supports these committees, and each CSP is given flexibility to adapt the programs they support to best serve local needs.

We also encourage our employees to engage with ongoing projects they're passionate about. Our Giving, Investing and Volunteering by Employees (GIVE) initiative is focused on choice, giving employees a stronger voice in how they can play a part in our collective effort to deepen the impact of State Street in the community.

Thanks to our generous employee base, 76 percent of our overall operations participate in local community engagement projects, impact assessments and development programs. We also encourage our executives to connect with charitable boards in their local communities.

Our employees' passion for charitable work also reaches across regions. For example, our internal global Professional Women's Network connects female employees with regional charitable organizations that serve women and girls in a variety of capacities, including mentoring, workforce development initiatives and self-esteem building.

State Street Employees GIVE Back

We're happy to provide our global employees the opportunity to make a difference with causes or organizations they care about. Our GIVE program encourages employees to volunteer or fundraise for causes they are passionate about by matching gifts and monetizing volunteer hours. For example, all of our employees are eligible for:

- At least two paid volunteer days per year
- A 1:1 match for monetary charitable donations
- A 1:1 match for money collected toward eligible fundraisers
- A \$250 match for every 16 hours volunteered, up to their annual caps

In 2016, our employees volunteered 120,700 hours globally and generated \$4.1 million in employee donations. We're impressed with those statistics, and proud of our employees' commitment to issues they care about.

State Street Foundation and Boston WINS

Strategic Grantmaking

We view engagement and philanthropy as powerful tools that support community development, and we've made a long-term commitment to increasing prosperity in our communities. This year we're celebrating the 40th anniversary of the State Street Foundation, the charitable arm of State Street Corporation. By awarding grants to nonprofits and nongovernmental organizations in 26 countries, the Foundation helps local organizations create opportunities that will lead to improvement in the quality of life for citizens in these communities.

The Foundation's primary investment focus is on organizations that provide education and workforce development programs to help disadvantaged individuals obtain the skills required to compete in the knowledge-based global economy and become financially self-sufficient. In 2010, we developed an Impact Framework for the Foundation to guide our investments in high-performing nonprofits that generate measurable impact in the following investment categories:

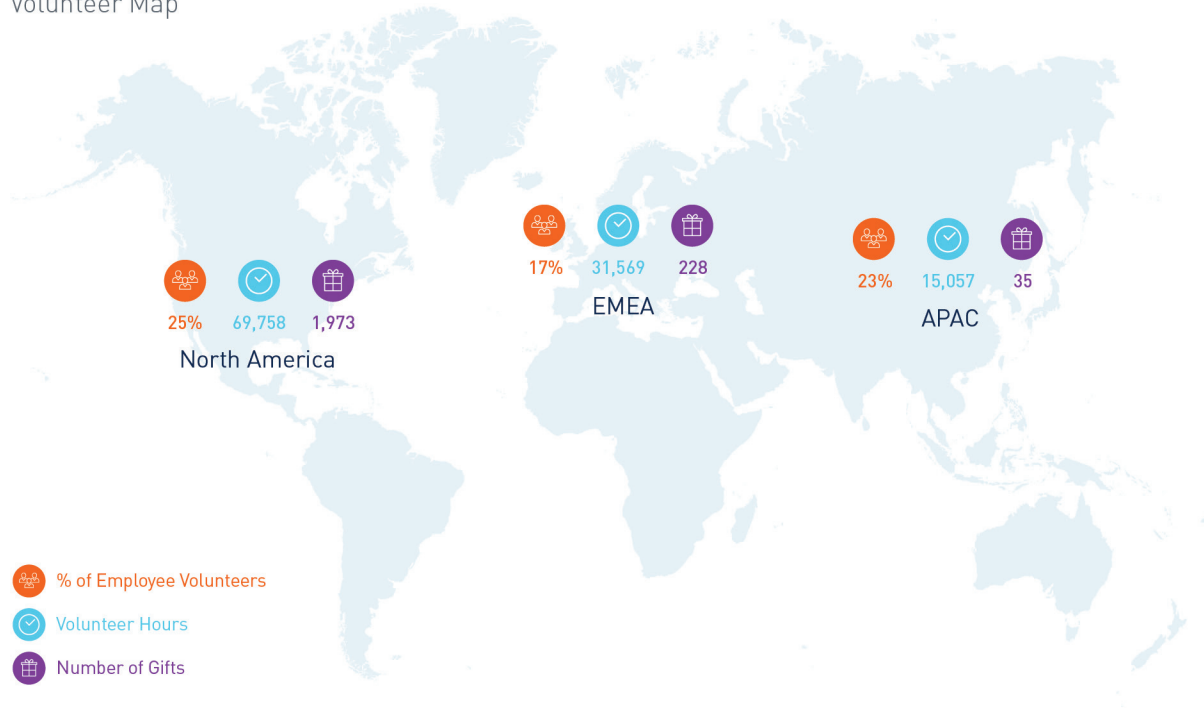
- Enable success in education
- Develop job-readiness skills
- Enable access to and attainment of industry-recognized credentials
- Provide meaningful work experiences
- Provide career employment

In 2016, the Foundation distributed \$19.4 million in funding to nonprofit organizations. This is a snapshot of the Foundation's funding by region:

2016 Strategic Grantmaking by Region

APAC	\$641,000
EMEA	\$1,739,000
Massachusetts	\$9,435,000
North America (excluding Mass.)	\$1,320,000
Total	\$13,135,000

Volunteer Map

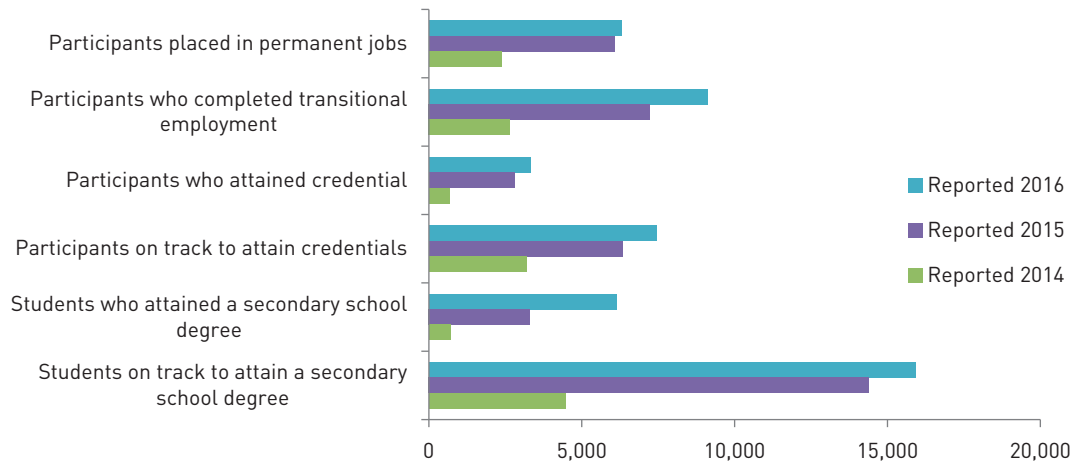


Strategic Grantmaking



State Street Foundation: Community Impact Across the Globe

State Street Foundation awards grants in 34 of the communities where State Street Corporation has offices. Community impact reports were received, and summarized below, from 270 nonprofit organizations that received Foundation grants during fiscal year 2015. The data below represents the numbers of students/clients who achieved educational and professional milestones across all the nonprofit organizations engaged with.



Creating Connections and Empowering Leaders

Our employees play a key role in maintaining the relationships we build with each State Street Foundation partner organization. We encourage members of our leadership team to hold board positions at our partner charities. In fact, 70 percent of our EVPs currently hold charitable board positions. In addition, our CSP committees actively engage with the local organizations they support.

State Street Foundation: Examples of Regional Community Partnerships

APAC: Touch Community Services

Since 2008, the State Street Foundation has provided more than \$164,000 to Singapore-based TOUCH Community Services. TOUCH is a not-for-profit charitable organization that supports low-income mothers by providing professional and computer skill training. TOUCH offers the opportunity for disadvantaged women to gain important workplace skills and prepare them for a meaningful career.

EMEA: Social Sense

Social Sense, a charitable organization located in Munich, Germany, offers workplace opportunities for persons with disabilities and occupational support for underprivileged women. Social Sense, which has received more than \$198,000 in State Street Foundation funding since 2012, provides education, psychological support and arranges job opportunities. Our Munich CSP and the local Professional Women’s Network work with Social Sense regularly.

North America: Business in the Streets

In Toronto, Canada, Business in the Streets (BITS) helps enterprising youth, women and other marginalized populations that face barriers to employment by providing business training, micro-financing and peer mentorship. By helping remove barriers to employment, BITS contributes to the improvement in quality of life and overall economic prosperity for their clients and communities. Since 2012, the State Street Foundation has provided more than \$66,000 in grants to BITS.

Moving Forward

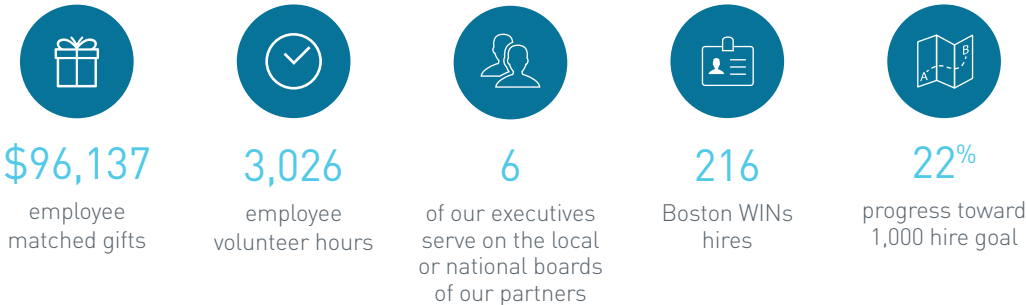
By investing in organizations that enhance the educational and professional skills of local populations we contribute to the improvement of our communities. Helping individuals gain sustainable employment also improves their financial circumstances and strengthens local economies.

We’re focused on understanding the impact of our grant funding to ensure that the Foundation’s investments achieve our goals. To this end, we require feedback and collect data from the charities we support to measure the impact of those investments.

Boston WINs

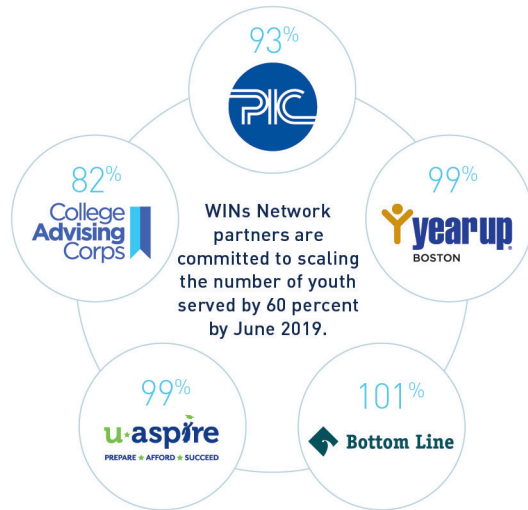
Our Investment and Commitment

** All data as of 6/30/16*

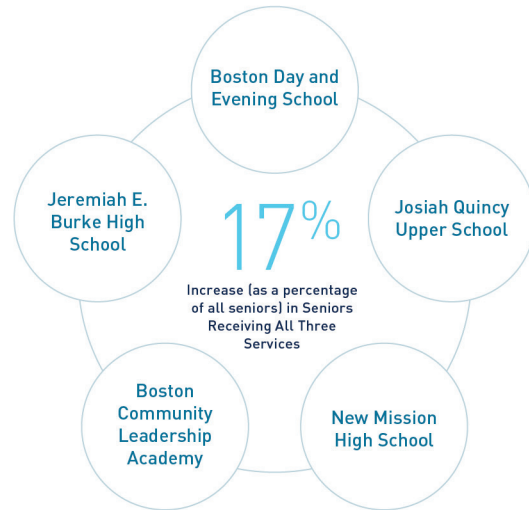


Partner Impact

Percentages towards Year One targets



Collective Impact



Boston WINs, or Boston Workforce Investment Network, is a four-year, \$20 million initiative seeking to accelerate our impact on education and workforce development across the city of Boston. Led by the State Street Foundation, Boston WINs brings together five high-performing nonprofits — Boston Private Industry Council (PIC), Bottom Line, College Advising Corps, uAspire and Year Up — each of which has the ultimate goal of advancing college and career readiness. To improve the scale and reach of these organizations, the Boston WINs network requires significant coordination of efforts, referred to as Coordinated Action.

Boston WINs has identified three key services critical to helping high school students graduate and prepare for college, their career or both:

- 1) College knowledge and admissions advising
- 2) College affordability and financial aid advising
- 3) Work experience and career awareness

This is where Coordinated Action comes into play. Coordinated Action enables the Boston WINs network to deliver these services in a complementary, reinforcing and effectively sequenced manner, with the goal of connecting all youth to the resources they need to be successful in and graduate from high school, as well as ensuring readiness for college and their careers. With increased communication, a consistent reporting system and a designated set of desired student outcomes, Boston WINs network partners can track what services students have received, identify and address gaps and facilitate referrals to the other partners. They're also able to connect youth with support for the transition between high school and post-secondary plans to maintain momentum in their education and career pathways.

Three primary commitments drive Boston WINs:

- We pledge to provide \$20 million to the WINs network partner organizations
- We pledge to hire 1,000 individuals served by these organizations

We commit to engaging our leadership team and employees through volunteering and board of director positions. To help meet this last commitment we enhanced our Matching Gift program so that employee gifts to the WINs network organizations will be matched 2-to-1.

Boston WINs: Mentoring Youth and Maintaining Impact

By the end of 2016, we had employed 233 Boston WINs students and hired 827 interns and trainees through our WINs partner organizations. We currently have executives on the boards of four of the five WINs organizations. On top of that, we launched three new mentoring programs in January 2017 to ensure the students served by these organizations have the support they need once they arrive for a job or internship.

To stay focused on our goals, we provide our Boston WINs program leadership teams with regular reports and impact dashboards to track progress on meeting our hiring commitment and the impact of Coordinated Action as a working strategy. As WINs continues to grow, evolve and improve outcomes for Boston youth we'll look for ways to use our experiences in other parts of the world.

Enhancing our Communities and Connecting our Employees

We believe our philanthropic efforts directly impact our local communities and enhance our employees' commitment to State Street as a whole. Many of the employees who participate in corporate citizenship activities typically report higher levels of engagement and job satisfaction in employee surveys. We're proud of the impact our employees have on the communities where we live and work.

Environmental sustainability and greenhouse gas emissions

Progress Against Global 2020 Goals



Measuring Our Environmental Impact

In addition to enhancing our communities' social well-being, protecting and maintaining the health of our planet is a top priority. To achieve this, we set targets and track our environmental performance to reduce our impact and advance our environmental strategies.

For example, in 2013 we committed to decreasing our greenhouse gas (GHG) emissions by 20 percent per person by 2020, compared to a 2012 baseline. Through our commitment to this goal, we achieved a 33 percent reduction in GHG emissions by the end of 2016. We also exceeded our goal of 20 percent water reduction per person by 2020, reducing water use per person by 21 percent last year. On top of that, we met our landfill diversion goal, achieving a 90 percent diversion rate, reaching our target of 90 percent diversion from landfill by 2020.

State Street Energy Use and Savings

Total Internal and External Energy Consumption

Total Scope 1 Fuel Usage	2016 (GJ)	2015 (GJ)	2014 (GJ)
Natural Gas	123,000	144,000	152,000
Diesel	7,340	3,990	NA
Total Scope 2 Indirect Energy Usage			
Electricity	899,000	927,000	969,000
Heating	33,100	32,900	19,100
Cooling	3,340	6,270	2,960
Total Scope 3 Energy Usage			
Business travel (non-renewable)	161,000	276,000	246,000
Total Energy Usage	1,226,780	1,390,160	1,389,060

Focusing on Operations

State Street Greenhouse Gas (GHG) Emissions

Direct and Indirect Greenhouse Gas (GHG) Emissions (Scopes 1, 2 and 3)

GHG Emissions	2016	2015	2014
Total direct (Scope 1)	8,240	10,600	7,910
Total Indirect (Scope 2)	92,300	101,000	109,000
Total Indirect (Scope 3)	87,000	98,400	88,000
Total GHG Emissions	187,540	210,000	204,910

Comments: In 2016, Scope 3 emissions for prior years have been restated to include grid loss.

The primary source of our GHG emissions is the energy we use in our operations. As a result, this is where we focused our efficiency efforts while pursuing new ways to mitigate and reduce emissions.

Operational Energy Efficiency

Monitoring energy efficiency in our offices through certification or accreditation programs also keeps our environmental targets on track. For example, our office in Bangalore, India is Gold certified under the Indian Green Building Council (IGBC). Our offices in Dublin, Republic of Ireland; London, England; and Edinburgh, Scotland, are accredited ISO 50001, a global energy management standard, and our Gdańsk, Poland office is certified LEED Platinum.

In 2016, our Channel Center office in Boston, Massachusetts, was awarded LEED Gold certification, and our office in Quincy, Massachusetts, has continued to receive the Energy Star certification and maintained a LEED EB Silver certification. The Josiah Quincy building received Energy Star certification for the first time in 2016. To maintain our commitment to reducing our GHG emissions and environmental impact, we also use sustainable materials and LED lighting in our operations wherever possible. As we continue to grow and inhabit new work spaces, we seek buildings and opportunities that increase our energy efficiency.

Flexible Work Solutions

Our environmental data shows that employee commuting and business travel are our second-largest source of GHG emissions. As a result, we encourage sustainable commuting options and flexible work solutions that reduce commuting. For example, State Street is a member of A Better City's Transportation Management Association, which is aimed at enhancing sustainable solutions for transportation in Boston. In addition, we're partnered with Hubway, which provides employees the opportunity to rent bicycles for their daily commutes. We believe that offering our employees the flexibility to work in alternative locations empowers them to perform autonomously and responsibly, while simultaneously reducing our impact on the planet.

At our location in Kraków, Poland, we are also piloting a concept called "max pack." This new concept offers fewer work stations than staff, given that through travel, holidays and general absences we've demonstrated that our employees are never all on-site at the same time. Thus, we're able to run our office at "over capacity" max pack, which reduces our environmental footprint not only through fewer work stations, but also through reducing the total physical space occupied by consolidating work stations onto one floor of our buildings rather than multiple floors.

A Continued Focus

While our past benchmark revolved around reducing GHG emissions per person, our current strategy is to set Science-Based Targets for global GHG emission reductions (please see next page). While we reviewed our success in reaching our targets we discovered that increasing the number of employees in our buildings was just one element required to achieve the greatest reductions in environmental impact.

In addition to capacity, we've chosen to also incorporate the following: optimizing operational equipment efficiencies, employee flexible work options, vetting new lighting and controls technologies and expanding employee involvement in our environmental initiatives. In fact, as we expand into new offices, we look for buildings that are highly energy efficient. We're also continuing to focus on retrofitting our current offices with innovative technology. We're prioritizing data center virtualization, and we unplug unused "zombie" servers wherever possible to avoid producing unnecessary emissions as IT requirements grow.

Carbon Offset and Renewable Energy Certificate (REC) Investments

In 2016, we invested in a number of projects to offset carbon emissions from our operations and business travel. For example, we purchased carbon offsets from a Uganda-based cook stove project, and we purchased enough Renewable Energy Certificates (RECs) to cover our North American electricity load. These RECs were sourced predominantly from the Midwest, although a small purchase of Massachusetts wind power was also made.

In 2017 we also plan to use solar power for common area lighting and thermal power in the building of our new office in Hyderabad, India. We'll continue to look out for future opportunities to reduce our environmental impact across all of our global offices.

Science-Based Targets

We spoke with Sharon Donovan-Hart about Science-Based Targets and our commitment to taking on this exciting new energy and greenhouse gas (GHG) emissions endeavor.

Q: What are Science-Based Targets, and why did State Street decide to add them to its environmental program?

Science-Based Targets (SBTs) are focused on reducing corporate GHG emissions in order to limit global warming to less than 2°C compared to preindustrial temperatures. After COP21, the 2015 United Nations Climate Change Conference held in Paris, France, many companies pledged to implement SBTs, and simultaneously, these kinds of commitments grew in importance to our clients, shareholders and employees. We recognize the opportunity and impact SBTs have, so we decided to align our corporate GHG reduction goals with global emissions budgets.

Q: What are State Street's Science-Based Targets, and what impact will they have on the bottom line?

Our commitment to SBTs began in 2016, and our targets were reviewed by the Science-Based Targets Initiative. Our goal is a 30 percent global reduction in GHG emissions by 2025 (measured per square meter), and we're already on track to achieve this. It's a global target, so all of our operations will help us achieve this goal. We've already begun working with our building managers and landlords on the operational efficiencies of our buildings to achieve our objectives, and we're using 2015 as our baseline. Our employees are also very interested in and aware of these efforts, so we're engaging with them to create strategies that contribute to our SBTs. Of course, we're also still turning over a lot of rocks in the corporate sense to find more opportunities to reduce our emissions.



Sharon Donovan-Hart

Executive Vice President, Enterprise Business Services at State Street

Sharon Donovan-Hart leads the development and execution of multiyear transformation programs in conjunction with Global Realty, Procurement, Continuity, and Third-Party Risk Management.

For some of our GHG emissions initiatives, the business case is cost neutral, but once we validate the details of all the programs and targets, there may be some cost impacts. The fact is, we're committed to this for the long run. We're thinking of our targets as a program — because programs are ongoing and targets, once achieved, are finite. We'll fund SBT programs the way we'd fund a property to keep it up-to-date. We'll use cost-benefit analysis and careful planning to choose the best options in technologies and equipment, but we're going to continue marching toward our SBT goal.

Q: Why is it important for State Street to have such a forward-looking environmental approach?

We don't think of SBTs as an event, but a way we do business. We don't want this to be the next big fad, we want it to be an impactful commitment. We're considering environmental impact reduction in everything we do within our operations, because doing so is important to us, society and the planet. However, although we're honing in on reducing our emissions, we'll continue to focus on reducing the amount of water we consume and the waste we produce. Our environmental and SBT programs will be dynamic, but enduring.

Q: What do you hope State Street's commitments to SBTs will achieve in the long term, aside from reducing impact on global warming?

We have a long history of being a strong corporate citizen. That means we aim to uphold our position as a leader in the communities where we operate while maintaining our commitments to our clients and the environment. Our stakeholders care about social and environmental issues, and so do we — and we want to continue participating in a global community that prioritizes reducing impact on the environment and enhancing the social well-being of all communities.

Currently, our employees are on board, as well as key executives and shareholders. We know our SBT goal is ambitious, but we're taking a transparent and systematic approach to achieving it. Communicating our progress along the way is also a huge part of our strategy, and we look forward to releasing our SBT goal and programs. We're going to create awareness and educate our stakeholders so that they're able to contribute to our initiatives. Many of our employees are already enthusiastic about our SBT commitment, so we'll try to continue fueling their excitement as we work toward our goals.

Impacts of climate change

Risk Excellence and Environmental Challenges

We take environmental risk management very seriously in all aspects of our business, and increasingly as it relates to environmental challenges. To manage this risk, we developed an environmental risk excellence matrix that evaluates strategic, market, regulatory, reputational and physical risks. While climate change isn't an immediate risk for our operations, we identified certain risks and mitigation strategies primarily involving strategic and reputational risk. We're diligently monitoring and evaluating these and other risks we identified.

Overseeing Our Risk

Our State Street Global Advisors (SSGA) Stewardship group introduced a climate change risk oversight framework for directors in 2016. This global program encompasses all equities we manage and helps us plan for any possible risks we may face as a result of climate change. We also built a multi-factor risk analytics engine that uses ESG non-financial factors to identify potential ESG risks for our custodial clients.

Risks from Climate Change

We regularly evaluate the physical risks of climate change in the context of our activities. This typically includes an assessment of frequency and severity of major weather events and the potential impact this could have on our operations. The possible impacts we evaluate include:

1. The potential loss of, or temporarily restricted access to, buildings or operations.
2. The loss of or damage to technology and operations infrastructure.
3. Business, operations or technology impacts to employees as a result of severe weather.

The potential financial risks associated with the physical implications of climate change include costs from weather-induced damage, supply chain disruptions or inability to provide products or services. Our current approach to business continuity now includes consideration of environmental risks related to climate change.

We also assess the vulnerability of new locations to potential climate change effects since many of our major buildings are in coastal areas. As part of our environmental management system, our Environmental Sustainability Committee also continues to evaluate and calculate costs associated with our environmental sustainability programs. We're committed to protecting our clients from any service interruptions, including those related to climate change, in addition to taking responsibility for mitigating our own climate impacts.

Committing to Risk Management

As a signatory to the United Nations Global Compact, we're committed to a precautionary approach to environmental challenges. Our ISO 14001 certification at 17 of our largest operations across the globe also requires us to evaluate environmental risk over the long term. At the end of the day, we view our commitment to environmental sustainability and GHG emission reductions as a means of continuously acknowledging and addressing any possible risks associated with climate change.

Recognized Opportunities

In addition to our consideration of environmental risk as it relates to climate change, client interest in environmental sustainability themed products and services reveals the opportunities associated with environmental challenges. We recognize this kind of stakeholder interest as a potential area for generating

revenue, and we provide ESG products that have proven successful and popular with our clients (see pages 20-26 for more information on our ESG products and solutions).

We've also seen a significant interest in environmental issues by our employees, so we're tapping into their enthusiasm to support our momentum with all our environmental sustainability and corporate responsibility goals. We're committed to continuously identifying and addressing risks and opportunities associated with environmental sustainability and corporate responsibility.

Environmental Sustainability Employee Network (ESEN)

Many of our employees are passionate about environmental and social issues. To focus this energy, the Environmental Sustainability Employee Network (ESEN) came to fruition in 2016.

According to founding members Melanie Kulick, Salvatore Ternullo and Christopher Berry, there was a growing interest for a sustainability-oriented professional network where ideas could be shared among employees, excitement could grow and participation could bring environmental issues to the forefront of State Street's strategies from the ground up.

Currently, more than 250 members make up the ESEN, and more than 3,000 of our employees follow the ESEN on internal communication platforms — over 10 percent of our global employee base. Members span our business units in North America, EMEA and APAC. The Steering Committee and advisory group comprises employees at all levels of the organization, balancing management experience with raw enthusiasm to lead the ESEN.

The ESEN's four subcommittees focus on employee engagement, community outreach, marketing and operations. These subcommittees drive participation, bring ideas to the Steering Committee and oversee projects. One of the primary goals of the ESEN employee engagement subcommittee is to involve our employees in project planning, implementation and awareness. In 2016, for example, the ESEN organized an internal speaker panel that focused on our carbon offset and REC purchases, tax-advantaged investments and other environmental sustainability opportunities at State Street.

In the past, State Street's employees created groups of Green Teams and an Eco-Advisory Council to fuel environmental sustainability initiatives. Now, the ESEN is a common ground where employees can share resources, ideas and participate in environmental issues and projects they are passionate about. We are confident that the ESEN will enhance our environmental commitments, and we'll continue to support this powerful network in every way that we can.

ESEN Founding Members



Melanie Kulick
Officer, SSGX ESG Solutions



Salvatore Ternullo
Senior Associate, IT Auditor



Christopher Berry
Assistant Vice President, Auditor and
Business Development

Appendix I: External Commitments and Memberships

United Nations (UN) Sustainable Development Goals



As a signatory to the UN Global Compact (see page 65), in 2016 State Street adopted five UN Sustainable Development Goals as part of our approach to corporate responsibility. After reviewing all 17 Sustainable Development Goals, the Executive CR Committee selected five that not only align closely with our overall strategy, but also create the greatest value for our business and stakeholders:

- Ensure inclusion and quality education for all and promote lifelong learning
- Promote inclusive and sustainable economic growth, employment and decent work for all
- Achieve gender equality and empower all women and girls
- Ensure access to affordable, reliable, sustainable and modern energy for all
- Take urgent action to combat climate change and its impact

To communicate the purpose of each goal and steps taken to achieve them, we've grouped these five goals under themes of workforce development, gender equity and environmental sustainability.

Quality Education, Decent Work and Economic Growth

In 2016, State Street took major steps to ensure that the communities in which we operate were provided resources to further quality education, decent work and economic growth. To promote quality education around the world, State Street volunteers devoted more than 10,000 hours to mentoring and serving hundreds of youth.

In addition to our work toward achieving quality education for all, we also took action to promote sustainable economic growth, employment and decent work for all. We succeeded in this by providing internships and opportunities to youth as a means to develop skills and promote social mobility, all while enhancing company performance. The Boston WINs program and its partnership organizations supported more than 200 internships in 2016. This immense progress is most visibly reflected in WINs' successful placement of nearly 25 percent of State Street's total commitment to 1,000 new hires.

Gender Equality

On the gender equality front, 2016 was a busy and rewarding year for State Street. With regard to the gender diversity targets we set forth in the beginning of the year, we achieved three of our four target areas, including at the EVP, SVP/MD and VP levels. Similarly, as a member of the Boston Women's Workforce Council, we remained committed to the principles outlined in the Boston's 100% Talent Compact.

Most notably, SSGA launched a gender diversity ETF in March 2016 (see page 25 for more information on the gender diversity ETF). The launch coincided with International Women's Day. In accordance with executive support and market research, this product delivers a tailored brand strategy that drives progress toward clear, gender disaggregated key performance indicators.

Affordable and Clean Energy

We've made great strides with regard to our environmental goals. By focusing our attention on clean energy and climate initiatives, we hit and even exceeded our 2020 goals to reduce carbon dioxide emissions and water usage by 20 percent, and divert 90 percent of waste from landfills. In addition to the goals we set forth, we integrated climate risk into our investment analysis strategy. For example, 22 of SSGA's products are ESG portfolios, with five specific to environmental issues.

Over the past few years, SSGA has also developed several products to address climate change including Green Bonds, Low-Carbon and Fossil Fuel-Free ETFs, among others (please see page 20 for more information on our ESG products and solutions). Lastly, State Street took steps to accelerate the transition to an inclusive low-carbon economy through carbon offset purchases and our participation in a renewable energy Tax Credit Investment program. Through this program, we invested more than \$400 million in renewable energy projects in 2016.

UN Global Compact

In December 2014, we became a signatory to the United Nations Global Compact (UNGC), the world’s largest corporate citizenship initiative, which is based on 10 universal principles. This table shows where information on our approach to the UNGC can be found in this report.

Alignment with the UN Global Compact Principles		
UNGC Principle	Reference	Commentary
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Engaging Employees & Suppliers	In 2016, our human rights statement was revised to reaffirm our commitment to internally proclaimed human rights.
Principle 2: Make sure that they are not complicit in human rights abuses	Engaging Employees & Suppliers	To address our responsibility to work alongside vendors that share our values, we have incorporated human rights considerations into our procurement process.
Labor		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Wage Equity and Flexible Work Solutions	We are committed to adherence to local laws regarding the freedom of association and collective employee action.
Principle 4: The elimination of all forms of forced and compulsory labor	Asset Stewardship and Engaging Employees & Suppliers	In our business operations, we do not condone forced and compulsory labor. Through the investment portfolios under management by SSGA, we engage companies on issues related to human rights including labor rights.
Principle 5: The effective abolition of child labor	Asset Stewardship and Engaging Employees & Suppliers	In our business operations, we do not condone child labor. Through the investment portfolios under management by SSGA, we engage companies on issues related to human rights including child labor.

<p>Principle 6: The elimination of discrimination in respect of employment and occupation</p>	<p>Diversity and Inclusion</p>	<p>We recognize the business value of a diverse workforce. In 2016, we made great progress in regard to our three-year diversity goals (baseline 2014).</p>
<p>Environment</p>		
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p>	<p>Environmental Sustainability and Greenhouse Gas Emissions</p>	<p>In 2016, we accomplished all three of our 2020 environmental sustainability goals. Additionally, we have continued to invest in initiatives that offset the impact of our business operations, such as investment in solar power projects and the purchase of renewable energy certificates.</p>
<p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p>	<p>ESG Products and the Gender Diversity ETF ESG Financial Solutions</p>	<p>In response to client interest, we have undertaken environmental sustainability initiatives in our product and service offerings. In 2016, we added a gender diversity exchange traded fund to our line of ESG-focused products and launched our ESG Solutions business to support the development of ESG-related products.</p>
<p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>UN Sustainable Development Goals Environmental Sustainability and Greenhouse Gas Emissions</p>	<p>Through our Tax Credit Investment program, we invested more than \$400 million in renewable energy projects in 2016. By supporting flexible work arrangements, we provide opportunities for enhanced work-life balance and decrease the environmental impact of employee commuting</p>

<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>Risk Excellence</p>	<p>To maintain our reputation as a trusted partner, the Global Anti-Bribery and Corruption policy was updated and we have incorporated compliance factors directly into the year-end performance management and assessment processes. Globally, all of our staff receives online training in anti-bribery, conflict of interest and other Standard of Conduct matters.</p>
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Overview of Our Memberships

We participate in a variety of industry organizations around the world, advocating for adherence to industry best practices and encouraging the highest ethical standards by all industry participants. Where applicable and possible, we seek to be active participants or signatories and fulfill the requirements for membership in good standing. When appropriate, we pay membership fees or sponsor events.

Our involvement includes, but is not limited to the following organizations:

In the US:

American Bankers Association, ABA Securities Association (board member), American Benefits Council (board member), Association of Global Custodians, Associated Industries of Massachusetts (board member), Boston College Center for Corporate Citizenship (Leadership Forum member), Boston Municipal Research Bureau (board member), Business for Social Responsibility, The Clearing House (board member), Ceres, Council of Institutional Investors, Financial Services Forum, Greater Boston Chamber of Commerce (Executive Committee), International Swaps and Derivatives Association, Investment Company Institute (board member), Investor Network on Climate Risk, Managed Funds Association, Massachusetts Bankers Association, Massachusetts Business Roundtable (board member), Massachusetts Competitive Partnership (board member), Massachusetts Taxpayers Foundation (board member), New England Council (board member), Structured Finance Industry Group (board member), Sustainable Accounting Standards Board, Securities Industry and Financial Markets Association, US National Center for APEC, US-ASEAN Business Council and US-India Business Council.

Outside the US:

Alternative Investment Management Association, American Chamber of Commerce memberships in various countries, APEC Asian-Pacific Financial Forum, APEC Business Advisory Council, Asia Securities Industry and Financial Markets Association (board member), Asian Corporate Governance Association, The Aspen Institute Business and Society Program, Asset Management Association of China, British Bankers' Association, Business in the Community, CSR Asia Limited, CSR Europe, Canadian Bankers Association, European Depositary and Trustee Forum (board member), ESG Research Australia, European Fund and Asset Management Association, European Parliamentary Financial Services Forum, Financial Services Council of Australia, Financial Services Ireland (board member), Forum of European Asset Managers, French Asset Management Association, German Bankers Association, Global Financial Markets Association (FX Division) (board member), Global Reporting Initiative, ICI Global (Steering Committee), Institute of International Finance, Institutional Money Market Funds Association (board member), International Bankers Association of Japan (Executive Committee), International Capital Markets Association, International Integrating Reporting Council, International Securities Lending Association (board member), Investment Association, Irish Funds, Luxembourg Bankers Association (board member), TheCityUK and United Nations Environment Programme Finance Initiative.

Appendix II: Report Structure, GRI References and DMAs

Report structure and GRI references

GENERAL STANDARD DISCLOSURES

Reference		Location/Direct Response
STRATEGY AND ANALYSIS		
G4-1	CEO Statement	Letter from Joseph L. Hooley
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	State Street Corporation
G4-5	Location of organization's headquarters	[Back cover]
G4-7	Nature of ownership and legal form	State Street is a financial holding company organized under the laws of the Commonwealth of Massachusetts. Our common stock is listed on the New York Stock Exchange.
G4-17	Operational structure	State Street Global Markets State Street Global Advisors State Street Global Services State Street Global Exchange A list of subsidiaries of State Street Corporation is provided in our Form 10-K .
BUSINESS ACTIVITIES (RELATED TO BUSINESS MODEL)		
G4-4	Primary brands, products, and/or services	We have two lines of business: Investment Servicing and Investment Management. [Our Business Lines]
G4-6	Countries of operation	We serve clients in more than 100 markets and have offices in 30 countries. For a list of office locations, see the About section on www.statestreet.com .
G4-8	Markets served	We serve asset owners; asset managers and alternative asset managers; official institutions, including central banks and sovereign wealth funds; and insurance companies. Our customers and beneficiaries are institutional investors.

		<p>Our investment servicing business, State Street Global Services (SSGS), provides asset owners and managers with a wide range of support, from core custody, accounting, fund administration and shareholder record keeping to complete investment operations outsourcing solutions and servicing for complex alternative assets such as private equity and real estate. We also deliver innovative performance measurement and analytics tools, giving our clients the information they need to make better-informed decisions.</p> <p>State Street Global Advisors (SSGA) is a global leader in asset management. SSGA is relied on by sophisticated investors worldwide for its disciplined investment process, powerful global investment platform and access to every major asset class, capitalization range and style.</p> <p>State Street Global Markets (SSGM), our investment research and trading arm, provides specialized research, trading, securities lending and innovative portfolio strategies to owners and managers of institutional assets. Our goal is to create access to alpha, insights, liquidity and financing by enhancing portfolio values.</p> <p>State Street Global Exchange is a strategic partner to asset owners and managers, delivering new perspective and insight into risk management and investment strategy. We combine capabilities in research and advisory, portfolio performance and risk analytics, electronic trading and clearing, information and data management, along with new innovations to support clients' specific needs. Multi-asset class and configurable, our solutions cover the full life cycle of a transaction. They are designed to help investors zero in on the opportunities and actions that will generate the most value.</p>
G4-9	Scale of the reporting organization	See [Economic performance] concerning key financials, [A snapshot of our workforce] concerning staff numbers, and Form 10-K for further information concerning assets, debt, and shareholders' equity.
G4-10	Total workforce by gender and employment type	Female employees: 15,743 (14,884 full-time and 859 part-time). Male employees: 18,088 (17,936 full-time and 152 part-time).

G4-11	Percentage of employees covered by collective bargaining agreements	[Wage equity and flexible work options]
G4-12	Description of supply chain	[Supplier assessments]
G4-13	Significant organizational changes	There were no significant changes regarding the organization's size, structure, ownership, or its supply chain.
APPROACH AND COMMITMENTS		
G4-14	Precautionary approach	[Risk Excellence] , [Impacts of Climate Change] , [UNGC]
G4-15	Principles endorsed	UN Principles for Responsible Investment, UNEP Finance Initiative, UN Global Compact, Boston Women's Compact, CDP, Ceres, ISO 14001, ISO 50001
G4-16	Memberships	[Overview of Our Memberships; Appendix I]
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-18	Process for defining the report content	[Material corporate responsibility topics]
G4-19	Material aspects identified	[Material corporate responsibility topics]
G4-20	Aspect boundaries within the organization (internal boundaries)	[Material corporate responsibility topics]
G4-21	External boundary	<p>Aspect boundaries were identified by considering the following value chain elements: Upstream: IT products and other office equipment; Paper and other office supplies; Service providers including financial information, financial intermediaries, etc.; Contingent labor providers; Regulators. Downstream: Direct clients: public sector (e.g., pension funds), private sector</p> <p>Indirect clients: beneficiaries of pension funds, etc.; Companies whose stocks and bonds are included in portfolios State Street manages (also part of upstream value chain)</p>
G4-22	Restatements of information from previous reports	Please see footnote on page 56 for restatements on State Street's greenhouse gas (GHG) emissions. [Environmental sustainability and greenhouse gas emissions]
G4-23	Changes in scope or boundary from previous reporting year	No significant changes

STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups engaged by the organization	Shareholders, clients, employees, academics, NGOs, investment analysts, business partners
G4-25	Identify stakeholders	As a publicly traded company whose success depends on the supporting the success of our clients with financial services, we have for a long time defined shareholders, clients and employees as key stakeholders. Further stakeholders (see G4-24) are important as they provide expert perspectives or impact our reputation in the marketplace.
G4-26	Stakeholder engagement	Engagement with all stakeholders (shareholders, clients, employees, academics, non-governmental organizations, investment analysts and business partners) occurs every two years and all engagement is undertaken as part of the report creation process, specifically to identify the areas of focus for the report. For the 2015 materiality assessment, shareholders, clients, academics, non-governmental organizations, investment analysts and business partners were engaged through the use of a survey they were asked to complete and return to State Street's CR team. Employees were also engaged through the use of a survey they were asked to complete and return to State Street's CR team. They also participated in five workshops conducted for colleagues in the North America, EMEA and Asia Pacific regions.
G4-27	Engagement results	[Client experience and feedback] , [Diversity and Inclusion] We update our list of material CR topics every two years, and in 2015 we conducted a materiality assessment based on guidelines from the Global Reporting Initiative (GRI).
REPORT PROFILE		
G4-28	Reporting period	January 1 to December 31, 2016
G4-29	Date of most recent previous report	May 2016
G4-30	Reporting cycle	Annual
G4-31	Contact point	Richard Pearl, Vice President, CR Officer +1 617 786 3000
G4-32	GRI Content Index, identify the "in Accordance" option chosen, and external assurance of report	GRI G4 core, externally assured
G4-33	Policy and practice on assurance	We obtain independent assurance on our annual Corporate Responsibility reporting. For details of the scope and basis of the assurance carried out by ERM CVS on our 2016 CR Report, please refer to ERM CVS's assurance statement in Appendix III .

GOVERNANCE		
G4-34	Governance structure, committees	[Compliance and business ethics] and Form 10-K .
ETHICS AND INTEGRITY		
G4-56	Values, principles, standards	[Compliance and business ethics]

SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

ECONOMIC: Overarching Disclosure on Management Approach (DMA)

Creating economic value for our clients, communities and society in general is paramount for the success of State Street and for all our stakeholders. To achieve this, we work hard to manage and maintain our economic performance, market presence, indirect economic impacts and procurement practices in all parts of our organization. Doing so requires careful, strategic processes and policies and cooperation from our entire team.

The members of State Street’s Management Committee are the most senior policy makers in the organization, and the committee sets the tone and business parameters for the company including its financial goals and strategies.

The Management Committee is supported by State Street’s strategy office, which develops annual business strategies for State Street as a whole. Furthermore, because we are a public company, we establish financial goals on a quarterly and annual basis, and our corresponding results are released on the same quarterly schedule as our earnings disclosures.

MATERIAL ASPECT: ECONOMIC PERFORMANCE

Disclosure on Management Approach	<p>See overarching DMA above. Furthermore, the economic success of our business determines our ability to create value for our clients, communities and society in general and has direct impacts not only on our shareholders, but also on other stakeholders with whom we work including suppliers and local communities, as well as on our own employees.</p> <p>The Board of Directors is responsible for providing oversight of management and has six committees that help to streamline topics of review. Annually, the Board engages with management in a two-day strategy session to discuss the company’s long-term strategy and business initiatives. State Street’s capital policy and capital plan (Comprehensive Capital Analysis and Review – CCAR) sets forth our planned capital actions for the year and is a requirement for banks. State Street also has many departments of finance, including a capital group, accounting and tax.</p> <p>The Board goes through an annual assessment of its own performance and the performance of its committees throughout the year. In addition, the Examining and Audit Committee of the Board performs an in-depth internal review of the quarterly results prior to release, and the Federal Reserve reviews our CCAR filing on an annual basis. In 2016, none of these reviews and evaluations indicated a need to significantly change our management approach with respect to economic performance.</p>	
G4-EC1	Economic value generated	[Economic performance]
G4-EC2	Financial implications of climate change	[Impacts of climate change]

MATERIAL ASPECT: MARKET PRESENCE		
Disclosure on Management Approach	<p>See overarching Economic DMA above. In addition, local job creation is important for regional economic development and State Street strives to build a workforce that is reflective of the clients it serves and the communities in which it operates.</p> <p>Our talent recruitment and retention efforts are ultimately overseen by the Senior Vice President of Human Resources. Beyond our overarching recruitment and talent management initiatives, in 2015 we formed a global diversity sourcing team to bring diverse talent into higher-level roles. State Street also builds pipelines of future talent through workforce development initiatives such as through the community-based paid internship program in partnership with YearUp.</p> <p>For evaluations of the effectiveness of our recruitment and retention effort, see the Labor DMA on employment, and for corresponding evaluations of community engagement programs including the job-readiness initiative see the Society DMA on local communities.</p>	
G4-EC6	Local management	[Strengthening communities]
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS		
Disclosure on Management Approach	<p>See overarching Economic DMA above. In addition, indirect economic impacts are relevant to State Street and its stakeholders as they relate to wealth and income creation in society. Our core business contributes to this directly. The more we can do for our clients, the more they can contribute to global wealth through job creation, retirement savings, responsible investing and more. Our future depends on aligning solutions with clients' evolving needs, while building on the strong foundation of our core business. Our clients trust us with 12% of the world's financial assets.</p> <p>For the management of our core business activities and the regular assessment of its effectiveness, see the DMA on Economic Performance above.</p> <p>In addition, our community engagements as part of our corporate citizenship initiatives are of increasing interest not only to local communities but also to our clients. The State Street Foundation plays a key role in our corporate philanthropic giving focused on education and workforce development issues. Furthermore, employees contribute donations and volunteer time for charitable causes.</p>	
G4-EC7	Impact of investment	[Environmental, social and governance investment solutions]
G4-EC8	Indirect economic impacts	[Wealth and Income Creation in Society, Strengthening Communities, and State Street Foundation and Boston WINS]
MATERIAL ASPECT: PROCUREMENT PRACTICES		
Disclosure on Management Approach	<p>See overarching Economic DMA above. In addition, our procurement is relevant for State Street and its stakeholders, as it was in 2015. In 2016 we spent about \$3.32 billion globally on products and services including financial, IT, business and professional services, and market data, travel management and office support.</p>	

	<p>Our Global Procurement Services (GPS) team works tirelessly to identify high quality, cost-effective and flexible suppliers that help us operate and serve our clients efficiently. The team also sets procurement standards, identifies suitable suppliers, and negotiates favorable price and contract terms. When scale and cost permit, we use local suppliers wherever we can.</p> <p>As part of our further development of procurement practices, in 2016 we started exploring using local supplier questions in our Global Procurement’s RFP process.</p>
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CATEGORY: ENVIRONMENTAL

ENVIRONMENTAL: Overarching Disclosure on Management Approach (DMA)

We consider the environmental impacts of our decisions every day because they affect our ability to increase efficiency, attract and retain clients, save money and engage employees. We focus on our environmental impacts in terms of emissions and supply chain issues. As a financial services company, our products and services have minimal direct environmental impact apart from issues of ESG integration into our client offerings (see Product Responsibility and Financial Services Sector DMA). However, recognizing the threat of climate change, we are committed to stepping up our efforts to reduce the use of fossil fuels and paper.

Our Environmental Policy states that our “commitment to our community and our environment is an integral part of who we are.” Our broader CR strategy, which includes GHG from Operations, is managed by the Executive CR committee. This is fed by the Environmental Sustainability Committee where Global Realty, Procurement, information technology (IT), Travel, and environment, social and governance (ESG) teams are all represented. This group manages GHG from operations, with Scope 1+2 predominantly falling on Realty and IT, while Scope 3 is comprised of Procurement and Travel. ESG directly impacts investment emissions and our REC/carbon offset strategy. We focus many of our environmental sustainability resources toward employee engagement and we maintain our commitment to reducing our impact on the environment through our operations and business travel.

Our Office of Environmental Sustainability, which is part of our Corporate Responsibility (CR) team within State Street’s Corporate Citizenship division, oversees and regularly assesses our progress with our environmental initiatives and goals.

ASPECT: ENERGY

G4-EN3	Energy consumption within the organization	[Environmental sustainability and greenhouse gas emissions]
G4-EN4	Total external energy consumption	[Environmental sustainability and greenhouse gas emissions]
G4-EN5	Energy intensity ratio	[Environmental sustainability and greenhouse gas emissions]
G4-EN6	Energy saved	[Environmental sustainability and greenhouse gas emissions]

MATERIAL ASPECT: EMISSIONS

Disclosure on Management Approach	See overarching Environmental DMA above. Greenhouse gas (GHG) emission management and mitigation is a main focus of environmental sustainability at State Street, due to the emissions caused by energy use in our buildings and data centers and by our emissions related to business travel and commuting.
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	<p>As a financial services provider with mainly office-based operations, we are not subject to particular GHG emissions policies or regulations that go beyond what is required from other large companies in the markets where we operate. However, on a voluntary basis we are committed to progress with respect to emissions, and one of our key goals is a reduction of GHG emissions by 20% (when normalized by employee headcount) by 2020 using 2012 emissions as our baseline. We are also subject to Article 8 of the EU Energy Efficiency Directive, and the UK Carbon Reduction Commitment legislation for our operations in the UK and Europe. Currently, State Street does not include any offsets/RECs toward obtainment of the 2020 environmental targets. State Street does follow GHG Protocol best practices however and dual-report GHG emissions following both the location and market based methods. For market based figures, RECs are included. Purchased RECs are Green-e (NA) or EECS-GO (EMEA) certified. Per GHG Protocol guidance, carbon offsets are not included in market-based method calculations.</p> <p>To assess our approach to environmental protection, we regularly track our performance against goals and consider suggestions made by stakeholders. In considering ways to meet our targets, technology research helps us to evaluate new initiatives. During 2016, we also continued to make progress in addressing broader environmental impacts (see page 58 within this report).</p>	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	[Environmental sustainability and greenhouse gas emissions]
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	[Environmental sustainability and greenhouse gas emissions]
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	[Environmental sustainability and greenhouse gas emissions]
G4-EN19	Reduction of greenhouse gas (GHG) emissions	[Environmental sustainability and greenhouse gas emissions]

MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT

Disclosure on Management Approach	<p>See overarching Environmental DMA above. This aspect is relevant for State Street and our suppliers because we have a significant supplier base, representing about \$3.32 billion in annual spend. As a result, selecting suppliers that are environmentally responsible has positive impacts on environmental protection.</p> <p>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 factors. All new suppliers that go through the Request for Proposal (RFP) process are asked questions regarding environmental sustainability. Assessing the quality of our suppliers with an environmental sustainability lens helps us determine which suppliers align with our business and corporate responsibility goals.</p> <p>All else being equal, we choose to work with suppliers who offer products and services that will reduce our overall environmental footprint as part of our Environmentally Preferable Purchasing Program (EPPP). In cases where the eco-friendly solution is costlier, however, we have to manage trade-offs between environmental and economic goals.</p>	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	[Supplier assessments] 100%

CATEGORY: SOCIAL (LABOR PRACTICES AND DECENT WORK)

<p>LABOR PRACTICES AND DECENT WORK: Overarching Disclosure on Management Approach (DMA)</p>	
<p>Our diverse, hardworking and talented employees across all parts of our organization drive our success. Therefore, we focus on specific labor practices that enhance the employee experience (e.g., through training and engagement), the culture we develop as a company, and how we compensate our employees. Also, paying attention to labor practice and decent work in our supply chain is a relevant part of our corporate responsibility.</p> <p>Overall, our Global Human Resources team has a core responsibility for human resources within State Street, and our Global Procurement Services team for our work with suppliers.</p> <p>Our evaluation of the effectiveness of our management of labor practices and decent work topics includes that we measure our success through training results, employee engagement (e.g., employee network growth), and supplier quality over time.</p>	
<p>MATERIAL ASPECT: EMPLOYMENT</p>	
<p>Disclosure on Management Approach</p>	<p>See overarching Labor Practices and Decent Work DMA above. In addition, it's extremely important that we find and keep the very best candidates. Our goal is to explain how a 200-year-old custodian bank can offer opportunities that are more interesting and rewarding than positions in other industries and companies.</p> <p>Talent Acquisition and Talent Development are globally managed functions and the vast majority of programs and initiatives apply to the entire company. That said, regions and business units may tailor these initiatives to their population and/or implement others in conjunction with the global functional areas.</p> <p>In 2016, it was determined that the current management approach is effective in aligning corporate resources against corporate priorities through the alignment of annual goals set by management to our long-term strategic objectives agreed by management and our Board.</p>
<p>G4-LA1</p>	<p>Employee turnover [Talent recruitment and retention]</p>
<p>MATERIAL ASPECT: TRAINING AND EDUCATION</p>	
<p>Disclosure on Management Approach</p>	<p>See overarching Labor Practices and Decent Work DMA above. In addition, developments within the financial services industry such as increased regulation, historically low interest rates, slower growth, and automation/artificial intelligence make training and development even more critical as we need to ensure we have the skills and capabilities necessary to drive our business.</p> <p>For global management and regional adaptation of Talent Acquisition and Talent Development, and the corresponding assessment of effectiveness of the current management approach, see the Employment DMA above. Planning instruments include our Ongoing Enterprise Talent Plan with three pillars — Culture & Risk Excellence, Diversity & Inclusion, and Internal Mobility.</p>

G4-LA9	<p>Each business unit/corporate function has its own unique annual talent plan. Our professional development initiatives for example include the State Street University (SSU) program.</p> <p>An Annual Talent Review Process is conducted involving the CEO, the Chief Human Resources Officer, and the Heads of each Business/ Corporate Function.</p> <p>Average hours of training per year per employee</p>	<p>[Training and professional development]</p>
G4-LA10	<p>Programs for skills management and lifelong learning</p>	<p>[Training and professional development]</p>
G4-LA11	<p>Percentage of employees receiving regular performance and career development reviews</p>	<p>[Training and professional development]</p>
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
Disclosure on Management Approach	<p>See overarching Labor Practices and Decent Work DMA above. In addition, we know that a diverse workforce inspires innovation, decreases risk and creates better business results. We are also constantly looking for the talent that will keep our company growing, leading and increasing value for our customers and shareholders. Therefore, we focus our energy on hiring diverse, talented employees across our whole organization.</p> <p>We launched a three-year diversity strategy in 2015 focused on communication/education, pipeline building and accountability across the organization. By taking this three-pronged approach, State Street is positioned to advance diversity, supported by significant and visible measures for leadership accountability. Important to this effort, diversity goals are now set at the assistant vice president (AVP) and above levels and communicated across the company, which helps us focus on pipeline issues that create roadblocks to increasing diversity at the more senior levels.</p> <p>Reporting on our diversity goals is produced twice a year. We also keep close attention to employee responses to the Employee Survey questions related to Diversity and Inclusion.</p>	
G4-LA12	<p>Diversity indicators</p>	<p>[Diversity and inclusion]</p>
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN		
Disclosure on Management Approach	<p>See overarching Labor Practices and Decent Work DMA above. In addition, we recognize that equal remuneration across our company is of interest to our stakeholders and material to our business.</p> <p>State Street has taken a strong stand in public policy initiatives focused on equality and inclusion such as marriage equality and safety for transgender people or equal pay for women. However, we do not report a female’s basic salary as a percentage to a male’s because a simple across-the-board analysis of an organization of State Street’s size and multiple business-line complexity would not accurately compare similar positions or capture all elements of a total compensation program.</p>	

G4-LA13	<p>State Street was a founding member of the Women’s Workforce Council, launched in 2013 by former Boston Mayor Tom Menino to address the wage gap. Like other signatories to the Boston Compact, State Street has committed to three actions aimed at closing this gap: self-assessment, addressing issues identified, and making data available anonymously to help measure progress.</p> <p>Female to male salary ratio [Wage equity and flexible work options]</p>
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MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES, SUPPLIER HUMAN RIGHTS ASSESSMENT (Human Rights), SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY (Society)

G4-LA14	<p>Disclosure on Management Approach</p> <p>See overarching Labor Practices and Decent Work DMA above. 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 social factors.</p> <p>In 2016, we spent about \$3.32 billion globally on products and services including financial, IT, business and professional services, market data, travel management and office support. Our Global Procurement Services (GPS) team works to identify high-quality and cost-effective suppliers that help us operate and serve our clients efficiently. We strive to work with suppliers that share our values of being a responsible corporate citizen. Assessing the quality of our suppliers with a labor practices, impacts on society, and human rights lens helps us determine which suppliers align with our business and corporate responsibility goals. All Requests For Proposals (RFPs) for vendor products and services include evaluation language to understand a vendor’s perspective/policy on fair employment practices, promoting workforce welfare, and ethical sourcing and anti-corruption. Also, all new suppliers that submit an RFP are asked questions regarding human rights.</p> <p>In 2016, the promoting workforce welfare series of questions was expanded to include specific language to rate the compliance with the UK Modern Slavery Act of 2015.</p> <p>New supplier screening for labor practices [Supplier assessments] 100%</p>
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CATEGORY: SOCIAL (HUMAN RIGHTS)

ASPECT: INVESTMENT

G4-HR1	<p>Human rights clauses [Human rights]</p>
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MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT

G4-HR10	<p>Disclosure on Management Approach</p> <p>See overarching Supplier Assessment for Labor Practices, Supplier Human Rights Assessment (Human Rights) and Supplier Assessment for Impacts on Society (Society) Material Aspect DMA above within the Labor Practices and Decent Work Category.</p> <p>Supplier screening (human rights) [Supplier assessments] 100%</p>
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CATEGORY: SOCIAL (SOCIETY)

SOCIETY: Overarching Disclosure on Management Approach (DMA)

It is important to us to continuously emphasize and improve our ethical culture and understand ethical aspects of our business across the entire company, so we may identify and address potential issues before they become problematic from a compliance perspective. In general, to ensure our success, we must operate in an ethical manner. As a result, ensuring compliance and anti-corruption and preventing anti-competitive behavior are top priorities. An essential part of our behavior as a responsible citizen is also our support for communities.

State Street is committed to conducting business in a fair and ethical manner. Our Standard of Conduct sets forth our standards of ethical behavior. The Standard of Conduct explains the core concepts of Ethics, includes a framework for Ethical Decision Making, and guides employees' decision-making process when there is not a prescriptive rule for the situation at hand. State Street employs a company-wide Compliance Risk Management Framework (CRMF) and has three lines of defense. First, every employee owns and manages risk and is responsible for their own internal control environment. Second, the Enterprise Risk Management and Corporate Compliance staff that establish and monitor adherence to the risk and control framework. Third, the Corporate Audit function that provides independent assurance relative to risk management and internal controls.

To strengthen our culture and controls, over the past 18 months alone, we have trained more than 9,000 employees on ethical decision-making, enhanced our Standard of Conduct to support more case-study based learning, and implemented a program to actively encourage employees to speak up if they see something wrong and to challenge decisions irrespective of management hierarchy or level.

MATERIAL ASPECT: LOCAL COMMUNITIES

<p>Disclosure on Management Approach</p>	<p>See overarching Society DMA above. Our community engagement is relevant to the local communities where we operate and to our clients, who show increasing interest in our corporate citizenship. They are also very important to State Street itself as they complement our core values — Stronger Together, Always Finding Better Ways and Global Force, Local Citizen.</p> <p>The State Street Foundations mobilizes a global network across the company through the Community Support Program (CSP). This involves 31 committees sitting around the world that partner with organizations seeking support from the Foundation and helps us to make sure that our involvements have high local relevance. The Impact Framework helps guide decisions for how the Foundation may best apply its resources to community engagement, based on the relative impact on end recipients. We also have a continuous matching gift program, with employees' qualifying financial donations being matched by the company, and employees' qualifying volunteer time triggering additional financial contributions by State Street. In addition, employee perspectives on strengthening local communities are contributed via the voices of our employee resource groups (ERGs).</p> <p>Concerning evaluation and assessment, since 2012, our grantees have provided an annual report that includes impact metrics and qualitative commentaries on State Street's philanthropic investments. Our Senior Vice President of Corporate Citizenship provides regular corporate citizenship updates to State Street's Board of Directors.</p>
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G4-S01

Impacts on community

[\[Wealth and income creation in society\]](#)

MATERIAL ASPECT: ANTI-CORRUPTION		
Disclosure on Management Approach	<p>See overarching Society DMA above. Ensuring prevention against corruption is essential for a financial services company with global operations such as State Street. Ethical business conduct is essential for safeguarding our own integrity and reputation and our contribution to the wider integrity of the marketplace. Since most regulatory obligations for anti-bribery and anti-corruption (ABAC) risks are extra-territorial, most ABAC risks apply to business units universally.</p> <p>The first line of defense lies in the approval of payments. All payments made are required to be approved by a responsible business manager and recorded accurately in the financial records. Individuals are trained on bribery and corruption risks, including those related to charitable contributions and sponsorships and events. Communications including policies, procedures and bulletins published by the Ethics Office draw upon published guidance such as the SEC and DOJ Guide and describe what red flags exist in each of these areas.</p> <p>The evaluation of anti-bribery and corruption risk is conducted annually for the purpose of setting the annual compliance responses and is re-reviewed quarterly to determine whether any change is required.</p>	
G4-S03	Corruption risk	[Risk excellence]
G4-S04	Anti-corruption training	[Risk excellence]
G4-S05	Corruption response	[Risk excellence]
		Due to specific confidentiality constraints, State Street does not publicly disclose breaches of policy or related laws by any of its employees unless expressly required by law or at the behest of a supervisory government agency.
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR		
Disclosure on Management Approach	<p>See overarching Society DMA above. Ensuring fair competition is important as it protects our clients' ability to select their financial services providers in a transparent and efficient market environment. Any breaches of fair competition rules and regulations would compromise our reputation and lead to costly resolutions, which would both be detrimental to our shareholders.</p> <p>Our Standard of Conduct prohibits all employees from engaging in unfair competitive actions, misusing a client's confidential information or engaging in any other unfair dealing with competitors. It requires employees to acquire competitive information and market data only from public sources and through lawful means. Advanced approval of the Chief Legal Officer or the General Counsel is required before discussing our pricing strategies with any competitors or entering into agreements concerning market opportunities or otherwise engaging in joint action.</p> <p>Our enterprise risk management system captures clear goals on compliance and provides direct lines of reporting to the Board. This includes making sure that we prevent any breaches of rules and regulations concerning anti-competitive behavior. Our Compliance and Ethics Committee runs an annual compliance risk assessment to determine where we need to strengthen our compliance procedures and what trends are on the horizon.</p>	

G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	[Ethical marketing and fair competition]
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MATERIAL ASPECT: COMPLIANCE

Disclosure on Management Approach	<p>See overarching Society DMA above. Compliance is essential because of its potential impact on State Street’s reputation with all our stakeholders and the risk to shareholders in case of any breaches.</p> <p>We manage our compliance and risk assessment programs primarily through the work of three management committees: The Management Risk and Capital Committee, the Business Conduct Risk Committee and the Technology and Operational Risk Committee. These three committees are supported at the Board of Directors level by the Risk Committee and the Examining and Audit Committee.</p> <p>Our Chief Compliance Officer runs an annual compliance risk assessment to determine the amount and type of compliance monitoring that is required and to determine where we need to strengthen our compliance internal controls and what trends are on the horizon.</p>	
G4-S08	Significant fines and non-monetary sanctions for non-compliance with laws and regulations	[Compliance and business ethics]

MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Disclosure on Management Approach	See overarching Supplier Assessment for Labor Practices, Supplier Human Rights Assessment (Human Rights) and Supplier Assessment for Impacts on Society (Society) Material Aspect DMA above within the Labor Practices and Decent Work Category.	
G4-S09	Suppliers screened (social, impacts on society)	[Supplier assessments] 100%

CATEGORY: SOCIAL (PRODUCT RESPONSIBILITY)

**PRODUCT RESPONSIBILITY AND FINANCIAL SERVICES
SECTOR TOPICS: Overarching Disclosure on Management Approach (DMA)**

Product responsibility and topics related to Financial Services Sector disclosures mainly concern our products and services, which directly affect stakeholders, and customers in particular. To maintain our dedication to maintaining product responsibility and a high-quality product portfolio, we prioritize careful management approaches in marketing communications, customer privacy, compliance, product and service labeling, active ownership, and our product portfolio, as doing so successfully relates directly and indirectly to our performance.

With regard to information on the products and services we offer, we have controls in place to ensure transparent, material and consistent product and services disclosures. We provide training within the compliance team, and compliance provides training to employees in various business roles to make sure appropriate disclosures are made. The responsibilities of our State Street Global Marketing & Advertising Compliance Committee includes a focus on disclosure compliance. Privacy regulations are also strictly

adhered to, to ensure all client data privacy is observed, and our Standard Code of Conduct applies to all employees for compliance and risk excellence for product responsibility.

Our Global Relationship Management (GRM) team, State Street Global Advisors (SSGA) ESG team, and Global Management Committees all oversee our product responsibility initiatives.

MATERIAL ASPECT: PRODUCT AND SERVICE LABELING

Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA and the Compliance DMA above, as well as page 18 of this report for more information on fair competition. As a financial services company, the sourcing of our products and services, their content with regard to substances, and the health and safety of their use are not material to State Street. This is why the customer satisfaction element of this aspect is its only relevant part in the context of our business. Customer satisfaction in all our customer relationships is clearly relevant not only for the customers but also for our long-term economic performance.</p> <p>To assess how well we serve our clients, we measure client satisfaction with surveys performed by an independent company and also conduct more detailed client experience (Net Promoter Score) surveys with a number of top clients to gauge satisfaction and advocacy. We discuss client research findings in regional and Global Management Committees on a regular basis. Within the client teams in each region, there are monthly team calls to discuss client satisfaction and progress made. Management Committee members are also allocated to each of the NPS clients to ensure that action plans are followed up and relationships are strengthened.</p> <p>During the year our initial NPS pilot program was formalized and further expanded to cover a wider range of clients in the three regions globally.</p>
G4-PR5	<p>Customer satisfaction [Client experience and feedback]</p>

MATERIAL ASPECT: MARKETING COMMUNICATIONS

Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA above. We constantly must earn our client’s trust, as they depend on our honesty and integrity in serving their needs. Therefore, we are committed to honest and transparent operations not just in the work we do for our clients, but in how we market our services and communicate our mission to the public.</p> <p>Our Standard of Conduct prohibits all employees from misrepresenting any material facts, and requires employees to understand the permissible scope of cross-selling and bundling to ensure that products and services are not linked in a manner that would violate laws.</p> <p>We created a Governance Committee to provide oversight for Global Marketing’s activities and risk posture. The committee is made up of key decision makers within Global Marketing from around the world to ensure oversight is provided globally.</p>
G4-PR7	<p>Marketing non-compliance [Ethical marketing and fair competition]</p>

MATERIAL ASPECT: CUSTOMER PRIVACY	
Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA above. In addition, customer privacy is handled with extreme seriousness because State Street holds not just custodial cash and securities, but also data. Keeping data safe is one of our core fiduciary responsibilities, and doing so is central to State Street’s reputation in the marketplace.</p> <p>State Street complies with all data security and privacy requirements. Every State Street employee is responsible for upholding our Privacy Program as they serve clients. Their interactions are determined by our Written Information Security Program, which is developed by our Privacy Office.</p> <p>The efficacy of our Privacy Program is independently assessed by our corporate audit function as part of our overall compliance oversight program. State Street’s governance process also ensures awareness of client data protection and privacy programs at all levels of management. Achievements in 2016 included the execution of a Privacy Program in conjunction with the Privacy Office to all of IT, and an additional significant program on Identity and Access Management is supported by management to ensure client data protection and privacy and will kick off in 2017.</p>
G4-PR8	<p>Customer privacy breach [Data protection and privacy]</p>
MATERIAL ASPECT: COMPLIANCE (CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES)	
Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA above and on page 11 of this report for more information on our commitment to compliance and risk excellence. Furthermore, to earn and keep the trust of our stakeholders, we must hold ourselves to the highest standards of compliance and risk excellence.</p> <p>All of our business units are responsible for complying with rules and regulations and adhering to our ethical requirements as first line of defense. Our compliance teams and audit function are the second and third lines. Our Ethical Decision Making Framework reinforces our managers’ roles as the first line of defense. For the requirements in our Standard of Conduct that prevent misrepresentation of material facts and understanding the permissible scope of cross-selling and bundling that ensures that products and services are not linked in a manner that would violate laws, see the DMA on Marketing Communications above.</p> <p>For current initiatives on training, Standard of Conduct enhancement and encouragement of employees to speak up if they see something wrong, see the overarching DMA Society above.</p>
G4-PR9	<p>Total non-compliance fines concerning the provision and use of products and services [Compliance and business ethics]</p>

MATERIAL ASPECT: ACTIVE OWNERSHIP	
Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA above. To fulfill our fiduciary responsibility as asset managers, we must be good stewards of assets. This includes the need to understand how companies implement ESG-related strategies and controls with respect to associated risks and opportunities, ultimately impacting shareholder value.</p> <p>We use proxy voting and active engagement as important means to address these issues. We have company-wide proxy voting guidelines, complemented by six regional-specific guidelines. As part of this policy, we pool all holdings and vote one way.</p> <p>Our engagements with companies are tracked internally, and we release quarterly and annual Active Stewardship Reports. Every year all our proxy voting and engagement policies are reviewed to see if anything should be updated. If changes are proposed, the revision is sent to the Investment Committee for approval.</p>
G4-FS11	<p>Assets Screened [Environmental, social and governance investment solutions]</p>

MATERIAL ASPECT: PRODUCT PORTFOLIO	
Disclosure on Management Approach	<p>See overarching Product Responsibility and Financial Services Sector DMA above. The overall amount and composition of our assets under custody and administration is reported in our Form 10-K. As of December 31, 2016, SSGA, our asset management arm, manages more than \$176 billion in ESG investments. 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.</p> <p>We have a CR Policy Statement, Standard of Conduct, Human Rights Statement, Corporate Environmental Sustainability Policy Statement, and Corporate Climate Change Statement. Also, 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. SSGA has an ESG team with responsibilities and capabilities in portfolio management, product management, issue and trend analysis, and discharging corporate governance and proxy voting. The team leads the effort to more systemically identify the ESG risks and opportunities within SSGA’s investment products. Underscoring our commitment to integrating ESG across the organization, SSGA also launched an ESG Working Group representing a cross-section of regions and investment expertise. The group is co-chaired by the heads 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, and our head of ESG serves on the PRI’s listed equity working group. The group supports further integration of ESG into investment decisions and disclosure of material information. Furthermore, new renewables and affordable housing tax credit investments are underwritten by the Tax-Advantaged Investments business units and require unanimous approval by the members of our Tax Credit Investment Committee (TCIC).</p>

	In 2016, we launched State Street’s Global ESG Solutions Business with the objective to leverage all disciplines across the company to deliver a seamless ESG-related products and services offering to our global custody and administrative client base.	
G4-FS6	Portfolio Breakdown	[Environmental, social and governance investment solutions]
G4- FS8	Value environmental products	[Environmental, social and governance investment solutions]
G4-FS10	CSR engagement with companies in their portfolio	[Asset stewardship]

Appendix III: Independent Assurance Statement

Independent Assurance Statement to State Street

ERM Certification and Verification Services (ERM CVS) was engaged by State Street to provide limited assurance in relation to State Street’s Corporate Responsibility Report 2016 (“the Report”) as set out below.

Engagement Summary	
Scope	<ol style="list-style-type: none"> The GRI G4 General Standard Disclosures G4-1, G4-3 to G4-34 and G4-56 in Appendix II of the Report. The 2016 performance data and related disclosures in the following sections of the Report: <ul style="list-style-type: none"> CR Goals and Progress Material corporate responsibility topics Materiality and The Way Ahead Risk excellence Compliance and business ethics Client experience and feedback Ethical marketing and fair competition Data protection and privacy Environmental, social and governance investment solutions Asset stewardship Economic performance Talent recruitment and retention Training and professional development Wage equity and flexible work options Diversity and inclusion Supplier assessments Wealth and income creation in society Strengthening communities and the workforce State Street Foundation and Boston WINS Environmental sustainability and greenhouse gas emissions Impacts of climate change
Reporting criteria	GRI G4 Reporting Guidelines.
Assurance standard	ERM CVS’s assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
Assurance level	Limited assurance.
Respective responsibilities	<p>State Street is responsible for preparing the information and data in the Report and for its correct presentation, including disclosure of the reporting criteria and boundary.</p> <p>ERM CVS’s responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgment.</p>

Our assurance activities

Our objective was to assess whether the selected information is reported in accordance with the principles of completeness, accuracy, consistency and balance, as well as with GRI G4 indicator criteria. We planned and performed our work to obtain all the information and explanations that we believed were necessary to provide a basis for our assurance conclusions.

A global, multi-disciplinary team of Corporate Responsibility (CR) and assurance specialists performed the following activities:

- An external factors review of media and internet sources to understand potential material corporate responsibility issues for the 2016 Report.
- Attendance at regular meetings with the reporting team and report writers throughout the writing process to understand the development of the report and issues raised during the process.

- Interviews with management representatives responsible for the strategy and implementation of relevant policies for the topics covered in the report sections listed above.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes) used for collecting and reporting the 2016 performance data and related disclosures for the topics listed above.
- A review of samples of documentary evidence, including internal and external documents, to support the management assertions in the sections listed above.
- For the 2016 performance data on energy use, greenhouse gas (GHG) emissions, water usage and waste, interviews with the external company responsible for collecting and consolidating utility data across State Street's operations as well as a review of the completeness and accuracy of the data including unit and emission conversion factors for energy use and GHG emissions, the reasonableness of estimations and extrapolations and the accuracy of the consolidation.
- A check of the consistency of the Economic performance data disclosed in the Report with State Street's 2016 10K submission, where relevant.

The limitations of our assurance engagement

For the Economic performance data disclosed in the Report, we have restricted our work to checking the consistency of those data with the audited State Street Annual Report on Form 10K for the year ending December 31, 2016. We have not assured the personal views expressed in the letters and interviews included in the Report. The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information.

Our conclusions

Based on our activities, nothing has come to our attention to indicate that the information in the selected sections of State Street Corporate Responsibility Report 2016, as described under "Scope" above, is not fairly presented, in all material respects, with the reporting criteria.

Our observations

We have provided State Street with a separate, detailed management report. Without affecting the conclusions presented above, we have the following key observations:

- Wage equity is a material topic for State Street, however the company does not currently report the percentage of female base salary compared to male base salary. We encourage State Street to review its reporting to assess whether information on this key topic of interest to stakeholders can be disclosed in future CR reporting.
- In 2016 State Street has adopted five of the 17 UN Sustainable Development Goals (SDGs) which are most closely aligned with its overall strategy. We recommend that State Street identifies specific targets within those five SDGs to which it believes it can contribute, and works to align its programs and activities with those targets, to enable reporting on progress in relation to the SDGs in future reports.



Jennifer Iansen-Rogers
Head of Report Assurance
April 28, 2017



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ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. The ERM CVS and ERM staff that have undertaken this engagement work have provided no consultancy related services to State Street in any respect.

Appendix IV: Disclaimer

Important Information

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

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Concentrated investments in a particular industry or sector may be more vulnerable to adverse changes in that industry or sector.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Gender diversity risk: The returns on a portfolio of securities that excludes companies that are not gender diverse may trail the returns on a portfolio of securities that includes companies that are not gender diverse.

The **SSGA Gender Diversity Index** is designed to track the performance of US large-capitalization companies that are leaders within their respective industry sectors in advancing women through gender diversity on their boards of directors and in senior leadership positions.

Non-diversified funds that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

Passively managed funds hold a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

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