

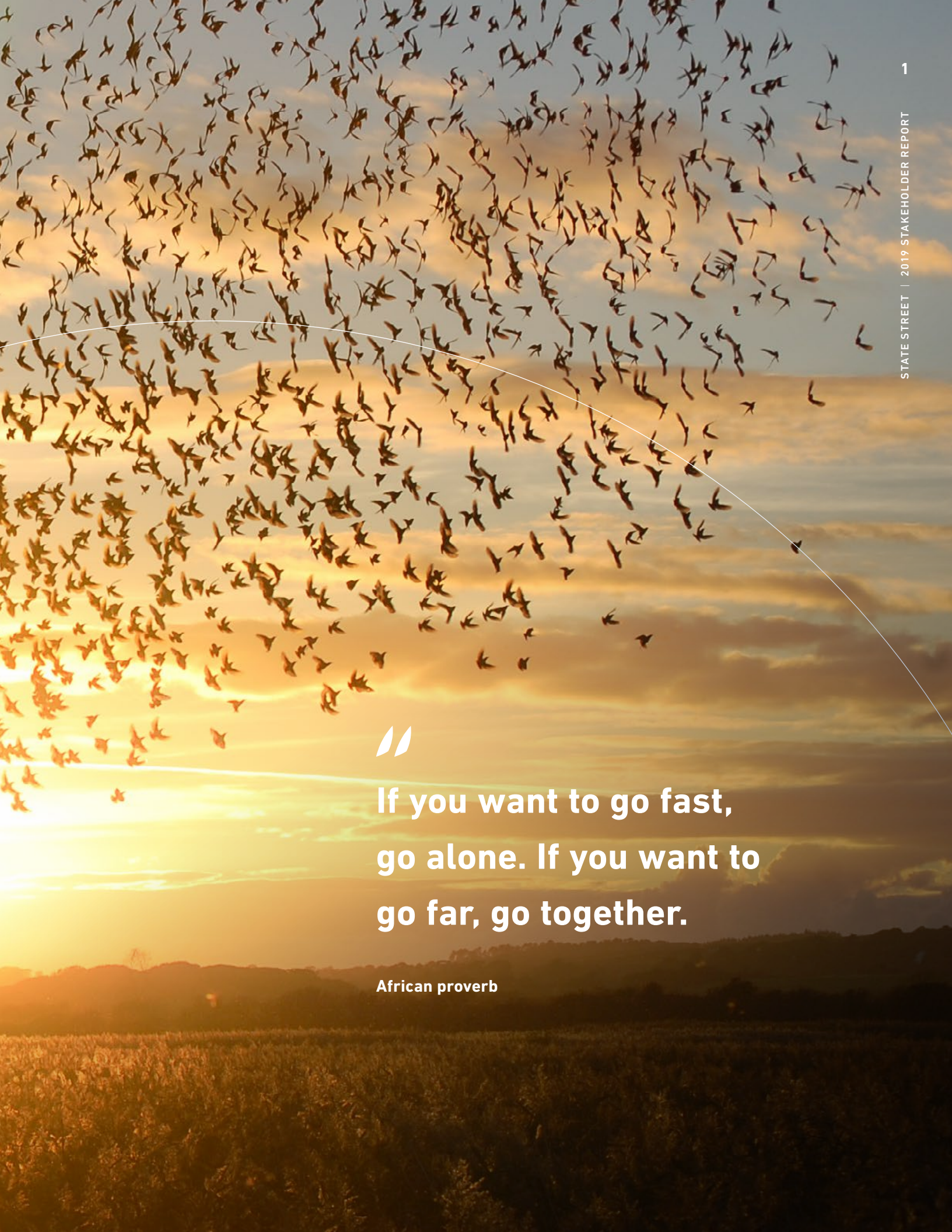
Stronger Together

2019 Stakeholder Report



STATE STREET

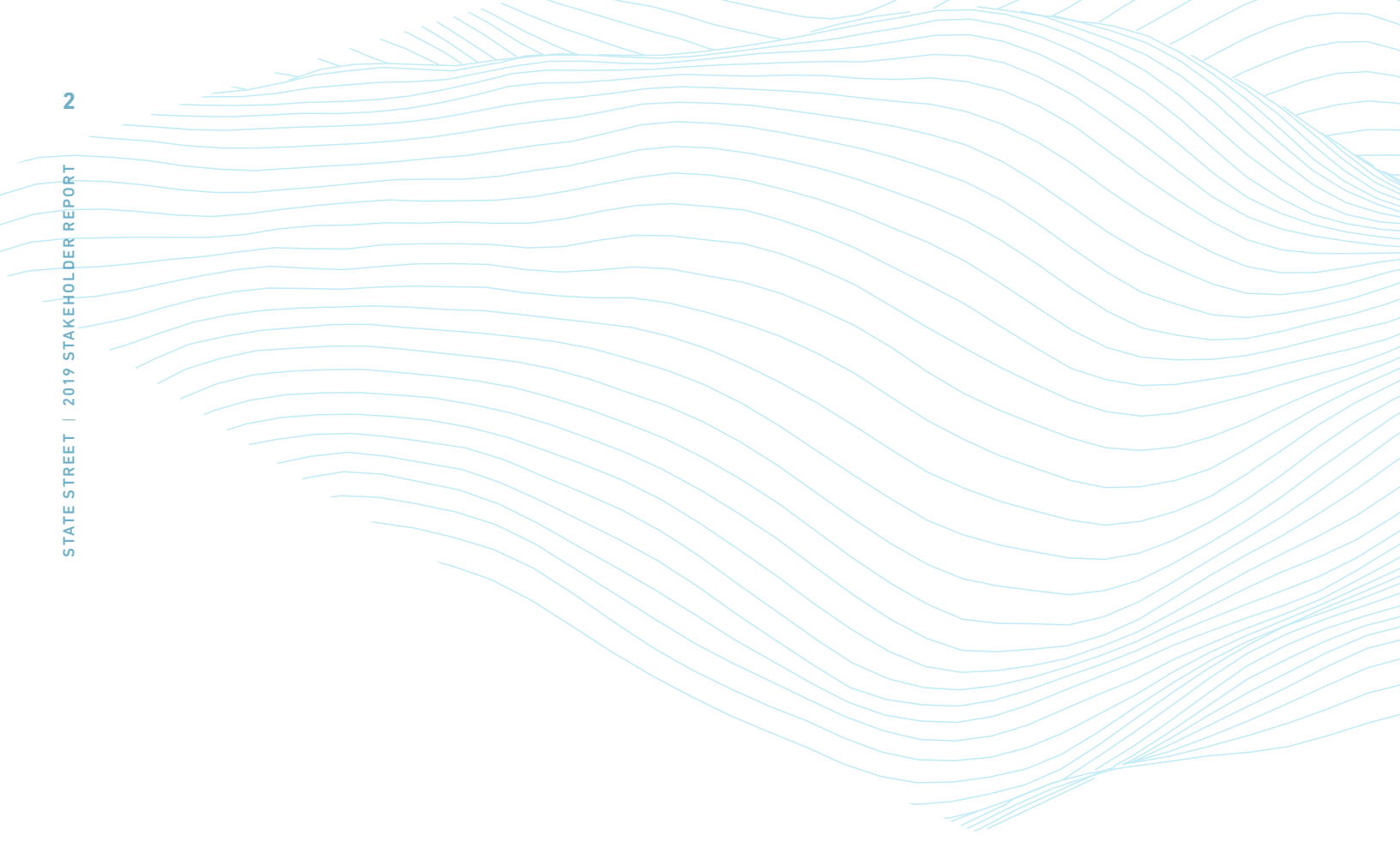




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**If you want to go fast,
go alone. If you want to
go far, go together.**

African proverb





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→ **A Message
to Our
Stakeholders**

Ronald P. O'Hanley
Chairman and CEO



Our strategy is aimed at creating a new, more strategic client symbiosis that helps us grow with our clients' evolving asset management, servicing and data intelligence needs over the long term.

While the world has changed significantly in light of the COVID-19 crisis, State Street has remained steadfast in its purpose of helping to achieve better outcomes for the world's investors and the people they serve.

Even before the pandemic disrupted the global economy, and our lives with it, our clients — asset managers and asset owners — faced growing challenges. The rise of passive investing, elusive alpha, lower-for-even-longer interest rates, and rising operational costs and complexity altered the business of investing, prompting institutional investors to re-engineer their businesses. As they work to find competitive advantages and become more efficient, our clients are relying on us to take on more of their investment operations. They want a new kind of partner that anticipates their problems and offers innovative solutions.

To best serve these evolving needs, State Street is undertaking a transformation of its own, and the strategy we developed to drive that change took hold in 2019. Throughout the year, our efforts to become an essential partner to our clients, create a high-performing organization, enhance operational resiliency, develop an end-to-end servicing platform and execute on behalf of our shareholders gained considerable momentum.

As 2020 began, the impacts of the pandemic sharpened the urgency for providing our clients with more comprehensive solutions and a global operating model that can adapt quickly to their ever-changing needs. The crisis also highlighted the commitment and imagination of our employees as they worked to deliver our services with minimal to no disruption. Their agile approach and dedication, and the investments we have made in technology and infrastructure,



Highlights

helped us demonstrate extraordinary resiliency as we worked to help our clients achieve their objectives in an unprecedented environment.

What became clear during this crisis is that we are more interconnected and dependent on one another than ever before. This is why we have named our first-ever stakeholder report *Stronger Together*. We intend for it to bring to life the many ways we are working together to create a new State Street that exceeds our clients' expectations for responsiveness, problem-solving and results.

Inside this report, members of our Management Committee and executive leaders outline how we are implementing new ways of becoming a better provider for our clients. They describe the changing needs of our clients and how we are adapting our capabilities, not only for what they need today, but also to ensure we are a strong partner for them in the future.

\$34.4_T

**Assets under custody
and/or administration**

\$3.1_T

Assets under management

\$11.8_B

Total revenue

All figures as of December 31, 2019,
unless otherwise noted.

A significant development for us in 2019 was the launch of State Street Alpha,SM the industry's first data-driven, front-to-back servicing platform from a single provider. With it, we expect to transform the way we engage and serve our clients, while providing them with the insights and technology scale they need to grow and adapt.



We believe we must engage with policymakers on issues that are relevant to our clients and to our industry and which benefit from our deep investment practitioner expertise.

We also discuss improvements we have made in our client service programs and the ways we are using technology to continue to innovate. To better serve our clients, we shifted key operational functions to global service centers in 2019, enabling a “follow-the-sun” approach to continuous service across time zones. This model helped sustain our operations as the pandemic spread, allowing us to reassign workloads amid rolling country lockdowns.

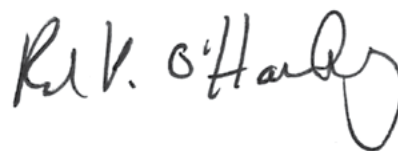
The importance we place on talent, inclusion, diversity and corporate citizenship is also highlighted in this report. We are encouraged, but not surprised, by the renewed sense of purpose and energy our employees are bringing to State Street's transformation. To continue to build a diverse and engaged workforce, we instituted new programs and online learning tools and supported employee networks focusing on everything from environmental sustainability and business process improvement to skillset development and network building. We have also evolved our performance management process, making a commitment to ensure that all employees receive timely and consistent feedback. Our collective work is helping to further our goal of becoming a high-performing organization with engaged and unsurpassed talent.

State Street's commitment to our communities and to environmental, social and governance (ESG) issues is evident by the work of our State Street Foundation, volunteerism of our employees, and our focus on sustainability to promote long-term value. We are proud that our engagement on important sustainability issues continues to have a measurable impact, including significant increases in the number of women on corporate boards as a result of our Fearless Girl campaign.

In addition to highlighting business and financial performance metrics, this report includes a summary of our sustainability performance in 2019. As long-term stewards of our clients' assets, we understand that material ESG issues can impact performance well into the future. In the same way that our asset management business has called on portfolio companies to incorporate sustainability into their long-term strategy, we have committed to making sustainability part of our business priorities and will report on our progress alongside our financial performance. We have adopted the investor-driven materiality framework of the Sustainability Accounting Standards Board (SASB) and the principles of Task Force on Climate-related Financial Disclosures (TCFD) to improve the transparency around our efforts. We are also working to promote consistency and comparability of sustainability metrics throughout the industry.

Even in volatile times, we at State Street remain laser focused on the long-term strategy we have put in place. We believe we can realize our vision of becoming the leading asset servicer, asset manager and data insights provider capable of delivering long-term value to our shareholders, our clients, our employees and the communities in which we live and work. This belief stems from our experiences over the past 228 years.

We have endured events that defined centuries — from world wars and economic depressions to incredible advances in science, technology and equality. All of these moments were marked by stories of challenge, but also of success. We are confident that this time will be no different. We all have a role to play in creating our future, and we truly are Stronger Together.

A handwritten signature in black ink, appearing to read "R. V. O'Hara". The signature is fluid and cursive, with a large loop at the end.



One Company

At State Street, partnership isn't just a term that we use casually. It is something we believe in deeply and that we have built into our purpose and how we run our business.

Our role — whether we're helping investment companies operate more effectively, providing valuable market insights, launching innovative investment products or acting sustainably — is focused on cultivating collaborative partnerships.

As one of the world's largest servicers and managers of institutional assets, our success depends upon the success of our stakeholders — our clients, employees, investors and the communities we serve. Our goal is to help these stakeholders realize the best possible outcomes for the future.

For nearly 228 years, we have done that together, by **anticipating needs, forging connections, creating partnerships, transforming technology, and championing strong communities and values.**

As global challenges in the financial markets continue, so too will the collaboration needed to deliver solutions that position our clients for long-term growth, support the vitality of our communities, and foster a culture that engages and inspires our team members.

We truly are Stronger Together.



One Purpose

**To help achieve
better outcomes
for the world's
investors and the
people they serve**



One Team



STATE STREET

Asian Professionals Alliance



How We Are Stronger Together



Our insights, global scale and execution help our clients move through their challenges successfully. The name of the game for us is to see them achieve their performance goals.

Andrew Erickson
Head of Asset Servicing Business





Anticipating Our Clients' Needs

State Street is entrenched in the immediacy of the world's financial markets. On any given day, we are safekeeping assets, settling trades, pricing securities and conducting recordkeeping for institutional investors across the globe.

To effectively serve our clients — including asset managers, pension funds, insurance companies, alternative managers and sovereign wealth funds — we must stand ready with solutions for tomorrow's challenges. Our global scale, experienced workforce and deep investment insights are the valuable resources clients rely on when they seek to tackle shifting markets, shrinking margins and more complex regulatory systems. Andrew Erickson discusses how clients see State Street as an essential partner, and how that has evolved over the last decade.





Data is no longer just for creating reports. It's for creating insights. Clients want us to tell them what the data means and how to use it for improving operations or launching new business opportunities.

What does it mean to be an essential partner to our clients today? In other words, what does it take to deliver the best outcomes for our clients?

A decade ago, the idea of creating a “true partnership” was more aspirational — on both our part and the clients’. Today, clients need us to be a dedicated extension of their team. They want to tap into the benefits of scale that State Street’s partnership-focused approach can deliver. When our clients tell us, “You’re our team on the ground,” it’s the highest compliment we can receive. This partnership ethos used to be a value-add, but now it’s vital for our success.

How can State Street support clients’ growth in an environment of heightened competition, higher regulatory expectations and the absolute need to differentiate?

In all markets, clients want us to be their eyes and ears in terms of new developments and opportunities. They are asking us to offer them insights on market trends and data that they can’t get anywhere else. Ultimately though, they demand solutions that will improve their overall business and investment performance. We believe we can meet those expectations. We pride ourselves on having the platforms and expertise that allows us to deliver a high-quality solution at scale and at an effective price, helping clients achieve the long-term performance they seek.



What are our competitive advantages when it comes to servicing our client segments? How do we service them differently today than we did in the past?

Our value proposition differs for each of our segments, but there are three common denominators that set us apart: insights, scale and execution.

First, we bring distinct insights to each of our client segments, both from a servicer perspective as well as from the perspective of some of the largest asset owners in the world. Our insights let us look out in the future and make investments in where the business is going. For example, we were ahead of the curve in being able to service exchange traded funds (ETFs). State Street anticipated a need for this product back in 1993 when we launched the first one. Since then, we have aligned our resources and capabilities around the future of the ETF market with

new solutions such as the first automated performance and investment analytics service that itemizes a fund's net asset value, and the first multi-client electronic primary market trading platform in the European ETF market.

Another good example is how State Street's expertise with regulatory requirements helped us prepare clients for a change in how investment companies report monthly portfolio holdings to the U.S. Securities and Exchange Commission in 2019. Amendments to SEC data modification rules extended the release date of certain types of data and required firms to alter certain record retention protocols. Well before the rules took effect, we worked side-by-side with our clients, listening to their needs and offering our regulatory and technical expertise.

Together, we devised new data collection and reporting solutions that worked with their existing systems and met the SEC's demands. Together, we reached the best possible outcome.



Because of the close partnerships we've developed with our client base, today we offer more tailored solution sets for varying clients segments.

Second is scale — customized for each segment. Here, our platforms and delivery will be different, but they will all enable operational scale and consistent access to information in every market where our clients are doing business. Years ago, we may have offered a common product for use across client segments. But custody service for an asset owner looks much different than it does for an insurance company. Because of the close partnerships we've developed with our client base, today we offer more tailored solution sets for varying client segments.

The third is expertise in execution — we have a very good blend of global, local, and tenured expertise. State Street teams are embedded within each client segment, allowing us to quickly address and implement solutions for our clients' challenges.

What are some of the changing needs of a pension plan participant or a mutual fund investor, and how do they factor into State Street's solutions?

Overall there's a much greater demand for transparency. Today's mutual fund investors are very savvy about their funds' underlying fees and the relative performance of their funds. Pension fund investors are posing more questions about their retirement system's investment choices and the underlying risks and opportunities behind them. Having State Street as a trusted partner gives our clients the ability to present this information in a clear and transparent manner, providing individual investors with a greater level of comfort.

We need to always ensure our clients are keeping up with the times. That means we must be ready to support a range of new investment instruments at our clients' disposal. Think about complex derivatives used to protect against risk. We want to make sure a pension fund can incorporate that strategy, so we work closely with our clients to provide the right servicing solution for them. Today, we need a breadth of products in a range of geographies.

Speaking of geography, how is State Street supporting clients entering new markets?

We have a team that focuses exclusively on market entry solutions. It works with clients around the world, educating them on the practicalities of entering a new market, setting expectations by offering a realistic timeline as to when they might achieve their expansion goals. We've seen numerous cases, too, where a client we service in one location wants to take the same product into another market, and we're able to provide the benefits of scale to achieve that in a way that is very cost-effective.



We have to leverage our scale and invest in solutions that will meet client challenges five years from now.



When you think about our purpose to help achieve better outcomes, what does “better” mean to you?



**Better than if you had
to do it by yourself.**

**Better than if you went
to a competitor.**

**Better in terms of speed
to execution and outcome.**

**Better in preparation
for the future.**

Few envisioned the upending turmoil of the COVID-19 global pandemic. How is State Street responding?

The human element to all of this is top of mind, so first, we are making sure our team members and their families are well equipped to deal with this unprecedented crisis. Turning to our clients, we remain focused on helping them run their operations as smoothly and securely as possible with disaster recovery plans in place. State Street's "follow-the-sun" model has enabled us to shift work between locations, and we're getting better at that every day. This pandemic revealed how we all need to work together much differently. It would be remiss of us if as a result we didn't develop better models.

State Street also stepped up to help bring confidence and assurance to investors after liquidity concerns roiled US money market mutual funds in March due to anticipated high redemptions because of the pandemic.

We were the first financial institution to participate in the Federal Reserve Bank of Boston's Money Market Mutual Fund Liquidity Facility (MMLF), a loan program that allowed us to borrow from the Fed and buy qualified money market instruments, guaranteeing a flow of capital into money market funds. It's not unlike similar actions we took during the 2008-2009 financial crisis, when confidence in the financial system was being tested.

As this historic pandemic plays out, State Street is committed to keeping the lines of communication open — with our employees, our clients, our third-party providers and our communities. This is a time when partners must truly rely upon one another.



In a time of crisis or when an institution needs to make a fundamental, strategic change, you don't want a 'vendor' nor a 'service provider,' you want a strategic partner.

Donna Milrod
Head of Global Clients Division





Creating Essential Partnerships

Successful personal relationships are built on trust; lasting ones require ongoing communication, mutual growth and flexibility. Our client relationships are no different. Whether bringing on new business or expanding the scope of services and solutions we provide, we strive to be an essential, enduring partner to our institutional investor clients worldwide.

Client satisfaction remained a key focus for us in 2019. We instituted new levels of consistency and standardization in our client onboarding process, as we identified it as an area where we could drive tangible improvements. We now view onboarding as a competitive differentiator in terms of the programmatic focus and rigor we place around it. Consistently positive client feedback has confirmed the value of these changes.

Our efforts to build long-term relationships start as soon as we begin to work with a new client, or take on a new project with an existing one. First, we leverage a transparent, systematic framework that outlines the steps and imperatives for success to convert their business and assets. The process ensures that we understand what each client needs and expects from State Street, and what business success looks like to them.



We want an open dialogue with our clients so that we can trust each other to address any issues and move on together should problems arise.

Julia McCarthy
Head of Client Program Office

This client orientation is one way we reinforce that they've made the right decision to choose us or switch service providers, and it's the first step toward building a successful and lasting partnership.

Supported by team members around the globe — who know that hard work and late nights are an inherent part of the onboarding process — almost US\$6 trillion in new assets from some of the industry's leading institutions were onboarded in 2019 — on time, on budget, and as important, with no surprises along the way.

Concurrently, work also continued in our new Global Clients Division, which devotes dedicated resources to support our most complex global relationships. In 2019, we appointed senior global client executives to be directly accountable for the overall satisfaction and business growth of select firms that require solutions to complex challenges across the entire value chain. We created and shared

comprehensive plans about how we can become more of a strategic partner to our clients, enable their growth and help them derive additional value from State Street's range of solutions. The plans included key performance indicators, financials and shared measures of success.

As part of this client-centric servicing model, we tapped into the insights and deep industry knowledge of our product experts to help clients identify and seize growth opportunities. For example, our leadership in managing and servicing exchange traded funds (ETFs) helped us anticipate the 2019 regulatory approval of a new class of semi-transparent active ETFs — Precidian Investments' ActiveSharesSM — that make ETFs increasingly attractive for investors.

Feedback on the efforts of our Global Clients Division was overwhelmingly positive, as clients reported immediate improvements in collaboration in aligning and integrating global operating models. This sentiment was reinforced using the Net Promoter Score® (NPS®) process.*

Our largest strategic clients are increasingly willing to recommend State Street to an industry colleague. They see more decision-making power and service consistency delivered through their client executives, and we're doing a better job of being their single "window" into State Street.

* Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain and Company, Inc, and Fred Reichheld.

Although disruptive, the devastating global pandemic and subsequent market turmoil of 2020 exemplifies the true strength of our relationships. As conditions continue to shift and clients execute a variety of contingency plans, we stand by our commitment to be a seamless extension of their businesses, addressing operational challenges as they arise, and offering alternative solutions to ease their concerns. It's further proof we are Stronger Together, in any and all conditions.



It's especially rewarding when we can look across a client's organization and offer to solve problems they might not have even known existed.





We can help our clients change the way they work. We can bring information insights, cash availability, risk reporting and alpha-generating ideas in a way that no other provider can.

Lou Maiuri
Chief Operating Officer



Forging Connections

State Street AlphaSM and the New Client Symbiosis

Decades of experience servicing asset managers and asset owners gives us a front-row seat to the challenges and pressures facing the industry.

Our clients continuously grapple with volatile markets, product rationalization and shifting investor requirements, as well as new financial regulations, shrinking margins and the rapid pace of technology transformation. They also want continuous coverage and operational resiliency that will protect them in times of uncertainty. And, with their business models under constant stress, the need for access to innovation is critical.

Collaborating with our clients, we went to work on an innovation of our own, creating a platform that extends beyond our traditional back- and middle-office solutions. We call it State Street AlphaSM, our fully connected, end-to-end investment servicing platform designed to help clients improve efficiency, launch new products, enter new markets and scale their business. State Street Alpha seamlessly integrates the services and data clients need, across all aspects of the investment life cycle. We acquired a critical piece of our platform strategy in 2018 with our purchase of Charles River Development (CRD) and its flagship front-office Charles River Investment Management Solution. By adding a front-office

Simplify.



Our clients need reliable data to power their businesses. If we can move it faster and more accurately, our clients will be able to do their work differently, and so will we.

system that helps global investment firms manage US\$28 trillion in assets, we are now poised to offer the world's first fully open and integrated front-to-back investment servicing platform from a single provider.

State Street Alpha helps manage the entire investment process, automating workflows and streamlining operations. Client data is consolidated and presented in a single view, giving asset managers quick and deeper insights into portfolio construction, including a more accurate and timely view of their cash positions and fund flows. Because it employs an open architecture, State Street Alpha is compatible with other third-party provider solutions and software, allowing clients to create the system that works best for them. Our goal is to encourage client innovation and choice, not hinder it.

Clients have a clear interest in our front-to-back vision. We signed four clients to our State Street Alpha platform in 2019 and at year-end we were in active discussions with more than 100 new and existing clients. Many of these clients want to explore opportunities with our front-office capabilities. Others want to strengthen their partnerships with us and rethink their investment workflows from end to end.

State Street Alpha is yet another example of how partnership and collaboration power innovation and success, for both State Street and our clients. It continues our long-held tradition of achieving industry firsts, and it is creating a new symbiotic relationship between our company, our clients and the many investment providers who power innovation in financial services. Thanks to several new capabilities introduced in 2019, we've equipped traders with tools that can help them better navigate periods of market volatility.





We own the investment software, services and data infrastructure — from the inception of an idea straight through to financial reporting, custody clearing and accounting — and everything in between.

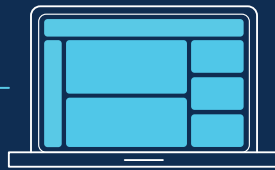
The integration of our award-winning foreign exchange (FX) trading solutions with our investment management servicing solution gives traders more flexibility and control over how they execute partial trades when employing algorithms. This functionality allows traders to easily halt their activity based on market news, with an eye toward improving trade performance and execution quality.

State Street Alpha is also shifting the way we are talking with our clients, as more executives seek to implement firm-wide strategies needed to succeed in tough business environments. Amid the ongoing COVID-19 crisis, our operational resiliency has been a reassuring benefit for our clients, as we experienced minimal disruptions during unprecedented global closures and reconfigurations.

With State Street Alpha, we are driving choice and efficiency across investment workflows, providing capabilities to help clients implement their strategies, scalability to help grow their business, and resiliency to help them navigate challenging market environments. We are changing not only the way our clients work, but how we work together.

STATE STREET
ALPHA 

Our platform helps investment professionals streamline and simplify their investment process, from risk analysis and portfolio management through to trading and settlement.



It Starts with a Single Desktop

Manage your entire trade life cycle from one place with a single, consistent desktop featuring fully auditable/automated workflows with built-in compliance

The Benefits of Having One Platform



Speed

Leverage Alpha's single source of truth to help you make investment decisions more confidently and quickly.



Efficiency

Radically simplify your operating environment by managing all products and portfolios on Alpha.



Choice

Choose the risk models, applications and liquidity venues that best support your investment process.

Portfolio Management

Manages all investment products and portfolios on a single desktop using your choice of data, analytics and benchmark providers



Custody & Back Office

Provides responsive FX management and reduces risk of currency exposures, while offering real-time inventory and integrated transfer services



Portfolio Construction and Decision Support

Bridges gap between theory and practice to create portfolios, using rules-based strategies and harnessing volumes of data to produce differentiated returns



Post-Trade & Settlement

Expedites settlement by automatically routing orders to trading counterparties in real time and providing consistent views of post-trade workflows



Trading

Streamlines liquidity access with built-in trade automation that enables traders to focus on complex trades



Risk Analysis

Ensures near real-time risk modeling and faster evaluation of investment opportunities through a broader choice of risk models on a single desktop



Collateral Management

Minimizes collateral costs and allows selection of clearing venue based on fees and margin requirements while gaining real-time visibility





We're not innovating in a vacuum, we're innovating in partnership with our clients.

Nadine Chakar
Head of Global Markets





Transforming Technology for the Future

Servicing may be our core function at State Street, but technology helps us deliver it. Every day, our asset servicing and asset management businesses depend on information technology infrastructure to do things like record and securely execute high volumes of complex financial transactions — in many currencies, across diverse markets and jurisdictions.

As our businesses and the markets in which we operate are continuously evolving, so must we. In 2019, we appointed a chief transformation officer and began to re-examine and rationalize our own operating model. As part of this process, we set out to improve and update our information technology infrastructure to be more efficient, meet increasing client and regulatory security, and support more opportunities for growth.

During the year, we enhanced the resiliency of our technology and strengthened business continuity by moving to common platforms and eliminating or retiring redundant and legacy systems. We simplified processes, added automation to tasks such as net asset value (NAV) calculations, and redeployed employee talent to more value-add assignments as needed.





Superior client experience is core to our technology strategy.

Brian Franz
Chief Information Officer



These investments are aimed at improving our platform and resilience, enhancing the quality of data and analytics, and boosting our transaction speeds.

To better serve our global client base, we shifted key operational functions to global service centers in 2019, to help provide around-the-clock service in real time. Ensuring we have access to the right data at all times obligates us to constantly redevelop design systems, refine operating models and create solutions for every step of the investment cycle. This model helps sustain our operations amid the COVID-19 pandemic, allowing us to reassign workloads amid rolling country lockdowns.

Superior client service is the heart of our technology strategy, so we're being smarter about where and how we employ technology, while leveraging it to create more client-focused innovation.

We saw some of that innovation emerge in 2019 with State Street Alpha,SM the industry's first front-to-back investment servicing platform. Alpha helps clients keep pace with advancing technology by providing increased processing speed, data accuracy and end-to-end delivery.

Client-first innovation was prevalent in our tech-driven Global Markets business, which offers research, trading and securities lending services for foreign exchange, stocks, fixed-income and derivatives. Our focus on FX solutions is why we ranked No. 1 in market share for real money clients globally in *Euromoney's* 2019 survey. We also ranked No. 1 globally for eFX trading.

In 2019, we saw how BestX[®], our trade execution analytics platform, has transformed how quantitative investors design and test their trading algorithms. We also launched an outsourced trading capability for asset managers and owners looking to cut costs in order to focus on their core portfolio



We want to out-innovate our competition. The Charles River acquisition allowed us to do that. With the development of State Street Alpha, we emerge as a front-office specialist, as a technology specialist, as a big data specialist.

John Plansky

CEO of Charles River Development

construction mission, while gaining access to the scale and liquidity of our larger trading operation. Small and medium-size managers may also choose to outsource trading to gain access to what may otherwise have been unavailable counterparties.

Innovation is an inherent skill at Global Markets, where every day we provide our clients with more than 300,000 market indicators that can help them gain insight into market forces and trends. We also interpret proprietary data and review information from 1,000 media sources to turn into fact-based asset intelligence reports on everything from liquidity flows and tracing COVID-19 infections to pricing indicators on environmental, social and governance investments.

We recognize that talent is the foundation of a strong technology infrastructure, and we're investing in engineers and innovators with expertise in new technologies to help us stay ahead of client demands.

In 2019, we formalized our Numerates Network, an internal recruitment and mentoring tool that matches employees with skills in emerging technologies to State Street projects that may need their help. This tool hastens innovation at our company by leveraging the skills of our in-house talent for highly specialized internal projects. Cross-company innovation makes us Stronger Together.

Looking to the future, we are addressing ways to use emerging technologies such as machine learning, cognitive computing, artificial intelligence and robotics to drive innovation and convert data into insights. Whatever new technology presents itself, we are laying the foundation for the future of financial services to help our clients overcome their most pressing challenges.



The safety and soundness of State Street are paramount. We're processing up to US \$1 trillion in funds through our systems every day. Our clients trust we will service those assets with integrity and be able to perform the services they've contracted for.

Andy Kuritzkes
Chief Risk Officer





Ensuring Resiliency for Operational Excellence

The steps we took in 2019 to further enhance our operations and manage risk have recently been put to the test, as the COVID-19 pandemic upended the world and rocked financial markets.

As major cities shut down and millions of workers were told to stay home, we relied on decades of detailed business continuity planning and the dedication of our employees to manage split operations, swap workloads and move to alternate sites. We continued our business, delivering services with minimal disruption while the widely unanticipated global disaster unfolded.

By placing a high priority on operational and technology resilience throughout the year, we proved well equipped to respond quickly to rapidly changing business conditions caused by the pandemic. As one of about 30 institutions deemed critical to the systemic operations of the world's financial markets, we believe the biggest risks in the financial industry today no longer surround capital or liquidity, but rather the impact that shifting technologies, operational complexity and disruptive threats will have on continued operations.





Our Global Risk team is an essential partner across State Street's many business lines. It works closely with our business continuity, disaster recovery and corporate information security teams to monitor and remediate emerging threats.

These functions were invaluable as we began to transform our operating model and the way we delivered our services in 2019, building out our global operational footprint so that we could provide continuous coverage from service centers in different time zones around the world. With up to US\$1 trillion running through our systems daily, this capability proved critical during the pandemic, as we transitioned certain activities to different locations to ensure continuity in service.

Effective collaboration and technology innovation came together to help us create a simpler, more effective fund accounting operation aimed at improving the NAV

calculation process, eventually moving toward end-to-end automation that will incorporate the type of value that only our people can add. As we strive toward continuous improvement, we introduced more technology across our securities servicing function, automating various production tasks in an effort to improve data consistency, delivery speed and productivity on a global scale. Over the course of 2019, we were able to increase straight-through processing rates, thereby freeing employee resources to focus on value-added projects such as oversight, control and consulting with clients.

But technology enhancements and operational efficiencies cannot be effective if we become too far removed from our clients. As a result, we more tightly aligned employees from the client relationship side of the business together with our global operational teams to facilitate collaboration needed to expedite answers to client questions and get service



**Our operation is our service to our clients.
We collaborate across our organization to
ensure this client perspective is never lost.**

Liz Nolan
Head of Global Delivery

issues resolved quickly and accurately. Understanding our clients' longer-term objectives and preferences is key to better outcomes.

We entered 2020 as a more efficient organization prepared to deliver operational excellence to our clients and more opportunities to our employees. The COVID-19 pandemic may have shifted expectations about exactly how that would unfold, but it has strengthened the mutual trust we share with our clients as we work together to keep the world's financial systems operating.



**Risk management
is not a static discipline.**





New conditions call for different kinds of investment solutions, solutions that are far more capital-efficient and resilient in an era where costs and fees matter more than ever.

Cyrus Taraporevala
President and CEO, State Street Global Advisors



Adapting to a New Paradigm

Cyrus Taraporevala has spent the bulk of his career in asset management helping global asset owners and their intermediaries achieve their investment goals.

He observes that even before the current crisis, both asset managers and asset owners faced a historic turning point. Asset owner objectives are more complex and the capital markets in which they invest are rapidly changing. This means that asset managers need to redefine the value they bring to asset owners, recalibrating both the nature of their relationships as well as the contours of the solutions they provide. For this report, Cyrus talks about how State Street Global Advisors is adapting to this new paradigm.

What are the new kinds of challenges facing investors?

Asset owners face two sets of pressures. One is simply the macroeconomic and market backdrop. After the long bull run in equities and bonds, longer-term asset class forecasted returns for the next 30 years are lower than returns from the past 30 years. When interest rates are low or negative, that part of clients' portfolios simply can't deliver historical levels of return.



Rigor, breadth, innovation and active stewardship — those are the guiding principles that keep us in it for the long run on behalf of our clients.

Even before the crisis, much of the “lower-for-even-longer” rate environment was due to structural changes to the economy; aging populations and shrinking labor forces portend lower growth, while technology advances tend to have a deflationary effect on economies.

In fact, many of the macroeconomic and market relationships we took for granted during most of my career are now being questioned due to structural changes to the drivers of growth and inflation. Investors and policymakers have been grappling with persistently low inflation, low productivity growth and, prior to the recent dramatic turbulence, low market volatility. None of the experts has a definitive explanation, but those new conditions call for different kinds of investment solutions, solutions that are far more capital-efficient and resilient in what is likely to be a lower-return era in which costs and fees matter more than ever.

In addition to those external challenges, the other set of pressures on asset owners is internal: rising technology and infrastructure costs, limited internal investment teams or cumbersome governance structures, and urgent new questions around alternative asset classes or environmental, social and governance (ESG) issues.

As a result, the biggest change I’ve witnessed in my career in the industry is the shift from products to solutions. “Solutions” is often overused, so let me be clear about what I mean. Asset owners are increasingly looking for asset managers who can understand the full dimensions of their investment challenges and create solutions that achieve a predefined outcome, whether it is matching a very specific set of liabilities or reaching a terminal wealth goal or some other multi-dimensional objective.



That is a big change from the old days of selling a star portfolio manager's strategy. It's as if these days our clients come to me and say: "Cyrus, I'm tired of buying steering wheels from one provider and a chassis from another and tires from a third. What I really need is a car. Can you build me that?"

That is what we mean by outcome-oriented solutions, whether that solution is a target date fund for a defined contribution participant, or a highly bespoke portfolio-wide hedging overlay solution for a sovereign wealth fund.

How is State Street Global Advisors adapting to the changing needs of global investors?

We have evolved to a much more consultative approach when engaging with our clients, helping them think through their thorniest investment challenges. Robust investment performance is still important, but that's almost

table stakes now. For long-lasting strategic relationships, our clients are looking to us to bring them new ideas, insights and research in order to create portfolio solutions that are rigorous, risk-aware and relentlessly innovative. Our solutions approach covers the full spectrum of advice, design and implementation across all asset classes and investment styles. And in those cases where we don't have a specific capability in-house, we go outside to source it for our clients. We start by trying to understand the client's implicit or explicit liabilities and then figure out a broad solution, even if we end up providing only a slice of the overall solution.

Over the last few years, ESG issues in general, and climate risk in particular, have been major topics of conversation. Some clients have very specific views on how they want to align their portfolios with their beliefs on environmental, social or governance issues, and we can certainly build portfolios to those ESG specifications. But most are still struggling

to understand the “how” of ESG investing and what it means for their current risk-and-return parameters. That is why we have made ESG research a priority and created the R-Factor™ scoring methodology (“R” for “responsible”) to frame conversations around material ESG investment issues. We expect the pandemic-induced focus on resiliency will naturally intersect with sustainability issues and that ESG will continue to be an important focus for institutional investors.

As long-term fiduciaries, we regard sustainability as a value-driven imperative rather than a values-driven agenda and are committed to bringing as much transparency and rigor to our ESG-informed strategies as we do to all of our other capabilities.

For example, we are now actively engaged in conversations with clients about how to reduce the carbon intensity of their portfolios. And we can be transparent about the amount of carbon exposure we can reduce in return for a certain level of tracking error, so that clients understand what the trade-offs are. Or we highlight for them the complexities around defining what a “climate-resilient” portfolio actually entails: Is it completely fossil-free? Does it contain some shades of “brown” energy? Is nuclear part of the mix, and how should it be categorized? What is the full range of the physical, economic and regulatory risks associated with climate change that could impact the value of their portfolio holdings?

We’re committed to helping clients consider these types of questions and aligning the investment portfolios we manage for them to their preferences.

Creating the next generation of individual retirement solutions is another area where we have committed to innovation. For example, our lifetime income solution allows defined contribution plan participants to help ensure that they will not outlive their assets. Designing asset allocation glidepaths that manage through retirement and incorporate an individual’s preferences and wealth goals over multiple market cycles with greater precision is the next area of innovation for the industry.

And as the creator of the world’s first ETFs, we continue to launch innovative varieties, whether in the range of low-cost ETFs, model portfolio components or thematic ETFs targeting portfolio goals like low-carbon solutions. We are focused on innovation with purpose: our new ETFs address real client needs. Innovation for innovation’s sake is where so much of the financial industry has run into trouble.

What are some of the distinctive strengths Global Advisors brings to this more complex environment?

With the heightened focus on costs in all forms, including management fees, our ability to create capital-efficient portfolios across



In a world where every basis point counts, our ability to show our value for fees is in itself invaluable.



a range of traditional beta exposures, factor premia and uncorrelated alpha sources is a valuable competency for our clients. The future of investing will entail a thoughtful combination of active, market-cap weighted index, and factor-based strategies in a strategic asset allocation that is resilient for the long run yet flexible enough for tactical adjustments.

Perhaps an even more important advantage is our DNA as innovators, constantly reinventing investing, as technology continues to disrupt the industry. Data and technology

will play a bigger role for both quantitative and fundamental managers, especially in terms of driving transparency around how much of an investment return is the result of market exposure or beta, how much comes from smart beta or factor exposures and how much is truly derived from genuine, skill-based manager alpha. That is a big part of what is driving the rise of index- and factor-based investing, as active managers now need to demonstrate their comparative advantage in a measurable way. In a world in which every basis point counts, our ability to show our value for fees is compelling.



We take our stewardship role more seriously than ever, using both our voice and our vote to effect positive change.

What does it mean to be one of the world's largest providers of index-based strategies, including ETFs?

First of all, index investing and ETFs have been among the most important innovations in our industry. ETFs in particular have democratized investing by enabling Main Street investors to access global markets in a low-cost way that was previously possible only for large institutional investors. ETFs have enhanced market liquidity by creating secondary trading markets without affecting the value of underlying securities, and we saw how important ETFs became for price discovery during the worst turbulence of first-quarter trading.

Moreover, our indexing heritage is at the heart of what it means to be a long-term investor and the reason we are so focused on asset stewardship.

Through our index strategies, we own virtually every public company on behalf of our clients. For as long as a company is included in an index, we own it and are therefore near-permanent capital. Unlike in our active strategies, where our portfolio managers can sell a stock if they disagree with the company's strategic direction, we cannot make the S&P 500 the S&P 499. We are, in other words, in it for the long term, and must engage with those companies on issues that affect long-term value creation, whether it is effective independent board leadership, sustainability, capital allocation decisions or strategy.

As flows into index-based strategies increase, we take our stewardship role more seriously than ever, using both our voice and our vote to effect positive change. Here, too, we value transparency, publicly communicating to our portfolio companies the issues we will prioritize during engagement season.



Sculpture by Kristen Visbal.
Commissioned by
State Street Global Advisors.

STATE STREET | 2019 STAKEHOLDER REPORT

Our [annual stewardship report](#) documents the themes and best practices we identify as well as a record of our voting. We never outsource our voting decisions — we view it as a core part of our role as a fiduciary.

And we are pleased to see the measurable impact we have. For example, our Fearless Girl campaign to improve gender diversity on boards has resulted in almost 700 companies that previously had no female board member appointing one or more women in the three years since we launched that famous statue on Wall Street. Similarly, our call on companies to incorporate sustainability into their long-term strategy, guided by the Sustainability Accounting Standards Board (SASB) materiality framework and our proprietary R-Factor scoring, has coincided with a heightened focus, industry-wide, on climate risk and other ESG issues. We believe taking a strong point of view on these material issues in our asset stewardship efforts improves the quality of companies,

the indices in which they are included, and the overall health and stability of global capital markets. Rigor, breadth, innovation and active stewardship — those are the guiding principles that keep us in it for the long run on behalf of our clients.

Fearless Girl's Impact, Since March 2017

1,384

Companies were identified for lacking gender diversity at the board level

681

Companies added a female director



We are investing in our global capabilities to match the growth ambitions of our clients.

Francisco Aristeguieta
CEO for International Business



Extending Global Capabilities

Francisco Aristeguieta explains how the COVID-19 world is a more volatile and unpredictable place for asset managers looking to grow internationally.

Now more than ever, he says, institutional investors need a strong partner on the ground like State Street with local talent and global scale to support their data, technology and operational requirements in a world in which the rules of international engagement are being rewritten.

Why is it more challenging today for global institutional investors to establish a foothold in high-growth markets in Asia, Latin America, Africa and the Middle East?

Even before the pandemic, there was a sense that the world as we knew it had changed forever. The globalization tailwinds that helped international businesses over the last 30 years are turning into more nationally focused headwinds. The global institutions and tools that previously managed conflicts are being challenged by new populist leaders around the world.





Multilateral cooperation is being overtaken by bilateral action and shifting alliances: economically, politically and militarily. In a more nationally focused world, the risk of conflict is high and the range of unexpected outcomes for businesses is much wider. The world has become more fragmented, more contentious and more complex.

What does that mean for asset managers wanting to grow internationally?

Step one is acknowledging that business as usual will no longer be effective. Global companies need to recognize that conflict resolution in the future might look very different than it has in the past. The balance of risks is to the downside, for as long as the institutions for managing those risks are transitioning.

In recent decades, building an international presence in high-growth markets was almost easy. In the decade ahead, it will be much harder.

The next 10 years will require new tools for establishing footholds in new markets. Establishing a successful international presence will require a much more intensive commitment to understanding local legal and regulatory frameworks and a greater investment of time and treasure to hire local talent and align operating models to local stakeholder demands.

Firms will need to be more nimble as the world moves away from global integration toward national siloes. Therefore, choosing your partners carefully will be more important than ever.



[We] become that connected network for clients in a way that provides a consistent and reliable experience regardless of where they are operating.

How is State Street responding to these new challenges?

We are investing in our existing global capabilities to match the growth ambitions of our clients. In many ways we are already well-positioned to help our clients grow. We have a well-established brand and a long-standing foothold in many of these countries with seasoned talent on the ground.

More importantly, we can provide asset managers with the ability to scale internationally without having to build their own infrastructure locally. For most asset managers, building a data center for their own use in a particular country is simply not practical or cost-efficient.

State Street can become that connected network for clients in a way that delivers a consistent and reliable experience regardless of where they are operating. Providing a wider range of operational, data and technology support also transforms our relationship from being a vendor to being a strategic partner.

Operational nimbleness and reliability are becoming increasingly important in an uncertain world. Our response to the coronavirus pandemic demonstrates that we could shift and manage our processes while providing stable and reliable support even in the most unpredictable of circumstances.

Clients are eager for that access to scale, productivity improvement, data insights and consistency of experience wherever they do business. Every single client meeting I have refers at some point to a desire to



Harnessing the full range of our global capabilities can drive unprecedented scale for our clients, and we want to build on those strengths to support our clients' future growth.

expand internationally, to enter a new market, or to launch a new product, fund or distribution platform in a foreign market. These are all goals that involve multiple geographies, multiple capabilities, multiple operating systems and require the ability to better leverage their data even in markets in which there are significant data-movement restrictions. Harnessing the full range of our global capabilities can drive unprecedented scale for our clients, and we want to build on those strengths to support our clients' future growth.

Ultimately it is about talent. We are investing in attracting the best talent in each of these international markets so that we can offer our clients the most incisive local insights and experience that will support their success and facilitate access to our full range of capabilities, regardless of the region. We are dedicated to creating a high-performing organization in each international market that is equal to the growth ambitions of our clients. In this uncertain and highly volatile world, local expertise and global scale will be mission-critical for institutional investors looking to grow in the decades ahead.



We are able to shift and manage our processes while providing stable and reliable support even in the most unpredictable of circumstances.



Our values guide how we conduct our business, develop our workforce and care for our communities.

Kathy Horgan
Chief Human Resources and Citizenship Officer





Championing Strong Communities and Values

We uphold four core values: trust is our greatest asset; global force, local citizen; always finding better ways; and stronger together. These values guide how we conduct our business, develop our workforce and care for our communities.

Throughout 2019, we led a range of employee programs, community outreach partnerships and philanthropic efforts that advanced our role in corporate responsibility and our involvement in environmental, social and governance (ESG) issues.

Our People

Inclusion and diversity are not only central to our company's values, they are good for our business. They are also key factors in helping us achieve our goal of being a high-performing organization and a global destination for talent. With nearly 40,000 employees around the world, we know that our differences are what make us a stronger company.





Inclusion and diversity is about working to bring the right people to the table so that we can have the best outcomes for ourselves, for our clients, and our community. We want everyone to feel that they can add value to the fabric of what we're trying to do.

Paul Francisco
Chief Diversity Officer and
Head of Workforce Development Programs



We continued to see progress with our inclusion and diversity efforts in 2019, as we diligently worked across the organization to maintain a culture where every employee feels valued and supported. During the year, we adhered to a hiring process that strives for a diverse slate of candidates and uses a diverse panel of interviewers to reduce bias in our senior-level candidate pools. We strengthened employee and manager communication and education programs with a focus on creating a more diverse, inclusive environment.

We continually evaluate our employee benefit programs, evolving our offerings to match the needs of our workforce, including extending parental leave for adoption and surrogate births and providing health care coverage for fertility treatments for same-sex couples — which helped strengthen our reputation as an employer of choice within the LGBTQ community. For six consecutive years, we have been proud to receive a score of 100% on the Human Rights Campaign Equality Index, which places State Street among the “Best Places to Work for LGBTQ Equality.”

We have instituted actions aimed at reducing the pay gap between men and women. Even prior to it becoming a law, globally we decided to stop asking compensation history of job candidates, continuing our efforts to have greater representation of women and people of color at the top levels within our organization.

We launched our diversity goals strategy in 2011 and since then we have made progress on both women and employees of color being more represented in senior leadership levels. Across the company, senior executives are held accountable for our inclusion and diversity efforts, with progress against our goals tied to their compensation.

Employee Engagement

One way we support our diverse workforce is through our more than two dozen employee networks and 110 chapters worldwide. These employee-run organizations have senior management sponsorship and provide opportunities for colleagues to confer and collaborate with one another — and with State Street — on issues that matter to them. We measure the networks through the impact they have on their members' careers as well as on our culture, community, clients and business.

Our employee networks drive a culture of inclusion that helps us achieve State Street's business strategy by supporting our goal of becoming a high-performing organization. In 2019, our Black Professionals Group collaborated with our Project Management Office Council and Global Marketing to develop an internal resource for project managers, accessible to all those in project management roles to leverage resources and establish cross-company standards. And our Professional Women's Network ran three internal consulting projects resulting in an estimated \$190,000 savings to the company, and lent their services to the Boston Women's Workforce Council for another three consulting projects.

Two company-paid volunteer days provide a valuable way for employees to connect over support for important causes, and underscore the value of volunteerism and the role it plays in driving employee engagement. Our fall 2019 employee engagement survey bore that out, as employees who participated in volunteer activities scored significantly higher than those who did not.

Our employees were generous with their own time in 2019, cumulatively spending nearly 83,000 hours volunteering to support more than 1,000 community organizations throughout the world. Some of that time was logged during our first Global Volunteer Week in September 2019, when thousands of employees across the company completed 350 projects, including hosting personal finance workshops for

domestic workers in Hong Kong and cleaning up hurricane-damaged beaches on the Cayman Islands.

Providing employees with the tools to succeed is another way we foster an inclusive culture. From streamlining performance management to providing education and training, we are committed to attracting and developing the industry's top talent.

We continue to support a strong performance culture. We have increased the transparency in our performance management process, to ensure that all employees understand their performance and can adjust accordingly throughout the year. This is achieved through monthly check-in meetings and an ongoing review of priorities with their managers. A leadership scorecard specific to our executives is also used to focus efforts not only on what is achieved but how, with a focus on leadership ability, risk excellence and employee engagement.

To help our employees learn how bias may impact their environments, themselves, and their colleagues, we have offered a virtual, self-paced course, *Inclusive Leadership: Understanding Unconscious Bias*, which was rolled out to all employees globally early in 2019. We have also ensured bias training in our promotion and hiring practices through awareness and an evidence-based assessment model.

83k

Hours of global volunteering

1,000

Community organizations

\$1.2M

Emergency grants by State Street Foundation in 2020 toward COVID-19 pandemic relief efforts

We strengthened our Global Learning platform, a self-directed, educational and training offering designed to augment new employee onboarding, encourage engagement and improve management skills. Through courses and interactive trainings, employees can access a range of learning opportunities, from sales and client engagement courses to culture-focused offerings, such as *Working in a Cross-Cultural Virtual Environment* and *Inclusive Leadership*.

Deeply Rooted in Effecting Change

Since its founding in 2016, State Street's Environmental Sustainability Employee Network (ESEN) has been helping drive change across our company and around the world.

After quickly growing to become our second-largest employee network, ESEN has built on the commitment of its members to help us become an industry leader in environmentally sustainable practices. With 15 chapters in countries around the world, ESEN is working to help State Street deliver on its environmental goals, including our multiyear targets for cutting water usage, waste and carbon emissions.

In 2019, ESEN held hundreds of activities that brought new ideas, started new conversations and participated in new projects supporting sustainability in our communities across the globe. Notable efforts included helping eliminate or reduce the use of Styrofoam cups and single-use plastics in a number of cafeterias, and participating in tree-planting campaigns in the US, Poland, India and Australia.

With its timely focus and proven track record, ESEN is improving employee engagement across the company, as evidenced by its new UK, Ireland, Japan, France and Brazil chapters in 2019. It has also proven to be a valuable resource to our own business operations, as ESEN members made themselves available to our ESG-related businesses, volunteering to help on assorted business projects while gaining experience and learning opportunities in this area. With their passion for sustainability, the more than 2,000 members of ESEN are making a lasting impact on State Street's legacy.





Corporate responsibility is the collective work of all of State Street's employees worldwide.

Rick Pearl

Global Corporate Responsibility Officer

\$21M

Total philanthropic contributions

\$15.9M

Education and workforce development contributions

\$5.1M

Employee gifts matched by State Street Foundation

Our focus on diversity extends beyond our own walls to our entire value chain. In 2019, our Global Procurement team purchased goods and services from 4,700 suppliers that were majority-owned by women, minorities, veterans, people with disabilities or those in the LGBTQ community.

Taking a Stand

When there's an issue we're passionate about, we take a stand to get results. Three years ago, we made headlines with State Street Global Advisors' Fearless Girl campaign — and a statue on Wall Street — to increase the number of women on corporate boards. Since then, almost 700 companies have added a female director to their previously all-male boards, and more change is likely to follow. We continued taking a public stand for diversity when our Chairman and CEO Ron O'Hanley recommitted to the CEO Action for Diversity and Inclusion pledge, joining more than 900 other executives seeking to cultivate diverse talent and inclusive workplace cultures.

Community Outreach & Philanthropic Efforts

Through the collaborative efforts of our State Street Foundation, employees, and partnerships with nonprofits and government organizations, we endeavored to make our communities a better place to live and work in 2019.



The proof is in our employee survey results: those who participate in inclusion and citizenship programs are significantly more engaged and more willing to recommend State Street as a great place to work.

Joan Christel

Head of Corporate Citizenship & Global Inclusion

Our State Street Foundation has been a strong, global force in philanthropy since its inception in 1977, providing financial support to nonprofit organizations through grants and matching employee donations. Last year, it distributed approximately US\$21 million in philanthropic support, with US\$15.9 million dedicated to education and workforce development programs, including our signature Boston Workforce Investment Network (Boston WINs), which helps the city's high school students prepare for future employment. Building on the success of WINs — now in its fifth year — we launched

similar workforce development programs during the year in Ireland and Poland, adapting our model to the needs of each location.

When our communities need help, employees and State Street Foundation become stronger together, combining employee donations with matching grants for greater impact. These matching donations totaled US\$5.1 million in 2019. As the global public health crisis brought on by the COVID-19 pandemic unfolded, State Street Foundation made emergency grants totaling US\$1.2 million to five global nonprofits and nongovernmental organizations (NGOs)



Our focus on education and workforce development is making a real impact on social mobility and income inequality problems.

Joe McGrail

President of State Street Foundation

participating in relief efforts. For employee donations to select COVID-19 responders, State Street Foundation has instituted a double-match feature to amplify the impact of employee giving in this extraordinary time.

Environment and Sustainability

We are a global company that does not take its relationship with the earth for granted. Sustainability and environmental stewardship are two tenets embedded in all facets of our business — from how we manage our buildings to tools that bring more transparency to the investment process.

In 2019, we reduced our carbon footprint, improved our corporate responsibility efforts and created products and services that advanced ESG issues.

We made notable progress toward our 2025 environmental goals, which remain a key focus of our corporate responsibility strategy. Several initiatives across our company — many stemming from the grassroots efforts of our employees — helped put us six years ahead of our initial goals, starting with a 31% reduction in our carbon footprint against a 2015 baseline. We reduced our water usage by 21% on a per-person basis and increased our recycling rate to 72%, driven in large part by employee efforts to eliminate single-use plastics in our offices.

A critical part of tracking our progress is how we report our results — to our shareholders, employees and the communities where we operate. With our 2019 Corporate Responsibility (CR) Report, we are reporting for the first time against the Sustainability Accounting Standards Board (SASB) framework, in addition to the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosure (TCFD) frameworks. Developed and widely embraced by the financial community,

72%**Recycling rate**

Goal: 80%

31%**Reduction in our
carbon footprint**

Goal: 30%

21%**Reduction in our
water usage**

Goal: 10%

the SASB framework organizes reporting of key material information around five pillars: environment, social capital, human capital, business model and innovation, and leadership and governance. [See page 70 for information on our SASB data, and view our [2019 CR Report](#) for more details.]

In 2019, our asset management business incorporated ESG issues into a number of new products and services. In July, State Street Global Advisors launched the ESG Liquid Reserves Fund, which leverages R-Factor,[™] our proprietary ESG-scoring model that brings more transparency to this type of investing. Our Global Markets team also enhanced ESGX[®], our web-based platform that provides clients with tools to assess ESG-factor exposure in their portfolios. To help galvanize our ESG efforts across the company, in September we hosted our first ESG Forum in Boston. During the event, attendees heard from experts on the latest breakthroughs in ESG

research and implementation. Speakers included ESG pioneer and Harvard Business School Professor George Serafeim, with whom we have partnered to develop ESG-related thought leadership.

Our work around sustainability was singled out in 2019, when State Street was added to the Dow Jones Sustainability World Index, which evaluates the performance of thousands of companies, selecting the top 10 percent of each industry using ESG criteria. The index is considered a gold standard in the industry, placing us in an esteemed category for our investors.

Our core values served us well in 2019, and we've continued to draw on them amid the ongoing challenges of the COVID-19 global pandemic. State Street's commitment to care for our employees, strengthen our financial system, and promote a better and sustainable world has never been deeper.

1792

Our ancestor, Union Bank, is established in Boston to serve the growing maritime and China trade

1864

We receive our national banking charter

1924

We become the custodian for the first-ever mutual fund

1961

State Street Bank and Trust forms from a merger of our 13 predecessor banks

1978

1993

2017

2019



A Journey Made Together

2019 Financial Summary
and Sustainability Review

State Street Global Advisors (SSGA) is created

We create the world's first US-listed Exchange Traded Fund

Fearless Girl placed on Wall Street as a call-to-action for diversity in the boardroom

We launch State Street Alpha,SM the first fully open front-to-back platform from a single provider



Financial Highlights

The first half of 2019 was challenging, following the dramatic global equity market sell-off in late 2018 and continued servicing fee pressure.

We took aggressive actions to address the impact on our servicing fee revenues at the end of 2018 and into 2019, which reflected the impact of challenging market dynamics on our clients. We executed a firm-wide expense savings program that exceeded initial targets, and strengthened our value proposition to clients, including the build-out of our front-to-back State Street AlphaSM platform. We instilled pricing discipline while also generating new business wins, ending 2019 with \$1.2 trillion in assets under custody and/or administration to be installed. While we did not meet our performance expectations for the full year, these actions and ongoing initiatives resulted in substantial improvement to our financial performance in the second half of the year.

- Total revenue in 2019 declined 3% from 2018, partially reflecting the elevated level of industry servicing fee pricing pressure, which began to moderate for us in the second half of the year.
- Expenses were well managed in 2019 and were flat relative to 2018 on GAAP basis and declined 2% excluding notable items and Charles River Development relative to 2018¹. We achieved \$415 million in gross expense saves in 2019, exceeding our goal of \$350 million.
- Net income available to common shareholders decreased from 2018, reflecting the drop in total revenue and despite the expense savings.

- We achieved diluted earnings per common share of \$5.38 and return on average common equity of 9.4%, both down from 2018. Deposit-gathering initiatives generated benefits, with average total deposits down 2% from 2018, but up three consecutive quarters in 2019 and largely consistent levels of non-interest bearing deposits.
- We returned approximately \$2.3 billion of capital in 2019, and as part of that we declared cash dividends per common share of \$1.98, up 11% from 2018. We also optimized our total capital stack with the redemption of our Series E preferred stock, which is worth about \$0.06 of EPS. We remain confident in our capital ratios, which remain well above regulatory minimums.
- Assets under custody and/or administration at year end reflected a record \$34.4 trillion, with business wins in 2019 amounting to \$1.8 trillion, including four front-to-back Alpha platform wins.
- Assets under management finished the year at a record \$3.1 trillion, supported by higher market levels and more than \$100 billion in total net inflows.

* In general, our non-GAAP financial results adjust selected GAAP-basis financial results to exclude the impact of revenue and expenses outside of State Street's normal course of business or other notable items. Management believes that this presentation of financial information facilitates further understanding and analysis of State Street's financial performance and trends with respect to State Street's business operations from period-to-period, including providing additional insight into our underlying margin and profitability.

2019 Financial Highlights

Dollars in millions, except per share amounts or where otherwise noted	2018	2019
Financial Results		
Fee Revenue	\$9,454	\$9,147
Total Revenue	12,131	11,756
Total Expenses	9,015	9,034
Net income available to common shareholders	2,404	2,009
Diluted earnings per common share (\$)	\$6.39	\$5.38
Average Balance Sheet		
Total Assets	\$223,385	\$223,334
Total Deposits	161,408	158,262
Common shareholders' equity	19,829	21,403
Selected Metrics (as of December 31)		
Assets under custody and/or administration (\$ billion)	\$31,620	\$34,358
Assets under management (\$ billion)	2,511	3,116
Ratios		
Return on average common equity	12.1%	9.4%
Pre-tax margin	25.6%	23.1%
Pre-tax margin (excluding notable items) ^{Ai}	28.8%	25.8%
Capital Ratios (as of December 31)		
Common equity Tier 1	11.7%	11.7%
Tier 1 leverage	7.2%	6.9%
Supplementary leverage ratio	6.3%	6.1%

^A Notable items include acquisition and restructuring costs, gains on sales, and other notable items

Endnotes

¹ Results excluding notable items are non-GAAP measures. Refer to the reconciliation of non-GAAP financial information below.

Dollars in millions	YEARS ENDED		% CHANGE
	2018	2019	2019 VS. 2018
PRE-TAX MARGIN			
Pre-tax margin, GAAP basis	25.6%	23.1	(250) bps
Less: Notable items			
Acquisition and restructuring costs	0.2	0.7	
Repositioning charges	2.7	0.9	
Legal and related	0.3	1.5	
Other income	-	(0.4)	
Pre-tax margin, excluding notable items	28.8%	25.8%	(300) bps
TOTAL EXPENSES			
Total expenses, GAAP basis	\$9,015	\$9,034	0.2%
Less: Notable items			
Repositioning charges:			
Compensation and employee benefits	(259)	(98)	(62.2)
Occupancy	(41)	(12)	(70.7)
Repositioning charges	(300)	(110)	(63.3)
Acquisition and restructuring costs	(24)	(77)	220.8
Legal and related	(42)	(172)	nm
Business exit: Channel Islands	(24)	-	nm
Total expenses, excluding notable items	8,625	8,675	0.6
CRD expenses	(39)	(201)	415.4
CRD related expenses:			
intangible asset amortization costs	(18)	(65)	261.1
Total expenses, excluding notable items and CRD and CRD related expenses	\$8,568	\$8,409	(1.9)%

nm denotes non-meaningful



Environmental, Social and Governance (ESG) Reporting

Aligning with industry-recognized materiality frameworks

Standards that focus on financial materiality are important for investors' day-to-day decision-making. But when it comes to non-financial material risks, such as ESG-related risks, the absence of a globally-accepted framework challenges financial institutions to measure these issues, resulting in inconsistent metrics available to investors. With the help of ESG-related frameworks developed in recent years, many companies and investors are adopting transformative practices that allow them to quantify the impact of their ESG investments and understand the potential benefits of focusing on long-term, sustainable business models.

Two frameworks in particular have been embraced by the investment community — the Sustainability Accounting Standards Board (SASB) materiality framework and

the Task Force on Climate-related Financial Disclosures (TCFD) — because both are investor-led and designed to provide decision-support information to shareholders, lenders, insurers and investors. SASB and TCFD also help inform our corporate responsibility practices, enabling us to see the impact of our ESG efforts and focus our energy on a long-term, sustainable business model.

In 2018, our Board of Directors took on responsibility for monitoring material ESG activities such as greenhouse gas emissions and climate-related risks, leading to our full adoption of SASB reporting with our 2019 Corporate Responsibility (CR) Report. This commitment to strong governance plays out through ESG reporting as well — sustainability and climate are relevant to both of the primary reporting frameworks that we report against.

Our approach to sustainability and reporting

Being a strong steward of the environment is good for our business, helping us lower costs, increase efficiencies in our operations, attract and retain talent, and build trust with our clients and other stakeholders. We manage this environmental stewardship through two primary channels: operations and products.

Operationally, we track our environmental footprint via three environmental goals: our reduction of carbon emissions and water use, as well as our waste recycling rate.

We set goals for 2025 with a 2015 baseline, and have accomplished two of the three: a 31% reduction in our carbon footprint (goal of 30%) and a reduction in our water usage by 21% (goal of 10%).

Our significant progress against these goals is bolstered by creativity and collaboration across the entire company. The Global Realty team is responsible for our real estate footprint, and oversees water usage and reduction as well as much of our carbon usage. A collaboration between Global Realty and Global Services has resulted in our Renewable Energy Credit (REC) purchases, which offset 100 percent of our carbon emissions from business travel in 2019. Our Environmental Sustainability Employee Network (ESEN) has also played a valuable role, as it supports our engagement and education of employees and is playing a big role in our recycling efforts. (See page 59 for more information on the ESEN.)

We are now looking to further reduce our carbon footprint, instituting a program aimed at becoming carbon-neutral for all of our global Scope 1 and Scope 2 carbon emissions (direct

emissions as well as indirect emissions from electricity) by the end of 2020. This effort will require engagement of our offices globally as we increase our purchase of RECs and carbon offsets, facilitating development of green energy. We are also focused on reducing our carbon footprint on an absolute basis over the next 10 years in alignment with the Science-Based Target Initiative.

ESG and specifically sustainability efforts play into State Street products across our business lines. The investors we serve have long-term goals they must address, which is why our Asset Management team stresses ESG issues in their investment risk frameworks and engagement with portfolio companies. To that end, in 2019 we developed R-Factor™, an ESG scoring system that gives listed companies a unique score, allowing investors to build more sustainable portfolios.

Expanding our reporting

Since 2017, State Street has supported the mission and objectives of the TCFD, and we have been evolving our reporting to disclose recommended information ever since. Our [TCFD Report](#) found on pages 104-110 of our CR Report, covers four major categories — governance, strategy, risk management, and metrics and reporting — sharing State Street's progress and efforts in the area of climate-related risks. For example, we've made efforts to mitigate potential physical risks associated with climate by leveraging innovative approaches to energy efficiency and adapting business continuity plans to include scenarios of extreme weather incidents.

SASB's transparent materiality framework is seeing a growing trend toward implementation across the investment community, improving the efficiency of capital markets by encouraging transparency and disclosure of sustainability

information material to the investment community. Our [SASB Report](#) found on pages 86-103 of our CR Report, responds to two industry categories: Asset Management and Custody Activities as well as Software and IT Services. While State Street clearly falls into the first category, our understanding of the importance of data and commitment to transparency in areas that are material to our work pushed us to respond against the Software and IT Services category as well. Our SASB reporting covers a range of topics material to our industry — including assets under management employing integration of ESG issues, business ethics issues like our whistleblower policies, and employee engagement. One important component of this measurement is our approach to incorporation of ESG factors in investment processes and strategies.

The SASB framework, having identified issues considered material to State Street and our peers, has a broad reach, incorporating

concepts ranging from employee engagement to environmental considerations around our data center needs. As data centers require significant energy to operate, State Street has investigated renewable and non-polluting energy such as hydrogen fuel cell technologies, which provide low-carbon electricity while adding redundancy into our electrical system.

SASB also covers the link between ESG issues and investing. We detail our overarching stewardship philosophy of protecting and promoting the long-term economic value of our client investments, which complements our commitment to external initiatives like the UN Principles on Responsible Investment (UNPRI). We also communicate our focus on responsible investing for our clients, and on our development of effective proxy voting and engagement guidelines, to help ensure that companies see us as a long-term partner as they navigate the evolution of ESG practices.



Management Committee

As of April 30, 2020



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Chairman and
Chief Executive Officer



Jeffrey N. Carp
Chief Legal Officer



Eric Aboaf
Chief Financial Officer



Nadine Chakar
Head of Global Markets



Jörg Ambrosius
Head of Europe,
Middle East and Africa



Andrew Erickson
Head of Asset Servicing Business



Francisco Aristeguieta
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Hannah Grove
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Donna Milrod

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Andrew Kuritzkes

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Elizabeth Nolan

Head of Global Delivery



John Lehner

Head of Asset Managers Segment



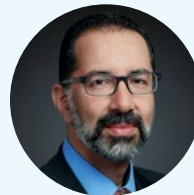
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Chief Executive Officer of
Charles River Development



Lou Maiuri

Chief Operating Officer



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President and Chief Executive Officer,
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