

State Street Europe Limited
(Group)

Pillar 3 Disclosure Statement

According to Part 8 Capital
Requirements Regulations

As of 31 December, 2020



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1 Objective

This disclosure statement (the "Statement") has been prepared for the group of companies headed by State Street Europe Limited ("SSEL") and, together and consolidated, the "SSEL Group" to provide quantitative and qualitative information regarding capital adequacy, risk management framework and remuneration in order to comply with the disclosure requirements of Part 8 of the Capital Requirements Regulation¹ ("CRR") in conjunction with applicable technical standards and guidelines issued by the European Banking Authority ("EBA").

The Financial Conduct Authority ("FCA") that enforces the capital adequacy framework consisting of three pillars in the United Kingdom.

Pillar 1: defines the rules and regulations for calculating risk-weighted assets and regulatory minimum capital requirements. The SSEL Group is governed by the prudential rules of a limited license investment firm and its Pillar 1 capital requirement is the higher of base capital requirement or the sum of credit risk and market risk or fixed overheads requirement ("FOR");

Pillar 2: addresses a firm's internal process for assessing overall capital adequacy in relation to its risks. This is also referred to as the Internal Capital Adequacy Assessment Process ("ICAAP"). Pillar 2 further entails the Supervisory Review and Evaluation Process by the FCA; and

Pillar 3: complements Pillars 1 and 2 and is designed to promote market discipline by providing market participants with key information on a firm's risk exposure and risk management processes through a set of minimum disclosure requirements.

Unless otherwise stated all information in this Statement is based as of 31 December 2020 and includes relevant regulatory disclosures regarding the SSEL Group and regulated subsidiaries. Certain information has been omitted from the Statement if, in the opinion of the management of the SSEL Group, such information is of proprietary nature or would not change or influence the assessment or decision of market participants or other users of the Statement.

¹ Corrigendum to Regulation (EU) No 575/2013 of the European Parliament and the of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Additional disclosure requirements regarding the country-by-country reporting as well as the public disclosure of return on assets (pursuant to IFPRU 9.1.3) are included in the consolidated annual financial statements of SSEL Group for year ended 31 December 2020 which is available at the [Companies House](#). Further reference can be made to the annual financial statements of the regulated subsidiaries included in the SSEL Group, which are State Street Global Markets International Limited (SSGMIL) and State Street Trustees Limited (SSTL) for year ended 31 December 2020.

The document is updated and published annually. It will, however, be published more frequently if there are significant changes to the business such as changes to the scale of operations, range of activities and presence in different countries or financial sectors.

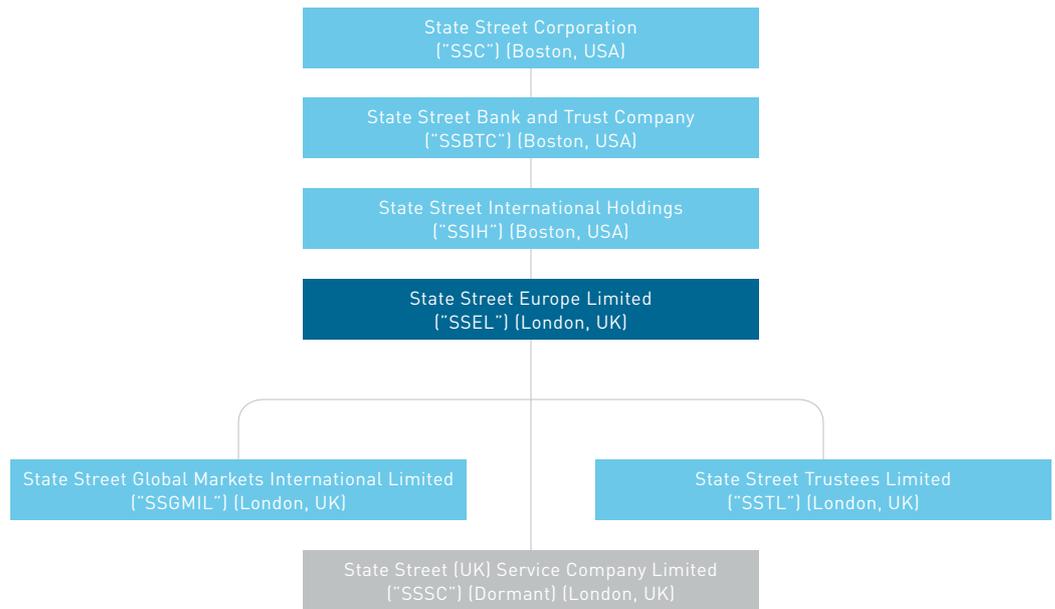
This document has been reviewed internally and approved by the member of the Board for publication on the State Street website www.statestreet.com. Copies of the statement are available at SSEL's main office located at 20 Churchill Place, Canary Wharf, London E14 5HJ.

2 General Information

2.1 Group Structure

The SSEL Group is wholly owned by State Street International Holdings, Boston, United States of America, the subsidiary of State Street Bank and Trust Company ("SSBTC"), Boston, United States of America, which is wholly owned by State Street Corporation ("SSC"), Boston, United States of America. The ultimate group parent company SSC is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation and SSBTC is subject to the primary supervision and regulation of the Federal Reserve and the Massachusetts Commissioner of Banks. In the United Kingdom, SSBTC is authorised by the Prudential Regulation Authority ("PRA") as a third country credit institution.

Figure 1:
The SSEL Group Legal
Entity Structure



2.2 Business Profile

The SSEL Group of entities are authorised and regulated by the Financial Conduct Authority in the operation of its services. The entities are designated per the below.

Entity	Business line
State Street Europe Limited ("SSEL")	Holding Company
State Street Global Markets International Limited ("SSGMIL")	Global Markets (GM)
State Street Trustees Limited ("SSTL")	Institutional Services (IS)
State Street (UK) Service Company Limited ("SSSC")	Dormant

State Street Europe Limited, London, United Kingdom

SSEL is a UK incorporated company. As at 31 December 2019, SSEL was authorised and regulated by the FCA as a BIPRU firm. In the beginning of 2020, the firm authorisation was cancelled (effective from 13 January 2020) and SSEL is no longer a regulated firm.

State Street Global Markets International Limited, London, United Kingdom

SSGMIL is a UK incorporated company and is authorised and regulated by the FCA as an IFPRU limited license firm. SSGMIL operates FX Connect MTF and Currenex MTF (together known as the "MTF Platforms"). The MTF Platforms are trading venues where multiple buy and sell interests can conclude foreign exchange contracts that are settled by the counterparties outside the trading platforms. The Currenex platform provides subscribers a spot FX trading offering, spot metals and ability to agree loans and deposits. SSGMIL offers Fund Connect, an electronic portal that facilitates the subscription and redemption of shares in money market mutual funds, exchange traded funds and other similar investment fund. SSGMIL also offers TradeNeXus that provides asset managers with a centralized console to view the settlements process for their FX transactions across all their funds, including matching, settlement type determination, SWIFT confirmation messaging to brokers and custodians.

State Street Trustees Limited, London, United Kingdom

SSTL is a UK incorporated company and is authorised by the FCA. SSTL is the one of the largest providers of trustee and depositary services to UK institutional fund managers. SSTL acts as trustee/depositary to Undertakings for Collective Investment in Transferable Securities (UCITS) funds and authorised and unauthorised Alternative Investment Funds (AIFs).

State Street (UK) Service Company Limited, London, United Kingdom

SSSC was incorporated in 2011 and is a fully owned unregulated dormant subsidiary of SSEL Group.

UK Joint Venture, United Kingdom

In 2009, SSEL entered into a general partnership with SSBTC London Branch with respect to the Company's consolidated operations of SSEL Group together with the bulk of SSBTC London Branch's operations. SSEL has a 12.5% interest in the profit and losses of the general partnership. There were no changes to the general partnership during the year. The profit-sharing ratio for each partner was determined with respect to the relative market value of their operations on the date of the agreement.

The initial term of the agreement expired in August 2014, after this point either party to the agreement can make alterations to the agreement but will be required to provide 6 months' notice prior to implementing any changes. As of 31 December 2020, there has been no notification to amend or terminate this agreement.

2.3 Basis of Preparation

SSEL Group prepared the consolidated annual financial statements as at 31 December 2020. All companies are fully consolidated for accounting and prudential purposes and held for strategic reasons. The consolidated statutory accounts of SSEL Group are prepared in accordance with Financial Reporting Standard 102.

The Pillar 3 disclosures relate to SSEL Group with relevant disclosures of individual subsidiaries that are regulated at the time of publication of this Statement. SSEL Group and each of its regulated entities have enough capital resources in relation to their minimum regulatory capital requirements on a stand-alone basis.

SSEL Group and SSGMIL are limited license investment firms as per Article 95 of the CRR and therefore, their Pillar 1 capital requirements are the higher of FOR or the sum of Credit risk and Market risk. SSTL capital requirements are calculated in accordance with the provisions of Chapter 5 of the Interim Prudential Sourcebook for Investment Businesses within the FCA Handbook ("IPRU-INV 5.4.3ib") and are the higher of £4million or Operational risk calculated as per the Standardised Approach set out in the CRR Article 317.

3 Governance and Risk Management

3.1 Risk Management Framework

The Risk Management Framework (“RMF”) enables identifying, managing, assessing, mitigating, monitoring and reporting risks in compliance with applicable regulatory requirements and internal guidelines. In addition to general oversight, the risk governance process ensures all staff perform their duties in accordance with the RMF by defining roles, segregating duties, assigning authority to individuals/committees/Board for approval of key risks, risk appetite and actions for risks outside of appetite. The RMF is aligned with the SSC corporate Risk Appetite Statement (“RAS”) and where relevant, it has been adapted to the specific needs and requirements of SSEL Group, including compliance with its own risk policies as well as all applicable SSC corporate risk policies and guidelines.

The key purpose of the RMF is to ensure that risks of SSEL Group are:

- **Proactively identified**

Risks cannot be managed unless they are first identified. The first step in identifying risks is to define the risk universe, which is done using the risk taxonomy;

- **Well understood**

Once the risks are identified, their nature needs to be understood in terms of underlying causes and how individual risks manifest themselves. The ability to measure risks in terms of likelihood and impact is a key part of being able to monitor the risk profile; and

- **Prudently managed**

Ultimately, SSEL Group works to ensure that risk-taking falls within the Board-approved appetite and conforms to applicable policies, limits and guidelines.

The Board of Directors (the “Board”) of SSEL Group are responsible for reviewing and approving risk management policies, including, among others, the policies outlining the corporate governance structure of SSEL Group, and policies addressing capital management. The Board monitors ongoing capital adequacy relative to risks and regulatory requirements and approves actions necessary to ensure that capital levels are maintained in accordance with the Risk Appetite, or that actions are taken to appropriately address any shortfall in financial resources.

The appropriateness of the knowledge, skillset and expertise of the members of the Board is established via an intense and rigorous membership selection process. Whilst SSEL Group does not have stated policies on the recruitment of its Directors, the appointments are rare enough for each appointment to be considered extensively on a case-by-case basis. In order to be considered for a SSEL Group Director appointment, the candidate must have the required actual knowledge, skills and expertise.

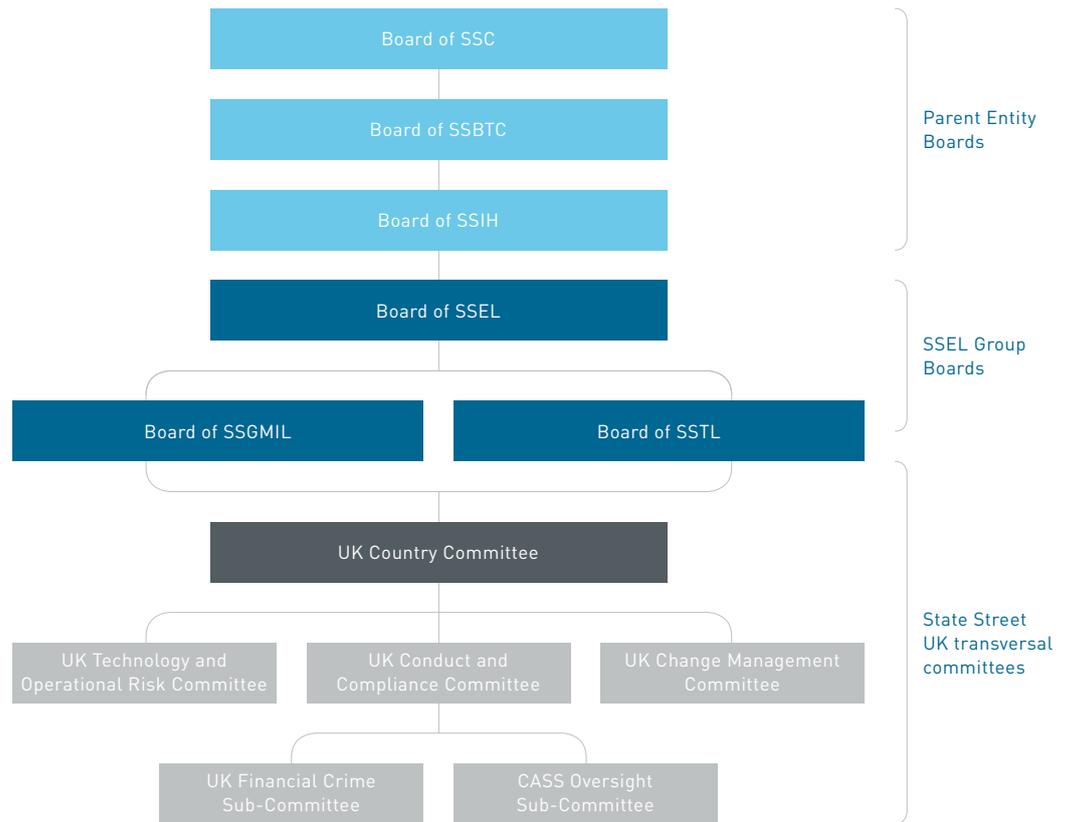
Diversity plays a key role in the selection of the members of the Board and is anchored in the State Street Diversity Policy. The policy addresses no tolerance for discrimination or harassment based on an employee's race, colour, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity, gender expression, intersex status, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status and other characteristics protected by applicable law. The strategic objectives concerning diversity have been accomplished to a satisfactory degree and their future accomplishment will be monitored by the Company Secretariat.

As of 31 December 2020, the number of directorships held by each member of the SSEL Board are as follows:

Name of Director	Directorship	Number of Directorships
S. Craig	Chief Executive Director	4
A. Stevenson	Executive Director	1
L. Wotherspoon	Executive Officer	2

In addition to the Board and formal governance committees (pictured below), businesses operating through the SSEL Group maintain business line risk committees and/or senior management committees to assist in the management and oversight of relevant risks.

Figure 2:
UK Risk Management
Governance²



² As at September 2021.

SSEL Group has also adopted the three lines of defence model, described below:

Primary Responsibilities for each of the Three Lines of Defence		
<p align="center">Governance Strong Board and Management oversight. Sets “tone from the top” and establishes Corporate risk appetite and strategy.</p>		
First Line of Defence	Second Line of Defence	Third Line of Defence
<p>Who (examples)</p> <p>Businesses: e.g., SSGM.</p> <p>Functions: e.g., Operations, IT.</p>	<p>Who (examples)</p> <p>Enterprise Risk Management (ERM).</p> <p>Corporate Compliance.</p>	<p>Who</p> <p>Corporate Audit.</p>
<p>Overall responsibilities</p> <p>Accountable for appropriately identifying, assessing, managing and reporting on risks relevant to achieving business and corporate objectives.</p> <p>Accountable for designing, documenting, implementing and monitoring effectiveness of internal controls.</p> <p>Self-identify and report internal control deficiencies, analyse their root causes, implement timely corrective actions and continuously monitor risk.</p>	<p>Overall responsibilities</p> <p>Identify and maintain inventory of material risks.</p> <p>Establish (with approval of Board) risk appetite framework for major risks.</p> <p>Develop policies, limits and risk standards for containing risks within risk appetite boundaries.</p> <p>Monitor and report on risk taking and exposures relative to policies, limits and guidelines.</p> <p>Independently assess and advise First Line of Defence functions in their risk management responsibilities.</p> <p>Design and lead the governance framework for risk monitoring and decision-making.</p>	<p>Overall responsibilities</p> <p>Maintain independence and objectivity in providing assurance relative to the effectiveness of First and Second Lines of Defence functions.</p> <p>Identify and communicate to the E&A Committee instances where the First and Second Lines of Defence are not adhering to established risk management practices and identify improvement opportunities.</p> <p>Provide opinion on the overall effectiveness of risk management practices.</p>
<p align="center">Culture Best in class culture that incorporates risk management and controls thinking into business decision making and overall “DNA” for all Lines of Defence.</p>		

3.2 Risk Culture

The culture of State Street is the foundation for the RMF, focusing on putting risk at the forefront of how all State Street entities do business by embedding risk management into day-to-day decision-making. This means effectively managing risk and control environments, complying with risk and regulatory requirements, and demonstrating ethical behaviour with senior management leading by example; risk awareness and education so all individuals understand their role in managing risk; personal accountability with respect to risk excellence; and governance, reward and recognition systems which support a risk excellence culture.

There are number of group corporate initiatives embedded which support the risk culture, whilst also reinforcing State Street values. These include the "Standard of Conduct" policy and framework; the "Speak up, listen up" activities aimed at raising challenge and escalating issues; the "Ethical decision-making framework" which supports decision making at all levels across the organisation; and the regular "Pulse Surveys" to monitor trends in the "risk excellence" profile.

3.3 Risk Taxonomy

SSC’s risk profile is articulated through Enterprise Risk Management’s (“ERM”) Top Risk Framework, which forms a top-down view of the most significant risk exposures based on the Corporate Material Risk Inventory that is compiled through a bottom-up risk identification process.

The SSC taxonomy has been adapted for use at SSEL Group’s level, such that the top risks are mapped to the FCA Handbook (GENPRU 1.2.30R), risks not applicable to SSEL Group marked as such, and SSEL Group specific risks added in, namely Group risk and Pension Obligation risk. The Risk Framework for SSEL Group is shown below:

Figure 3: Risk Taxonomy



3.4 Risk Appetite Statement

The Risk Appetite Statement together with the accompanying risk limits and capital adequacy goals is an integral part of SSEL Group's RMF and describes the level and types of risk that the entity is willing to accommodate in executing its business strategy. The RAS enables the monitoring of each risk through quantitative limits and qualitative requirements, as well as setting out the process for risk escalation. For certain risks, entity-specific metrics and thresholds are established. Other risks may be managed by SSC. Thus, it is accepted that certain risks should be managed with the assistance of global functions and SSEL Group's senior management should be cognisant of the appetite for these risks and maintain awareness of the exposures to them.

Formulation of the risk appetite takes into account risk tolerance, capital and financial position, core earnings strength and the integrity of the State Street reputation and brand. The RAS is linked to the State Street UK RAS, with derived metrics and thresholds specific to each legal entity.

This enables State Street UK to establish a UK-centric perspective based on existing risks, controls and limits established across all its UK business lines, while taking into account their global nature. Given the dynamic nature of the operating environment, these metrics and capital adequacy thresholds may be modified or supplemented as appropriate subject to review and approval by SSEL Group's Board.

The objectives of the RAS are to:

- Establish transparency on the types and amount of risk the business is willing to take in pursuing its objectives;
- Serve as a warning mechanism allowing proactive action to manage and mitigate risk before it causes material harm;
- Ensure that material risks are considered and integrated both in strategic planning and in the day-to-day management of the business;
- Establish the quantitative limits and qualitative parameters to measure and monitor risk taking;
- Define responsibilities for measuring and monitoring risk against thresholds; and
- Define responsibilities for reporting, escalating, approving and addressing exceptions.

The execution of RAS is translated into reports and dashboards. Risks are mainly monitored through appetite metrics, which is supplemented by risk reporting outside of the RAS, and Event & Loss management processes, which enable the production of timely risk reports and data presented to relevant committees for review, challenge and, where necessary, remediation and escalation. Additional support functions (HR, Legal, Finance, Audit, Information Technology, and Compliance) enrich the risk appetite process by providing insight, data and challenge often through their participation in the respective governing bodies.

Risk appetite statements, metrics, thresholds and limits are reviewed on an annual basis, including in the event of change within the business lines or material changes in the underlying business environment.

3.5 Relevant Risks Types

3.5.1 Credit Risk

Credit risk is defined as the risk of financial loss if a counterparty is either unable or unwilling to repay borrowings or settle a transaction in accordance with underlying contractual terms.

SSEL Group and SSGMIL are limited license investment firms and have applied standardised approach for the calculation of credit risk, which is 8% of the risk-weighted exposure amounts.

SSEL Group's credit risk management framework ensures that the credit exposures are regularly monitored and assessed. Exposure to credit risk is managed daily according to SSC's Global Credit Risk Policy and Credit Risk Guidelines, which reflect SSEL Group's conservative approach towards and appetite for credit and counterparty risk. This involves a comprehensive risk analysis of counterparties' creditworthiness, of the structure of each transaction and any risk mitigation (e.g., collateral/guarantees). A structured quantitative and qualitative credit assessment is performed annually and ad-hoc whenever required by changes in the counterparty's circumstances. An internal credit rating is then assigned, which maps to an internal probability of default (PD) sourced from the Corporate Credit Risk Guidelines.

Due to coronavirus (COVID-19) outbreak in 2020, the economy experienced material market volatility but none of the counterparties by which SSEL Group places its capital had been downgraded. The COVID-19 crisis has not resulted in an increase in capital requirement of SSEL Group and this situation is monitored regularly.

3.5.2 Market Risk

Market risk is defined as changes in the market value of positions due to fluctuations in interest rates and spreads, foreign exchange rates and other market-driven factors and prices.

SSEL Group does not hold position in commodities or financial instruments with a trading intent. It does operate internationally, and foreign exchange risk can arise from transactions in currencies other than GBP against which SSEL Group does not conduct hedging. The mismatch between assets and liabilities is mostly borne by the client and the impact on SSEL Group for a particular currency is minimal. Overall, the risk is considered to be low due to the exposures being minimal and this is confirmed under Pillar 1 whereby the risk exposure is less than 2% of own funds and a capital charge has not been taken.

3.5.3 Operational Risk (Operational Execution Risk)

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes with the potential for financial, reputational or franchise harm. SSEL Group addresses Operational Risk by identifying, collecting and analysing operational risk data; utilising the data to quantify its operational risk exposure and by implementing a comprehensive operational risk management and governance structure.

SSEL Group recognises that Operational Risk is intrinsic to its business and cannot be managed to zero. SSEL Group seeks to manage Operational Risk to a level consistent with achieving its strategic, financial and operational objectives with the goal of having an effectively designed and well-controlled operating environment within its established appetite.

The Operational Risk Policy defines the tasks, roles and responsibilities within the scope of the organisational model and the framework (including supporting processes and tools) regarding SSEL Group's operational risk management in line with the SSC guidelines. Additionally, a structured process to monitor and manage the risks stemming from outsourced activities has been implemented and comprises mainly of the following elements:

- Use of Service Level Agreements and Risk Appetite metrics to regulate and monitor delegated/outsourced activity;
- A comprehensive inventory of delegated activities;
- Execution of specific risk analyses aimed at identifying and assessing the risks stemming from each delegated activity; and
- Clear responsibility sits with the first line of defence for the day-to-day monitoring over the delegated activities.

ERM escalates any material operational risk matters to the Board, at a minimum, on a quarterly basis, or more often should there be any capital implications.

3.5.4 Technology and Resiliency Risk

Technology and resiliency risk is defined as the risk that SSEL Group's computer, communications, data processing, networks, backup, business continuity or other operating, information or technology systems and facilities fail to operate properly, thus adversely affecting SSEL Group's ability to process transactions, provide services or maintain systems availability.

SSEL Group is heavily reliant on effective systems to operate within its regulatory and contractual obligations, meet its strategic and operational objectives, as well as providing clients with a high quality of service. Technology risk is managed by the establishment of IT policies, controls and operating procedures, as well as implementing governance, monitoring and assurance functions. SSEL Group seeks to reduce this risk to the minimum possible, whilst balancing this with its business objectives. Additional RAS metrics enhance the visibility of technology risk to the Board and are reported on a quarterly basis. Technology and resiliency risk is monitored via a qualitative assessment undertaken by the EMEA Infrastructure Committee which covers business disruption and technology resiliency; cyber and information security; and third party and vendor management risk. Furthermore, technology key risk indicators cover IT availability and material business continuity or disaster recovery events.

If technology and resiliency risks were to materialise, management actions available to SSEL Group, combined with cash reserves, ensure SSEL Group is able to satisfy its internal capital and liquidity requirements, which are more stringent than regulatory requirements.

3.5.5 Pension Obligation Risk

SSEL Group shares joint and several liabilities with other State Street UK companies with respect to the UK defined benefit scheme operated by the State Street UK Group of companies and sponsored by State Street Bank and Trust Company.

SSEL Group faces the potential risk of having to make unplanned contributions to the Scheme in the future as a result of the Scheme's funding position worsening. However, the risk is mitigated because the Scheme is closed to new members, the Scheme is closed to future accrual of benefits and the Scheme has moved to an investment policy of matching its liabilities more closely.

Pension Obligation risk is quantified by an external actuarial company every three years and is conservatively maintained during the internal assessment of capital requirements. Finance receives monthly adjusted positions of the State Street scheme, and while there is no obligation to top up the scheme, outside its triennial valuation, should it fall into deficit, Finance can raise concerns to ERM. If necessary, ERM will report any breaches or known material changes to pension obligation risk exposure as part of its quarterly RAS reporting to the Board, or more frequently.

3.5.6 Group Risk

Group Risk is the risk that the financial position of a firm may be adversely affected by its relationships with other entities in the same group or by risks which may affect the financial position of the whole group.

SSEL Group has intra-group exposures as a result of its heavy reliance on intra-group operational support services, such as investment operations, IT and corporate functions.

SSEL Group has transfer pricing arrangements, as well as an outsourcing framework in place to help mitigate and monitor this risk from materialising. SSEL Group has overnight and term deposits with group entity SSBTC, and SSEL Group monitors this risk as part of credit and liquidity risk mitigation. In addition, Outsourcing and Group risk types are monitored through Risk Appetite metrics in quarterly reporting to the Board. The specific metrics include measures covering Service Level Agreements (“SLA”) Breaches and Compliance issues as well as credit ratings.

SSEL Group follows the SYSC compliant EMEA Outsourcing Framework under the EMEA Outsourcing Policy, whereby all 3rd party and intra entity service provision relationships are documented, and risk assessed. The framework provides governance over all proposed and existing relationships, and includes metrics, service level agreements and other information that gives SSEL Group’s senior management oversight of risks surrounding the specific service being provided as well as monitoring the performance of each provider.

3.5.7 Liquidity Risk

Liquidity risk is the current or prospective risk to earnings and capital arising from an institution’s inability to meet its liabilities when they come due. SSEL Group aims to maintain sufficient liquidity to meet its operational and regulatory requirements in both business-as-usual and stress conditions.

SSGMIL is required to ensure that its liquidity risk management framework complies with the SSGMIL Liquidity Risk Policy which the Board approved as the basis for development of Liquidity Risk Guidelines (“LRGs”). The SSGMIL Board approves LRGs, which set out how the entity identifies, monitors, quantifies and manages liquidity risks in accordance with BIPRU 12. The LRGs include details of the liquidity risk appetite, stress testing, metrics and contingency funding plan.

SSEL and SSTL are not subject to liquidity risk regulatory requirements. However, as a depository, SSTL is exposed to liquidity risk as a result of its strict liability for the loss of client assets. In order to appropriately manage its liquidity risk, SSTL maintains overnight liquidity sufficient to manage any immediate outflows that may arise from a failure to meet fiduciary obligations or an operational loss.

3.5.8 Business Risk

SSEL is a party to a joint venture agreement with SSBTC London Branch known as the “UK Bank and Global Markets (BGM) Joint Venture Agreement”, (the “Agreement”). The Agreement recognises the collaborative nature of the shared operations of SSEL Group and SSBTC London Branch. The Agreement formally establishes the sharing of net profit or losses derived from operations in the Joint Venture in the ratio of 87.5%: 12.5% between SSBTC London Branch and SSEL. Losses generated by the Joint Venture arrangement expose SSEL Group to the risk of earnings volatility and depletion of capital up to the cap, which was determined during the construction of the agreement in 2009. However, the likelihood of the loss cap applying is highly unlikely.

For SSTL, the business risk can derive itself from the materialisation of concentration risk but is deemed of low materiality. For SSGMIL, the revenue risk is minimised given the GlobalLink business tends to thrive in times of market stress.

3.5.9 Interest Rate Risk

Interest rate risk has been deemed to be immaterial due to the low level of revenue derived from interest income in the non-trading book. There is a minimal exposure due to cash balances being placed on deposits, but these are placed in zero interest-rate bank accounts. There is some interest income from high-quality government bonds, but the amount has been assessed to be immaterial.

4 Capital

4.1 Own Funds

SSEL Group determines the amount of Own Funds pursuant to Article 72 of the CRR. The Own Funds of SSEL Group consist of Tier 1 capital. SSEL Group has no Tier 2 capital.

Table 1: Own Funds Disclosure (in £'000)

	Amount	CRR Article Reference
Common Equity Tier 1 capital: instruments and reserves		
1	112,292	26 (1), 27, 28, 29
	of which: Ordinary shares	EBA list 26 (3)
2	177,901	26 (1) (c)
3	-	26 (1)
6	290,193	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	-	34,105
28	-	
29	290,193	
Additional Tier 1 (AT1) capital: instruments		
36	-	
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	-	
44	-	
45	290,193	
Tier 2 (T2) capital: instruments and provisions		
51	-	
Tier 2 (T2) capital: regulatory adjustments		
57	-	
58	-	
59	290,193	
60	77,625	
Capital ratios and buffers		
61	373.84%	92 (2) (a)
62	373.84%	92 (2) (b)
63	373.84%	92 (2) (c)
Amounts below the thresholds for deduction (before risk weighting)		
75	148	36 (1) (c), 38, 48

The corporate capital of SSEL Group is set at 10,000,000 shares of US\$1 each fully paid-up, which translates to £6,384,000 using the balance sheet rate of 1.56625 on the date of conversion to SSEL Group's basis of a sterling functional currency (1 January 2011). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of SSEL Group.

The main features of common equity tier 1 capital instruments of SSEL Group as at 31 December 2020 are disclosed in the following table in accordance with Article 437(1)(b) of the CRR and Annex II of the Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to the CRR ("Commission implementing regulation (EU) 1423/2013"). No changes to note from the last year.

Table 2: Main Features of Capital Instruments

Capital instruments main features		
1	Issuer	State Street Europe Limited
2	Unique identifier [e.g., CUSIP, ISIN or Bloomberg identifier for private placement]	Private Placement
3	Governing law(s) of the instrument	England and Wales
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital	£6,384,000.00
9	Nominal amount of instrument	\$10,000,000.00
9a	Issue price	\$1.00
9b	Redemption price	Not Applicable
10	Accounting classification	Shareholders Equity
11	Original date of issuance	4 August 1998 \$10.0m
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable

Table 2: Main Features of Capital Instruments

Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

SSEL Group performs a reconciliation of Own Funds with audited financial statements in accordance with Article 437(1)(a) of the CRR and Annex I of the Commission implementing regulation (EU) 1423/2013.

The following table discloses the reconciliation of Own Funds of SSEL Group and its regulated subsidiaries with the audited financial statements as at 31 December 2020.

Table 3: Own Funds Reconciliation (in €'000)

	SSEL Group	SSGMIL	SSTL
Own Funds in Balance Sheet			
Subscribed and paid up capital	6,384	101	–
Capital Contribution	105,908	12,399	23,665
Reserves including retained earnings	177,901	10,849	86,086
Total Equity breakdown	290,193	23,349	109,751
Regulatory Own Funds			
Tier 1 Capital	290,193	23,349	109,751
Total Capital	290,193	23,349	109,751

4.2 Capital Buffers

SSEL Group and SSGMIL are IFPRU limited licence investment firms and exempt from holding Capital Conservation buffer and Countercyclical Capital buffer in accordance with the FCA handbook – IFPRU 10.1.1. SSEL is an IPRU-INV Chapter 5 firm and is not subject to such capital buffers.

4.3 Capital Requirement

SSEL Group may transfer funds to or be the recipient of funds from its parent companies or subsidiaries from time to time as the need arises or circumstances warrant. In any case, SSEL Group's ability to transfer such funds or the ability of SSEL Group's parent companies and subsidiaries, as applicable, to transfer such funds to SSEL Group may be limited by regulatory capital requirements or other legal obligations or restrictions imposed on SSEL Group, its parent companies or subsidiaries, as applicable.

The minimum regulatory capital requirements of SSEL Group by the type of risk are disclosed as follows.

4.3.1 Credit Risk Capital Requirement

SSEL Group and its regulated subsidiary SSGMIL have adopted Standardised Approach and calculate 8% of the risk-weighted exposure amounts for each of its exposure class specified in Article 112 of the CRR in accordance with Chapter 2 of Part Three, Title II of the CRR.

SSEL Group has nominated S&P, Moody and Fitch to assign credit risk ratings to central government and central bank exposures. These exposures are mainly related to deferred tax assets of £148k. Additionally, value added tax of £2k to the UK government has been assigned a credit quality step of 1 and 0% risk weight.

The Pillar 1 credit risk capital requirement of SSEL Group arises mainly from the balances held with banks and fee receivables from institutions from the period of accrual to the date of payment. SSEL Group does not hold credit risk provisions.

The following tables set out the breakdown of credit risk capital requirement of SSEL Group as at 31st December 2020 by Geography, Sector, Maturity and Risk profile.

Table 4: Credit Risk by Geographical Distribution (in £'000)

Exposure Class	United Kingdom	Europe	North America	Other	Total Exposure	Risk weighted assets	Credit risk requirement
Central governments or central banks	150	-	-	-	150	370	30
Institutions	287,469	201	540	8	288,218	57,643	4,611
Corporates	3,676	647	558	-	4,881	4,881	391
Exposures in default	160	341	38	18	557	836	67
Other items	158	-	-	-	158	158	13
Total	291,613	1,189	1,136	26	293,964	63,888	5,111

Table 5: Credit Risk by Sector (in £'000)

Exposure class	Banks	Other services	Total Exposure	Risk weighted assets	Credit risk requirement
Central governments or central banks	-	150	150	370	30
Institutions	288,218	-	288,218	57,643	4,611
Corporates	-	4,881	4,881	4,881	391
Exposures in default	557	-	557	836	67
Other items	-	158	158	158	13
Total	288,775	5,189	293,964	63,888	5,111

Table 6: Credit Risk by Residual Maturity (in £'000)

Exposure class	< 1 year	≥ 1 year & < 5 year	Total Exposure	Risk weighted assets	Credit risk requirement
Central governments or central banks	2	148	150	370	30
Institutions	288,218	-	288,218	57,643	4,611
Corporates	4,881	-	4,881	4,881	391
Exposures in default	557	-	557	836	67
Other items	158	-	158	158	13
Total	293,816	148	293,964	63,888	5,111

Table 7: Credit Risk by Risk Weights (in £'000)

Risk weight	Exposure before CRM	Exposure after CRM	Total Exposure	Risk weighted assets	Credit risk requirement
0%	2	2	2	-	-
20%	288,218	288,218	288,218	57,643	4,611
100%	5,039	5,039	5,039	5,039	403
150%	557	557	557	836	67
250%	148	148	148	370	30
Total	293,964	293,964	293,964	63,888	5,111

The following table sets out the average exposure of SSEL Group over 2020 broken down by different types of exposure classes.

Table 8: SSEL Group Average Exposure and Credit Risk (in £'000)

Exposure class	Average Exposure	Average risk weighted assets	Average credit risk requirement
Central governments or central banks	39,525	1,310	105
Institutions	242,228	48,445	3,876
Corporates	4,846	4,846	388
Other Items	296	296	24
Exposures in default	634	951	76
Total	287,529	55,848	4,469

The following table sets out the credit risk capital requirement of SSGMIL by different types of exposure classes as at 31st December 2020.

Table 9: SSGMIL Credit Risk (in £'000)

Exposure class	Exposure	Risk weighted assets	Credit Risk
Central governments or central banks	52	130	10
Institutions	25,734	5,147	412
Other Items	18	18	2
Exposures in default	51	77	6
Total	25,855	5,372	430

SSTL is an IPRU-INV Chapter 5 firm and is not subject to the aforementioned provisions of the CRR as regards to credit risk.

4.3.2 Market Risk Capital Requirement

SSEL Group and its regulated subsidiary SSGMIL calculate own funds requirements for foreign-exchange risk in accordance with provision of Article 351 of the CRR. The market risk of SSEL Group as at 31st December 2020 is zero as the overall net foreign-exchange positions of SSEL Group is below 2% of its respective total Own Funds. SSGMIL market risk capital requirement as at 31st December 2020 is £46k.

SSTL is an IPRU-INV Chapter 5 firm and is not subject to the provisions of Article 351 of the CRR.

The interest rate risk of SSEL Group has been deemed to be immaterial due to the low level of revenue derived from interest income in the non-trading book. There is a minimal exposure due to cash balances being placed on deposits, but these are placed in zero interest-rate bank accounts.

SSEL Group and its regulated subsidiaries do not have securitisation instruments requiring Own Funds for specific interest rate risk as at 31st December 2020.

4.3.3 Fixed Overheads Capital Requirement

SSEL Group and its regulated subsidiary SSGMIL calculate the fixed overheads capital requirements in accordance with Article 97 of the CRR and Commission Delegated Regulation EU 2015/488 of 4th September 2014 amending Delegated Regulation EU 241/2014 as regards own funds requirements for firms based on fixed overheads.

The fixed overheads capital requirement of SSEL Group and SSGMIL as at 31st December 2020 is £6,210k and £2,369k respectively.

SSTL is an IPRU-INV Chapter 5 firm and is not subject to the provisions of Article 97 of the CRR.

4.3.4 Pillar 1 Capital Requirements

The Pillar 1 capital requirement and ratios of SSEL Group and SSGMIL are based on Article 95 of the CRR and is the higher of the sum of credit and market risk or fixed overheads requirement. SSTL is an IPRU-INV Chapter 5 firm and its Pillar 1 capital requirement is the higher of £4million or operational risk calculated as per the Standardised Approach set out in the CRR Article 317.

The following table sets out the Pillar 1 capital requirements of SSEL Group and its regulated subsidiaries as at 31st December 2020.

Table 10: Pillar 1 Capital Requirement (in £'000)

Risk type	SSEL Group		SSGMIL		SSTL	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Credit risk	63,888	5,111	5,372	430	-	-
Market risk	-	-	577	46	-	-
Sum of credit and market risk	63,888	5,111	5,949	476	-	-
Fixed overheads requirement		6,210		2,369		-
Operational risk	-	-	-	-	-	4,182
Capital requirement	77,625	6,210	29,614	2,369		4,182
CET1/T1/Total capital ratio		373.84%		78.85%		

4.3.5 Internal Capital Requirements

Under Pillar 2, SSEL Group is required to internally assess and maintain the amount of Own Funds it considers adequate to cover the nature and level of the risks to which it is or might be exposed. This assessment is performed annually and is subject to comprehensive review of all significant risks relevant to SSEL Group and its subsidiaries and is based on wider consultation with different functions.

In addition to the Pillar 1 capital requirement, SSEL Group and its subsidiaries maintain an internal capital target set by the relevant board. The impact of any significant business decisions on the internal capital of SSEL Group is fully assessed in order to ensure a suitable capital surplus is maintained in line with that approved by the relevant board.

4.3.6 Asset Encumbrance

SSEL Group and SSGMIL determine its asset encumbrance pursuant to Articles 100 and 443 of the CRR and Commission Delegated Regulation EU 2017/2295 of 4th September 2017 supplementing the CRR with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

The following tables set out the rolling quarterly medians of encumbered and unencumbered assets over the previous 12 months from 31st December 2020.

Table 11: SSEL Group – Encumbered & Unencumbered Assets (in €'000)

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	Assets of the reporting institution	–	–	281,875	–
030	Equity instruments	–	–	–	–
040	Debt securities	–	–	75,111	75,111
120	Other assets	–	–	206,764	–

Table 12: SSGMIL – Encumbered & Unencumbered Assets (in €'000)

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	Assets of the reporting institution	–	–	16,347	–
030	Equity instruments	–	–	–	–
040	Debt securities	–	–	–	–
120	Other assets	–	–	16,347	–

5 Remuneration Practices and Policies

Article 450 (1)(a)

"Information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders"

5.1 Remuneration Governance

At the State Street Group level, the Human Resource Committee ("HRC") of State Street Corporation ("SSC"), which replaced the Executive Compensation Committee effective as of 20th February 2020, has oversight of the overall compensation system at State Street (the HRC's Charter is available on State Street's website). HRC members are senior professionals with strong financial/business knowledge, who are independent members of the Board of Directors (the "Board") of SSC. They are appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee of the Board. At 31 December 2020, there were five (5) members of the HRC. During 2020, the HRC held nine (9) meetings.

The HRC oversees all of State Street's compensation plans, policies, and programs in which senior executives participate and incentive, retirement, welfare and equity plans in which certain senior executives and other employees of SSC participate. It also oversees the alignment of the incentive compensation ("IC") arrangements with State Street's financial safety and soundness consistent with applicable related regulatory rules and guidance.

The HRC reports or causes management to report periodically to the Board's Risk Committee ("RC") any activities undertaken by the HRC involving the oversight of any SSC risks and related policies that support the RC's overall oversight of SSC's global risk management framework. The HRC may meet in joint sessions with other committees of the Board from time to time to discuss areas of common interest and significant matters. The HRC engages Meridian Compensation Partners, a compensation consulting firm, to provide compensation consulting as part of the HRC's review of executive compensation.

The corporate Incentive Compensation Control Committee (“ICCC”) consists of senior representatives of the Enterprise Risk Management (“ERM”), Compliance, Internal Audit, Finance, Legal and Global Human Resources (“GHR”) departments to serve as a forum for the risk management and internal control functions to formally review and provide their assessment of IC arrangements throughout the State Street Group. This review and assessment is intended to promote the consistency of the IC arrangements with the safety and soundness of State Street and its subsidiaries and the alignment of these arrangements with applicable regulatory guidance and regulations. The ICCC is supported by a working group comprised of GHR, Legal and other subject matter experts, which provides analytical and operational support to the ICCC. The ICCC meets on a regular monthly schedule and otherwise, as needed.

In addition to the integrated, systemic role that control functions have in IC practices through the ICCC, State Street’s risk identification and assessment processes are managed by ERM. The HRC evaluates a corporate multi-factor risk scorecard, developed by ERM, which is used to measure firm-wide risk performance. The scorecard equally rates financial and non-financial risks and reflects ERM’s views of State Street’s current risk positioning, capabilities, and remediation status for each risk. The scorecard is overseen by the RC and is used by the HRC as an input into State Street’s corporate IC pool size process. The scorecard allows the HRC to holistically evaluate State Street’s performance against risk management objectives, and goals. In addition, State Street Group’s Audit function regularly completes an audit of GHR IC practices and compliance with regulatory guidance.

State Street has a UK Remuneration Committee (“UK RemCo”) which is a sub-committee of the HRC and held four (4) meetings in 2020. It is comprised of three State Street Executive Vice Presidents (“EVPs”) appointed by the HRC who do not perform an executive role in relation to the UK businesses under the remit of the UK RemCo. The UK RemCo operates under a charter that sets out its mission, scope, authority, composition, frequency of meetings and reporting obligations.

The UK RemCo reviews and reassesses the adequacy of its charter annually.

Under this charter, the UK RemCo's primary duties are:

- Oversight of the process for identifying and determining the remuneration of UK EU Identified Staff ("EUIS")³;
- Oversight of decisions made by those with authority to determine the remuneration of UK EUIS; and
- Holistic overview of regional remuneration matters, with a view to providing a central forum for consideration of issues and thereby enhancing consistency of approach across State Street EMEA.

5.1.1 SSEL Group's Remuneration Governance

In light of the global nature of State Street's organisation, State Street's remuneration plans and programs are generally established at the level of SSC and implemented locally/regionally to comply with the applicable local legal and regulatory requirements. Therefore, the UK remuneration policy, which is applicable to SSEL Group, reflects the nature of SSC's global remuneration approach while complying with local/regional regulatory remuneration requirements that are applicable for SSEL Group and those performing activities on behalf of SSEL Group. SSEL Group only makes use of remuneration-related plans and programs that exist at the SSC level. As described above, SSEL Group also benefits from State Street's global and EMEA remuneration governance.

5.2 EU Identified Staff

State Street identifies those employees throughout its global organisation who individually or as a group are responsible for activities that may expose State Street to material amounts of risk (i.e., EUIS and FRB "Material Risk Takers")⁴. State Street annually reviews the variable pay arrangements used to compensate these employees and also annually reviews the effectiveness of the design and operation of State Street's IC system in providing risk-taking incentives that are consistent with the organisation's safety and soundness.

³ EUIS is the State Street internal nomenclature for Material Risk Takers pursuant to Commission Delegated Regulation (EU) No 604/2014.

⁴ FRB Material Risk Takers are individuals who have been identified pursuant to the guidance of the Board of Governors of the United States Federal Reserve System.

5.2.1 Governance

State Street takes a robust approach to identifying EUIS within its businesses and subsidiaries. Various key bodies are involved in the process of identifying, reviewing or approving State Street's EUIS. These key groups include the following:

- UK RemCo – this body represents the ultimate oversight governing body for the EUIS identification process;
- Head of EMEA – the Head of EMEA has the ultimate responsibility for regional compensation decisions including those impacting UK EUIS. In addition, the Head of the UK conducts a review of all UK EUIS identified;
- EUIS Advisory Group – this Advisory Group meets during the year to consider recommendations on positions to be taken by the EUIS Working Group. In 2020, State Street's senior stakeholders in EMEA functions represented were Total Rewards/HR (Chair), ERM, Compliance and Legal;
- EUIS Working Group – the EUIS Working Group evaluates new EUIS positions to be implemented due to regulatory feedback, external advice and ongoing internal governance restructuring. In 2020, State Street's EMEA functions represented were Total Rewards/HR (Chair), ERM, Compliance and Legal.

5.2.2 Process

Qualitative EUIS Identification

In line with Commission Delegated Regulation (EU) No 604/2014 ("RTS"), a detailed review process is performed for each individual, considering their role, responsibilities, independent authority and potential ability to impact SSEL Group's main risks. In 2019, State Street introduced a set of internal criteria for the identification of EUIS beyond those specifically set out in the RTS.

Recognising that individuals may be EUIS without meeting the qualitative criterion specified by the RTS, or State Street's internal criteria, State Street applies a broad interpretation when identifying individuals who may potentially be EUIS. It may identify individuals as EUIS given their material impact on the risk profile although their role does not fulfil any specified criteria.

Quantitative EUIS Identification

The detailed qualitative review helps inform State Street's quantitative identification approach for EUIS. State Street no longer puts forward quantitative exclusion requests or notifications to the regulators; anyone meeting the quantitative criteria under Article 4(1)(a) or (b) of the RTS will become EUIS.

For those under Article 4(1)(c) of the RTS, some of these individuals are reviewed as part of the qualitative review process. Therefore, their roles and responsibilities had already been reviewed by both the relevant business head and members of ERM. It had been agreed that they could not materially impact State Street's risk profile or expose State Street to a material level of harm.

As an additional step, a secondary review is then carried out by GHR for anyone caught under Article 4(1)(c) of the RTS, with verification and input from the relevant business head and ERM where appropriate. The role and responsibilities of each individual are carefully reviewed based on seniority and risk impact. Also, the organisational structure and control framework are specifically considered.

5.3 Article 450 (1)(b)

"Information on the link between pay and performance"

State Street's overall aim with respect to compensation is to reward and motivate high-performing employees and to provide competitive incentive opportunities, encouraging employees to learn and grow in their careers.

There are seven key remuneration principles that align State Street's remuneration system with the business strategy:

- We emphasise total rewards;
- We target the aggregate annual value of our Total Rewards Program to be competitive with our business peers;
- We unequivocally support equal pay for work of equal value;
- Funding for our Total Rewards Program is subject to affordability and is designed to be flexible based on corporate performance;
- We differentiate pay based on performance;
- We align employees' interests with shareholders' interests;
- Our compensation plans are designed to comply with applicable regulations and related guidance, including aligning incentive compensation with appropriate risk management principles.

5.3.1 Elements of Remuneration

Fixed Pay

5.3.1.1 Base Salary and Benefits

Base salary is one element of an employee's compensation. Employees' base salaries are determined by role, bank title and by a number of other factors such as individual performance, proficiency level, year-over-year increase guidelines, statutory requirements, budget and position to market.

Benefits, both in form and value, are generally positioned at the median of relevant business peer groups and geographic markets. Most benefits are generally consistent across all job grades in a market although sometimes benefits may vary by job grade or other factors based on prevailing market practices or applicable regulations.

5.3.1.2 Role Based Allowance ("RBA")

RBAs are contractual elements of fixed compensation for a very limited number of individuals to permit State Street to deliver compensation that is reflective of an individual's role, responsibility, experience, the competitive marketplace, and is in compliance with its regulatory obligations. The key characteristics are:

- Contractual cash payment, i.e., non-discretionary;
- No fixed term, i.e., continuous;
- Paid in equal instalments;
- Not subject to deferral or performance conditions;
- Amount or receipt of an RBA subject to review only if there is a material change in role and responsibilities;
- Not subject to risk-based adjustment (e.g., malus/clawback);
- Subject to comparable role analysis.

Variable Pay

5.3.1.3 Maximum Pay Ratio

Variable compensation awards for EUIS are restricted to 2x fixed compensation to ensure compliance with the maximum ratio permitted under CRD IV and UK regulations. SSEL Group has obtained the relevant shareholder approvals to extend the default maximum ratio from 1x fixed compensation to 2x fixed compensation, which has been notified to the relevant regulators. Those performing control function roles (Audit, ERM and Compliance) have their remuneration delivered with an emphasis on fixed pay.

5.3.1.4 Incentive Compensation Plan ("IC plan")

The IC plan is an integral part of the remuneration strategy. It is the primary scheme for the provision of annual discretionary bonuses and is intended to motivate staff to perform as well as possible and produce superior results whilst not incentivising inappropriate risk-taking. To be eligible to receive an award, employees must be employed and in good standing on the date of the total funded IC plan pool results are certified.

EVPs generally have an IC target structure to provide additional structure for determining Incentive Compensation. The targets are based on each executive's role and responsibilities, performance trend, competitive and market factors and internal equity. The payout may vary within a range of 0 – 200% and is determined based on corporate and individual performance.

For the 2020 performance year, Performance-Based Restricted Stock Units ("PRSUs") were also granted to EMEA EVPs. The number of PRSUs earned is based on financial metrics with risk adjustment factored into the calculation of PRSUs eligible to vest, if any, under the applicable PRSU award. The PRSU pay-out varies within a range of 0% to 150%.

5.3.1.5 Structured Incentive Plan ("SIP")

A small number of employees participate in SIPs, which aim to bring the variable compensation granted to plan participants in line with the financial results they generate. SIPs also take into account non-financial qualitative performance indicators. In addition, all SIP participants receive sufficiently high fixed compensation, which aims to eliminate incentives for excessive risk-taking. Variable compensation is assigned on an individual basis by way of a review of both quantitative and qualitative factors. All SIPs are reviewed annually by State Street's ICCC. An employee's eligibility to participate in a SIP and all amounts paid under a SIP are subject to management approval.

5.3.2 Link between Pay and Performance for the Institution

First, the corporate IC pool is budgeted and accrued based on group-wide financial, business, and risk management performance. The HRC has flexibility to adjust the overall global IC pool and in doing so, evaluates a number of factors including company performance, market trends, and other considerations. Moreover, the HRC approves the funding of the corporate IC pool.

5.3.3 Link between Pay and Performance for Business Units

Second, the Chief Executive Officer allocates IC pools to Management Committee members for their respective business units or corporate functions based upon similar factors that the HRC considers, as described above, but measured at the level of the business unit or corporate function. The discretionary business unit allocation process entails the use of a business unit-level risk scorecard, which captures qualitative and quantitative data across ERM, Audit, Compliance, Legal and Regulatory areas for every business unit and corporate function. Details on State Street's Compensation Assessment Framework and Corporate Performance can be found in State Street's 2020 Proxy Statement filed with the US Securities Exchange Commission and available publicly on its website.

5.3.4 Link between Pay and Performance for Individuals

Third, the sub-allocation of the business unit bonus pool to an individual is then further determined by an individual's business manager with reference to the individual's performance measured on both financial and non-financial criteria. Individual accountability for business unit scorecard results (positive or negative) is assessed as appropriate and may also inform compensation decisions.

Individual incentive awards are completely discretionary. In addition to the formal two-pronged risk adjustment process (ex-ante and ex-post compensation adjustments) described below, in making individual incentive awards, State Street permits the use of discretionary adjustments to awards for both financial and non-financial criteria. These include (but are not limited to) compliance and risk performance factors such as non-compliance with internal policies and procedures or significant audit findings, instances where there is a significant downturn in the financial performance or a material risk management failure in respect of State Street or a material business unit.

5.3.5 Performance Management System

State Street's performance management process involves a collaborative planning process and ongoing assessments, enabling flexibility to account for evolving business priorities, more opportunities for professional challenge and discussions on risk excellence and better performance differentiation across the workforce.

Performance management at State Street utilises a five-stage approach:

Expectation Setting

The first stage takes place at the beginning of the year as a discussion about Performance Priorities. Performance Priorities are short-term in nature, unique to the employee and reflect stretch or developmental objectives; they also could include the tasks the employee is expected to accomplish on a day-to-day basis and remain consistent; or they could be a combination of both. Performance Priorities help ensure that an employee's time is spent where it makes the biggest impact on the business and can be updated throughout the year. They are set in partnership between the manager and employee.

Check-ins

Stage two focuses on the facilitation of regular review and feedback between the employee and manager throughout the year. Ongoing performance discussions about performance priorities take place as monthly check-ins throughout the year. Check-ins are coaching conversations between the manager and employee about progress towards performance priorities and are not administered in MyWorkday. Employees have a regular opportunity to receive transparent feedback about performance, respond to feedback, and engage in career development and internal mobility discussions.

Snapshots

The third stage is the manager's evaluation of employee performance twice per year using performance assessments called Snapshots. Snapshots enable managers to evaluate employee performance from the following perspectives: Performance Priorities; Demonstrated Behaviours; Risk Excellence; and Leadership Qualities. Snapshot results are made available to employees.

Calibration

The fourth stage is a calibration process to ensure a holistic review of relative performance outcomes. Snapshot outcomes are used to inform a recommended Performance Category. This category is reviewed and adjusted for all SVPs and Managing Directors within a business unit or corporate function.

Year-End Summary/Recap

The final stage is the Year-End Summary/Recap conversation between manager and employee. These discussions typically take place at the last Check-in of the year and recap performance feedback the manager provided the employee throughout the year. During this year-end conversation, managers summarize performance in MyWorkday by assigning a Performance Category to the employee designed to recap performance. Performance categories are set on a six-point scale (Frequently Exceeded, Sometimes Exceeded, Achieved, Partially Achieved, Underperformed, and New Hire/NA).

5.4 Article 450 (1)(c)/Article 450 (1)(d) CRR

"The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria"

5.4.1 Structure of Variable Remuneration Awards under State Street's Corporate Design

For the 2020 performance year (paid in the first quarter of 2021), IC awards under State Street's corporate design consisted of Deferred Awards⁵ and immediate cash payments.

Under State Street's corporate design, all Deferred Awards are subject to a four-year deferral period and vest on a quarterly basis without the application of a retention period.

Deferred Equity is awarded in the form of DSAs. DSAs are a contractual right to receive, on each vesting date, a set number of shares in the common stock of SSC, subject to affordability requirements and applicable terms, which may include malus, clawback, forfeiture, restrictive covenants and other conditions. The number of shares to be delivered on each vesting date is set at the award date but may be adjusted between the award date and each vesting date through the ex-post performance adjustment measures described below.

⁵ Deferred Stock Awards and Deferred Value Awards.

In order to reduce employee concentration in State Street stock that would result from using equity instruments alone to deliver the entirety of the Deferred Awards, State Street also uses a non-equity deferral vehicle, called the Deferred Value Award (“DVA”). DVAs notionally track the value of the SSGA Prime Money Market Fund and are delivered in cash on the vesting date. The earnings credited to the DVAs vary based on the actual performance of the SSGA Prime Money Market Fund. However, there is no ownership interest in the fund or any other actual investment. Earnings generally result in the credit of additional notional units as the money market fund is managed to a \$1.00 USD unit price. As with DSAs, DVAs may be adjusted between the award date and each vesting date through the ex-post performance adjustment measures described below.

Under State Street’s corporate design, the allocation of immediate (i.e., cash) and deferred compensation (i.e., DSAs and DVAs) is based on total value of an individual’s 2020 IC. In general, the greater the amount of IC, the greater the percentage that is paid as Deferred Awards. The Deferred Award is typically composed of equal percentages of DVAs and DSAs, resulting in employees at higher variable pay levels being awarded a higher percentage of equity, given their higher deferral percentage. However, employees at Associate level typically receive IC entirely in immediate cash.

For the 2020 IC, the following allocation of cash and Deferred Awards has been used:

Table 13: Allocation of Cash and Deferred Awards

IC Min	IC Max	Allocated system for 2020	
		Non-deferred cash compensation	Deferred compensation
\$0	\$54,000	100%	0%
\$54,000.01	\$90,000	75%	25%
\$90,000.01	\$100,000	70%	30%
\$100,000.01	\$120,000	60%	40%
\$120,000.01	\$150,000	55%	45%
\$150,000.01	\$175,000	50%	50%
\$175,000.01	\$200,000	45%	55%
\$200,000.01	\$250,000	40%	60%
\$250,000.01	\$500,000	25%	75%
\$500,000.01	\$800,000	20%	80%
\$800,000.01	\$1,000,000	15%	85%
\$1,000,000+		10%	90%

5.4.2 Structure of IC Awards for UK EUIS

For UK EUIS, the IC award differs from State Street's corporate design and is based on relevant regulatory requirements. It is delivered in two separate elements, the immediate non-Deferred Award (an "Immediate Cash" award delivered in cash and an "Immediate Equity" award delivered in equity) and the Deferred Award (delivered partly in DSAs and partly in DVAs). More significant deferral and instrument thresholds are in place for more senior staff, i.e., the higher the total amount of variable remuneration, the higher the percentage of variable remuneration that will be deferred.

1 Immediate Award (Immediate Cash and Immediate Equity)

This is the portion of the IC that is delivered immediately following the date of communication of the award to the employee. This typically takes place during the first quarter following the performance year to which the award relates. An Immediate Equity award immediately vests in full upon grant but can only be sold or transferred after the retention period mentioned below under "Retention Period."

2 Deferred Award

EUIS receive a Deferred Award, which is delivered partly in DSAs and partly in DVAs. Award distribution for EUIS is set out below:

- Cash/equity split
 - At least 50% of Immediate Award delivered as Immediate Equity;
 - At least 50% of Deferred Award delivered as DSAs.

- Deferral amounts
 - At least 40% of IC delivered as Deferred Award;
 - For particularly high variable pay amounts (i.e., amounts of £ 500,000 or more), at least 60% of IC delivered as Deferred Award.

- Deferral period and vesting schedule
 - Risk Managers/FCA Senior Management: 5-year deferral with annual vesting allowed from year 1⁶;
 - Other UK EUIS: 4-year deferral with annual vesting allowed from year 1.

- Retention period
 - All equity is subject to 12-month retention period post-vest during which the recipient is prohibited from sale or other transfer of the equity.

⁶ No discount rate is applied to those with deferrals in instruments for a period of at least 5 years.

5.4.3 Other Elements of Variable Pay

5.4.3.1 Guaranteed Variable Remuneration

State Street does not generally award guaranteed variable remuneration. Where a strong business case can be made to justify such an award, this rationale will be reviewed along with the individual facts and circumstances of the award. Any such awards are only made in the following circumstances:

- It is exceptional;
- It occurs in the context of hiring a new employee;
- The firm has a sound and strong capital base; and
- It is limited to the first year of service.

5.4.3.2 Replacement of Awards from Previous Employers

State Street may, from time to time, provide awards to new hires to compensate them for the loss of IC awards as a result of their termination of employment with their previous employer. When such awards are made, State Street will, as far as possible, match the structure (including vesting schedule and use of performance criteria) of the awards of the previous employer and will seek appropriate evidence of existing awards prior to the award of a buy-out. The quantum of awards will be an amount reasonably expected to fairly compensate the new hire for the loss of IC from their previous employer and attract them to join State Street, but not exceed the quantum of existing awards.

Buyouts are subject to the relevant variable pay regulations and those under PRA rules for EUIS. Also, appropriate evidence is sought of existing awards being lapsed prior to the award of a buyout.

5.4.3.3 Retention Awards

Additional variable remuneration may be awarded to retain employees and forms part of the variable remuneration. To ensure compliance with the EBA Guidelines on sound remuneration policies, retention awards must meet the following criteria:

- Awards may only be made if there is a strong business case, on an exceptional basis, and their payment is aligned with the applicable organisational and risk strategies;
- Award must not be based on performance but on time factors such as where an employee stays in the business for a predetermined period of time or until a certain event; and
- Awards are granted after the retention period/retention event has been achieved awards are taken into account within the calculation of the ratio between the variable and fixed remuneration as variable remuneration.

EUIS are generally not eligible for retention awards.

5.4.3.4 Recognition Awards

Certain employees with exemplary risk management performance are eligible for additional “top-up” awards in recognition of their contributions to our culture of Risk Excellence. These recognition awards form part of the variable remuneration. EUIS are not eligible to participate in recognition award programs.

5.4.3.5 Severance

Severance payments are considered variable pay in certain circumstances. State Street has developed a UK-specific severance framework document that provides guidelines for the consideration of these types of payments in relation to the termination of an employment relationship and how payments should be structured and documented to comply with regulatory requirements.

5.4.4 Risk Adjustment

State Street applies both “ex-ante” and “ex-post” adjustments to its award process for EUIS.

5.4.4.1 “Ex-Ante” Risk Adjustment

Ex-ante adjustments are guided by the corporate multi-factor risk scorecard, developed by ERM, which is used to measure firm-wide risk performance. The scorecard is overseen by the Management Risk and Capital Committee and the RC and is used by the HRC as an input into State Street’s corporate IC pool size process. The scorecard provides a composite view of State Street’s risks using a multi-factor framework that equally considers financial and non-financial risks and reflects ERM’s views of State Street’s current risk positioning, capabilities, and remediation status for each risk. The scorecard framework utilizes several different risk inputs and perspectives to assess State Street Group’s top risks and includes the following:

- Financial risks, including market, credit, liquidity and capital adequacy, and non-financial risks, including operational execution, technology and operational resiliency and business conduct/compliance.

The ex-ante adjustments would allow adjustments for the pool at Group level (based on the determination of the remuneration body that is responsible for the oversight of the remuneration of such EUIS) and can also reduce variable pay at the individual level. Performance against the scorecard metrics is completed using data sourced from various systems in State Street Group’s control functions, including ERM, Finance and Treasury, among others. Poor risk performance, including significant or repeated compliance or risk-related violations of State Street’s policies, may result in ex-ante adjustments to an individual’s IC as part of a progressive discipline structure to hold individual employees accountable for risk performance.

Before granting variable remuneration to EUIS, any negative deviations from agreed performance targets and misconduct by EUIS are considered in determining the grant amount (i.e., ex-ante risk adjustment). In case of negative deviations from agreed performance targets and/or misconduct, the grant amount can be reduced (and can be reduced to zero). Audit, Compliance, Legal and ERM reviews form part of possible performance adjustments for EUIS (internally termed the EUIS Red Flag Review). Aligned with the timing of Snapshots and the Year-End Summary, relevant Control Function Heads and the relevant Head of Legal jointly discuss conduct and non-conduct risk and compliance issues by EUIS employees. Based on the review the relevant feedback is provided to individual managers and they are asked to reflect any compliance and risk considerations in the Snapshots and/or Year-End Performance Category, including any relevant feedback from these meetings.

5.4.4.2 "Ex-Post" Risk Adjustment

State Street includes malus-based forfeiture and clawback provisions in the Deferred Award agreements of all UK EUIS. The malus-based forfeiture provision includes a statement of intention to comply with and meet the requirements of applicable banking regulations and guidance on IC, including both that of the Board of Governors of the United States Federal Reserve System and the PRA/FCA in the UK. It provides specifically that the HRC may reduce or cancel any Deferred Award to the extent required to do so under any such applicable rules. In this way, the forfeiture provision permits consideration by the corporate Malus Committee of any criteria, to the extent required by applicable law to be considered in an investigation and forfeiture decision.

Malus-based forfeiture review will be triggered by the occurrence of a material loss, the establishment of a reserve for a material loss, or the investigation of facts or circumstances, which, if determined adversely to State Street or a material business unit of State Street, could reasonably be expected to result in a material loss or reserve.

In addition, State Street has for several years included in its Deferred Award agreements for all employees, a contractual provision requiring any unvested Deferred Awards to be forfeited in the case of termination on account of gross misconduct. Gross misconduct is determined in State Street's discretion and includes conduct that gives rise to a significant risk management failure in respect of State Street or a material business unit. This could include placing State Street at legal or financial risk.

State Street also includes a clawback provision in its IC awards to UK EUIS for a period of at least seven years from the date of grant. One hundred percent of Deferred Awards is subject to malus performance adjustments and one hundred percent of all variable pay is subject to clawback.

5.5 Anti-circumvention and Avoiding Conflicts of Interest

All State Street staff are required to certify to the Standard of Conduct which prohibits them from short selling, hedging, purchasing or selling futures and options in State Street stock. In addition, EUIS are explicitly prohibited from using personal hedging strategies or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. State Street's Personal Account Dealing team oversees and administers personal investment policies in several areas of State Street's business conducting particular regulated business activities or where employees have access to pre-trade information.

The policies contain different requirements, tailored to the specific risk within each business area. For example, all purchases and sales of State Street stock outside of the IC schemes require prior clearance for certain employees. For these employees, broker statements are submitted which are reconciled to the employee records to ensure all trades have been submitted. There are also blackout periods for relevant staff which are implemented and monitored to ensure that no relevant employees trade State Street stock during such periods. Any violations are escalated to the HRC for consideration and action to be taken.

To avoid conflicts of interest for State Street's control functions, each control function has a reporting line that is independent from the business units they support. The global management for each respective control function is responsible for determining compensation to control function staff, within overall State Street guidelines. Funding and performance assessment for these employees is based on overall corporate results and not by reference to the business units that individual control function employees support. The IC payable to senior Risk and Compliance officers in the UK is considered and approved by the UK RemCo.

State Street has implemented a process pursuant to which a committee of the Board with oversight of an area managed by a selected control function specifically reviews the performance assessment and IC recommendations for the heads of the relevant control function, as well as an overview of the performance and compensation for the entire control function. Annually, the RC conducts these reviews with respect to the Chief Risk Officer and ERM Department. This process is designed, amongst other things, to provide the relevant committee with additional perspective on the performance of the relevant control function and whether that function is being allocated appropriate resources and compensation.

Quantitative Information⁷

5.6 Article 450 (1)(g)

“Aggregate quantitative information on remuneration, broken down by business area”

	Management body	Independent control functions	Corporate functions and all others ⁸	All UK EUIS
Total Remuneration of UK EUIS (£ k)	3,756	1,429	131	5,316

5.7 Article 450 (1)(h)/Article 450 (1)(h)(i)

“Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm indicating the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries”

	Senior management	Other UK EUIS	All UK EUIS
Number of UK EUIS	12	2	14
Total Fixed Remuneration (£ k)	2,886	382	3,268
Total Variable Remuneration (£ k)	1,853	195	2,048

⁷ Provided on the basis of UK EUIS for SSEL Group.

⁸ Includes Non-Executive Directors.

6 Glossary

The following acronyms are used in this document:

AIF	Alternative Investment Fund
CET1	Common Equity Tier 1 Capital
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DSA	Deferred Stock Award
DVA	Deferred Value Award
EBA	European Banking Authority
EMEA	Europe, Middle East and Africa
ERM	Enterprise Risk Management Team
EU	European Union
EUIS	EU Identified Staff
EVP	Executive Vice President
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
FX	Foreign Exchange
GHR	Global Human Resources
GM	Global Markets
GS	Global Services
HRC	Human Resource Committee
IC	Incentive Compensation
ICAAP	Internal Capital Adequacy Assessment Process
ICCC	Incentive Compensation Control Committee
IFPRU	Prudential Sourcebook for Investment Firms
LAB	Liquidity Asset Buffer
LRG	Liquidity Risk Guideline
MTF	Multilateral Trade Facility
PRA	Prudential Regulation Authority
PRSU	Performance-Based Restricted Stock Unit
RAS	Risk Appetite Statement
RBA	Role Based Allowance
RC	Risk Committee
RMF	Risk Management Framework
RTS	Regulatory Technical Standard
RWA	Risk Weighted Asset

SIP	Structured Incentive Plan
SREP	Supervisory Review and Evaluation Process
SSBTC	State Street Bank and Trust Company
SSC	State Street Corporation
SSEL	State Street Europe Limited
SSGA	State Street Global Advisors
SSIH	State Street International Holdings
SSGMIL	State Street Global Markets International Limited
SSSC	State Street (UK) Service Company Limited
SSTL	State Street Trustees Limited
UCITS	Undertakings Collective Investment in Transferable Securities

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