



Last Updated: December 6, 2024

Pillar 3 Disclosure - State Street Trust Company, Canada

Disclosure Statement

This Pillar 3 Disclosure as at September 30, 2024 contains statements that are considered "forward-looking statements," including statements about the financial condition, results of operations and business of State Street Trust Company Canada ("SSTCC") that do not relate strictly to historical facts, are based on assumptions by management, and are often identified by such forward-looking terminology as "will," "believe," "intend," "expect," "anticipate," "project," "estimate", "predict" or similar expressions or variations of such terms. Forward-looking statements may include, among other things, statements with respect to SSTCC's liquidity and capital requirements; business strategy; financial and operating targets or plans; projections of revenues, income (or loss), market share or other financial forecasts; expansion and growth of its business and operations; and future capital expenditures.

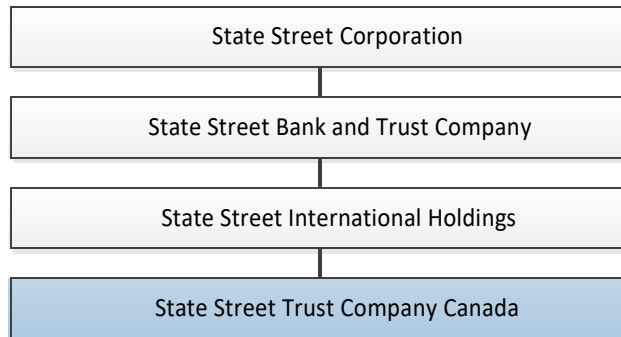
Forward-looking statements are subject to various risks and uncertainties, which change over time, are based on management's expectations and assumptions at the time the statements are made, and are not guarantees of future results. Management's expectations and assumptions, and the continued validity of the forward-looking statements, are subject to change due to a broad range of factors affecting the Canadian and global economies and financial markets, as well as factors specific to SSTCC. Changes in these and other factors could cause changes in management's expectations or assumptions on which its forward-looking statements are based. Consequently, all of the forward-looking statements contained in this disclosure are qualified by these cautionary statements, and the results or developments that management anticipates may not be realized or, even if substantially realized, may not have the expected consequences to, or effects on, SSTCC or its business or operations. SSTCC undertakes no obligation to update publicly any such forward-looking statements to reflect events after the date this disclosure is made publicly available.

1. Scope of Application

1.1 Background

SSTCC is a federal financial institution regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). It is a wholly-owned direct subsidiary of State Street International Holdings ("SIH") and a wholly-owned indirect subsidiary of State Street Bank and Trust Company ("SSBT") and State Street Corporation ("SSC"). SSTCC provides trusteeship, transfer agency, accounting and

administration and custodial services to sophisticated institutional clients in Canada. The ownership structure described above is depicted below.



1.2 Basel Accord

On January 31, 2022, OSFI released its final capital and liquidity rules to complete its implementation of the final Basel III reforms.⁴ The new capital and liquidity rules released in 2022 take into account the characteristics of the Canadian market with changes to the CAR Guideline; LAR Guideline; Leverage Requirements Guideline; Small and Medium-Sized Deposit-Taking Institutions (“SMSBs”) Capital and Liquidity Requirements (“SMSB CLR”) Guideline, and the Pillar 3 Disclosure Guideline. The implementation date for the updated guidelines for SSTCC was April 1, 2023.

Pursuant to the SMSB CLR Guideline, OSFI segments SMSBs into three categories for the purposes of their capital and liquidity requirements based on criteria set out in the SMSB CLR Guideline, including asset size and activities of the institution. SSTCC was classified as a Category II SMSB upon the implementation of OSFI’s revised capital and liquidity requirements on April 1, 2023.

There are five guiding principles for Pillar 3 disclosures. Pillar 3 complements OSFI’s Pillar 1 and Pillar 2 process. The principles are:

- Disclosures should be clear
- Disclosures should be comprehensive
- Disclosures should be meaningful to users
- Disclosures should be consistent over time
- Disclosures should be comparable across similar SMSB’s

In November 2023 the final amendments to the Pillar 3 Disclosure Guidelines to incorporate market risk and credit valuation adjustment (CVA) risk disclosures were released.

This document presents SSTCC’s disclosure as required under Basel III, Pillar 3.

1.3 Pillar 3 Disclosure

SSTCC has prepared its Pillar 3 disclosure in accordance with the requirements set out in Basel III and by OSFI's Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements. The Pillar 3 disclosure incorporates the five guiding principles of providing a clear, comprehensive, consistent and meaningful disclosure. The format of the disclosures enable comparability of key risks and metrics.

In accordance with its Basel III Pillar 3 Disclosure Policy, SSTCC's Pillar 3 disclosures are approved by SSTCC's Board and provided publicly on an annual basis or more frequently as required.

2. Capital Structure

The total capital of SSTCC consists entirely of Tier 1 capital (common shares, retained earnings and accumulated other comprehensive income). SSTCC's capital is generated directly from its income from operations.

Details of SSTCC's capital structure are published separately on State Street Canada's website alongside this statement at [Regulatory Disclosure from State Street | State Street](#).

3. Capital Adequacy

OSFI considers a financial institution to be well capitalized if it maintains an "all-in" capital target ratio of Common Equity Tier 1 ratio of 10.5% of RWA. As part of its Internal Capital Adequacy Assessment Process ("ICAAP") through which SSTCC assesses its significant risks and determines its capital requirement for current and future activities, SSTCC performed a review of the current economic and business environment. SSTCC assessed its current businesses, potential new opportunities, significant inherent risks and proposed future related plans.

Based upon its analysis, management concluded that SSTCC is sufficiently capitalized to support its business strategies and objectives, and exceeds both OSFI's minimum expected regulatory capital requirements as well as SSTCC's internal capital ratio threshold for a well-capitalized financial institution.

Information in respect of SSTCC's capital and leverage ratios can be found on State Street Canada's website alongside this statement at [Regulatory Disclosure from State Street | State Street](#) under **Regulatory Disclosures**.

4. Risk Exposure and Assessment

4.1 Overall Approach to Risk

As a provider of products and services, SSTCC willingly incurs some level of assumed business risk, provided that the risks can be identified and managed in a cost-effective manner with due regard to operational and reputational considerations. Risks are managed primarily through the implementation of

appropriately designed internal control procedures. SSTCC has no appetite for significant loss events.

Effective risk management within SSTCC manifests itself as a “business as usual” practice which includes, but is not limited to, the following:

- i. Consistency of key business performance metrics, with acceptable levels of risk defined in SSTCC’s governing risk frameworks, policies and practices;
- ii. Effective management of all significant risks and risk concentrations;
- iii. An operating culture characterized by a strong level of risk awareness. This extends across SSTCC and all of its activities, driving comprehensive risk mitigation practices, and ensuring that identification and escalation of potential risk exposure is a core responsibility of personnel at all levels;
- iv. Reputational integrity that ensures SSTCC’s ongoing position of trust as a premier provider of services to institutional investors;
- v. Compliance with applicable laws, rules, regulations, and prescribed practices and SSTCC-specific policies as well as SSBT and SSC policies applicable to it; and
- vi. Adherence by employees to the State Street Standard of Conduct as well to other applicable business specific codes of conduct.

Notwithstanding the above, some level of residual risk is intrinsic to SSTCC’s business profile. The potential for “unplanned” or “unexpected” loss requires that SSTCC maintain sufficient capital and liquidity to protect its stakeholders while meeting the requirements of other interested parties. SSTCC’s ICAAP ensures that unexpected losses and risk exposures are identified, assessed, measured, monitored, managed and reported across all significant risk categories, and are reflected in the determination of required capital. Moreover, SSTCC’s Recovery Plan is an integral part of its’ risk appetite framework in relation to identifying, measuring, monitoring, managing and reporting potential financial stress to SSTCC, particularly within the capital and liquidity stress continuum. SSTCC’s stress testing program, which complements its risk quantification methodologies, is another tool that supports SSTCC’s capital and liquidity management. SSTCC’s stress tests feature a range of severities, including events capable of generating the most damage, whether through size of a loss or involving a loss of reputation.

Governance Framework:

SSTCC follows a structured and disciplined approach to risk governance and risk management, as illustrated in the diagram below. SSTCC’s risk governance model assigns roles, responsibilities and accountabilities for all key aspects of risk management including SSTCC’s Board, Audit and Risk Committee of the Board, management committees, and senior management. These roles, responsibilities and accountabilities pertain to: (1) risk ownership and management; (2) the setting of risk management policies, standards, and guidelines, the monitoring of risk management and control effectiveness, and the provision of independent challenge to business lines; and (3) independent assurance (including objective review and testing) on the effectiveness of risk governance and the management and control of risk.

The diagram below depicts SSTCC's risk governance structure.



SSTCC's Senior Management Committee, Risk and Compliance Review Committee (collectively, the "Committees"), Audit and Risk Committee of the Board, and Board meet on a regularly scheduled basis to review and discuss risk management topics and issues. An annual Material Risk Identification ("MRI"), which supports the identification, measurement, assessment, and control of SSTCC's material risks arising from its exposures and business activities, is conducted by SSTCC management and reviewed by the Committees and the Board. The following key risk and compliance management reports are also provided to management, the Audit and Risk Committee of the Board and/or the Board:

- Key Risk Indicator ("KRI") reporting;
- Fiduciary risk reporting;

- Compliance management reporting such as the Report from Compliance which includes reporting of a quarterly risk opinion related to the Compliance program, summary of regulatory obligations, and status of compliance issues;
- Consolidated Enterprise Risk Management reports, which contain updates on matters such as operational risk, changes or trends in the status of the identified top risks, and reporting of risk exposure status in relation to SSTCC's risk appetite limits, recovery early warning indicators and recovery triggers;
- Quarterly financial metrics reports, which provide the trending of SSTCC's capital ratio, leverage ratio, liquidity coverage ratio and net cumulative cash flow as well as the composition and allocation of its asset classes; and
- Quarterly financial statement reports and management discussion, including capital adequacy reporting.

In addition to the above, SSC's Corporate Audit and Corporate Compliance departments conduct comprehensive and independent reviews of internal control systems and assess compliance with corporate policies and applicable laws and regulations. Formal audit and compliance reports, as noted above are provided on a timely basis to both management and SSTCC's Audit and Risk Committee of the Board.

4.2 Risk Management by Category of Risk

SSTCC's business focus is on providing investment services such as custody, trusteeship, transfer agency, accounting and administration services to sophisticated institutional investors in Canada. It does not extend credit or accept deposits from any clients. As a result, the significant risks to which SSTCC is potentially exposed are primarily operational risk and business risk.

4.2.1 OPERATIONAL RISK

SSTCC defines operational risk as the risk of errors or omissions arising from inadequate or failed internal processes with the potential for financial, reputational or franchise harm. As a provider of products and services, SSTCC inherently incurs some level of assumed operational risk, which is the most significant risk to which SSTCC is potentially exposed. SSTCC works within the framework of SSTCC's Operational Risk Management Policy, and SSC's Operational Risk Policy and supporting guidelines.

SSTCC's policy is to effectively manage operational risk in order to support the achievement of its corporate objectives and to comply with applicable regulatory obligations. SSTCC's Operational Risk Management Policy identifies responsibilities of individuals and governing committees for overseeing operational risk management, and sets out SSTCC's three lines of defence approach to risk governance and risk management, providing a broad mandate that supports implementation of SSTCC's Enterprise Risk Management ("ERM") Framework. SSTCC's ERM Framework describes policies, programs, processes and tools designed to assist SSTCC in identifying, assessing, and measuring risk; monitoring risk; evaluating and testing controls; reporting on risk; and risk-based decision making.

SSTCC's operational risk management includes mitigation by policies and frameworks such as its Operational Risk Management Policy, ERM Framework, and Risk Appetite Policy, as well as by risk mitigation tools and processes including risk assessments such as its annual MRI, risk control self-

assessment (“RCSA”), and operational risk scenario analysis and stress testing (each described further below); the monitoring and reporting of operational risk via risk management reporting and the review of consolidated ERM reports (including KRI reporting) by the management Committees and the Audit and Risk Committee of the Board; the identification and assessment of operational risks in connection with new business and product reviews and approvals; the development of new controls and enhancement of existing controls; and independent reviews of internal control systems by SSC’s Corporate Audit department, the results of which are reported to management and SSTCC’s Audit and Risk Committee of the Board. SSTCC also utilizes risk transference mechanisms such as insurance as another means of managing its risk exposure.

As the second line of defence, SSTCC’s Chief Risk Officer and their ERM team are responsible for setting and implementing SSTCC’s ERM Framework, and related policies, standards, and guidelines; conducting oversight activities independently of the business lines or functional area management, including proactive monitoring, analysis and reporting of operational risk and regulatory compliance management, compliance with SSTCC’s operational risk appetite and control effectiveness on an enterprise basis, but not for the day-to-day tasks required to manage risk; and providing an objective assessment of business lines’ and functional areas’ inputs to and outputs from SSTCC’s risk management programs, including providing independent challenge of the capability of SSTCC’s people and processes to reliably deliver their activities in business as usual and plausibly severe operational circumstances.

As noted above, SSTCC management performs an annual MRI, which supports the identification, measurement, assessment, and control of SSTCC’s material risks arising from its exposures and business activities. Risks are assessed under both baseline and stressed conditions to better understand how SSTCC’s risk exposures change under different conditions and to identify risks that may only become material exposures during times of stress.

SSTCC management conducts an RCSA annually, where relevant stakeholders in the first and second lines of defence identify, assess and measure non-financial risks, with a focus on identifying significant changes in the internal and/or external environment and new non-financial risks as SSTCC’s organizational structure, services, products, or regulatory or business landscapes evolve. This focuses senior management’s attention on areas where SSTCC has heightened risk exposure(s) to support risk-based decision making and control optimization. The results of the RCSA are reviewed by the Committees and the Audit and Risk Committee of the Board, and inform SSTCC’s MRI program, risk appetite framework and capital planning.

SSTCC uses an operational risk scenario analysis methodology and supporting tools to facilitate a structured approach to quantifying its operational risk exposure (i.e. Pillar 2 add-on operational risk capital) using a statistical model, leveraging informed expert judgment, addressing the need for a risk-based estimate of operational exposure. SSTCC annually conducts operational risk scenario analysis workshops in which opinions are obtained from business managers and subject matter and risk-management experts to derive reasoned assessments of the likelihood and loss impact of plausible, high-severity operational risk scenarios for operational risk units of measure. The severity and frequency estimates derived from the scenario analysis workshops are then input into a stress testing, Monte Carlo simulation model to calculate the loss distribution for each of the units of measure and support the determination of Pillar 2 add-on operational risk capital for SSTCC’s ICAAP. The results of the operational risk scenario analysis and stress testing are reviewed by the Committees and the Board.

As indicated above, SSTCC’s ERM team prepares quarterly consolidated ERM reports that contain updates on matters such as operational risk updates (including an operational risk profile, trending of key risk indicators (“KRIs”), external events analysis, and employment practices and workplace safety), monitoring

of top risks identified in SSTCC's annual MRI, and reporting of risk exposure status in relation to SSTCC's risk appetite limits, recovery early warning indicators and recovery triggers as defined in SSTCC's risk appetite framework and SSTCC's Recovery Plan. This reporting is reviewed by the Risk and Compliance Review Committee, the Senior Management Committee and is reported to the Audit and Risk Committee of the Board quarterly.

Although operational risk is inherent in the services that SSTCC provides to its institutional clients and thus SSTCC accepts some level of operational risk, SSTCC has no appetite for significant operational loss events. SSTCC seeks to manage operational risk to a level consistent with achieving its strategic, financial and operational objectives and complying with its contractual obligations with the goal of having an effectively designed and well-controlled operating environment, including a strong risk and control culture, within its established operational risk appetite.

SSTCC has adopted the Basic Indicator Approach for operational risk. As part of its ICAAP, SSTCC assessed, stress tested and quantified its potential for adverse exposure to operational risk and concluded that it has more than sufficient capital to address this risk in accordance with OSFI's 3 year time horizon requirement.

4.2.2 BUSINESS RISK AND CONCENTRATION RISK

Business risk is defined as any risk arising from changes in SSTCC's business, including the risk that it may not be able to carry out its business plans. SSTCC has assessed its business and concentration risk together under the category of business risk as the two risks are viewed as inter-related given the size and composition of SSTCC's client relationships. SSTCC's exposure to business risk is driven primarily by SSTCC's strategy of servicing large institutional clients, and the subsequent risk of loss of a key customer. Given SSTCC's business mix, it has a natural concentration with major institutional clients and business risk has been assessed to be a key risk to SSTCC. A key mitigant of the potential exposure to this risk is SSTCC's client relationship management program which focuses on client service factors for key clients. In addition, client satisfaction surveys are periodically conducted to measure client satisfaction levels.

While SSTCC has a natural concentration with major institutional clients and seeks to retain its top client relationships and grow its business, it strives to generate sustainable and steady earnings and avoid extreme servicing revenue volatility by avoiding undue concentrations both in its business activities and in its exposures to counterparties and clients.

As business risk is a significant risk category to SSTCC, a business risk Pillar 2 "add-on" capital buffer was included following the assessment and stress testing of this risk in the ICAAP. SSTCC's capital resources are sufficient to cover its capital requirements for this risk through a 3 year horizon.

4.2.3 CREDIT RISK

Credit risk is defined as the current or prospective risk to SSTCC's earnings and capital, arising from an obligor's failure to meet the terms of any contract with SSTCC, or its failure to perform as agreed. This risk may include residual risk, the credit risk in securitization, and cross border (or transfer) risk.

SSTCC's direct exposure to credit risk is limited to the accounts receivable for services rendered, and investments in securities for liquidity risk management purposes. SSTCC does not extend credit in the form of loans or advances, provide guarantees, or have contingent liabilities to which SSTCC is due to be reimbursed

or any off-balance sheet transactions that expose SSTCC to the risk of economic loss or other debts or claims. SSTCC's investments consist of high quality liquid securities that are subject to its investment allocation strategy (including minimum securities issuer credit risk ratings by major independent credit rating agencies at the time of purchase), and governance and management oversight established in SSTCC's Investment and Lending Policy. Therefore, counterparty credit risk associated with these investments is low. Consequently, management has assessed the direct risk of credit loss as low, principally due to the high credit quality of its primarily large institutional client base. SSTCC manages its credit risk exposure by carrying out due diligence in respect of its prospective and existing clients and counterparties, including the monitoring of credit exposures, particularly aged receivables. SSTCC complies with SSC policies with respect to the tracking, escalation, reserving for and reporting of aged receivables.

SSTCC accepts credit risk, principally in the form of accounts receivable for services rendered, which is conducted within a controls environment that includes a comprehensive analysis of counterparties' creditworthiness and ongoing monitoring by SSTCC management of accounts receivable for services rendered. Reporting of aged billed accounts receivable for services rendered is reviewed by the Risk and Compliance Review Committee, the Senior Management Committee and the Audit and Risk Committee of the Board quarterly.

4.2.4 MARKET RISK

Market risk is defined as the risk of loss that could result from broad market movements, such as changes in the general level of interest rates, credit spreads, foreign exchange rates or commodity prices. This risk includes foreign exchange and interest-rate risk, which is defined by SSTCC as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

SSTCC's direct exposure to market risk is limited to foreign exchange fluctuations in relation to meeting its U.S. dollar denominated financial obligations and in its investments in high quality liquid securities for liquidity purposes which are accounted for on a mark-to-market basis. These securities must be rated AA- to AAA or higher at time of purchase. SSTCC's direct foreign exchange risk is related to U.S. dollar cash, receivables and payables, and the deposit held with CDS Clearing and Depository Services Inc. ("CDS") on SSTCC's balance sheet, and is considered to be immaterial. Foreign currency denominated balance sheet items are a small component of SSTCC's overall balance sheet. SSTCC's U.S. dollar assets and liabilities are exposed to foreign exchange risk only for the period of time required for foreign denominated assets and liabilities to be converted to Canadian dollars. SSTCC complies with corporate policies with respect to the management, revaluation, and recording of any gains or losses associated with foreign currency-denominated assets.

SSTCC accepts the market risk associated with its direct exposure to foreign exchange fluctuations in relation to meeting its U.S. dollar denominated financial obligations and in its investments in high quality liquid securities.

4.2.5 INTEREST RATE RISK IN THE NON-TRADING BOOK

Interest-rate in the non-trading book risk is defined by SSTCC as the potential impact of adverse movements in interest rates in the non-trading book, and the impact these movements may have on the economic value of its assets and liabilities and planned future cash flows. SSTCC's exposure to interest rate risk in the non-trading book is limited to its deposits with CDS, balances held with regulated financial institutions, its holdings of regulatorily required unencumbered high quality liquid assets, and interest bearing deposits with affiliates with maturities of 180 days or less. SSTCC holds high quality liquid

securities, which are accounted for on a mark-to-market basis as they are available for sale. These securities must be rated AA- to AAA or higher at time of purchase. SSTCC's direct interest rate risk is considered to be low and is limited to ensuring compliance with regulatory requirements and generating appropriate returns for SSTCC's cash position. This risk is prudently controlled through appropriate limits on economic value of equity sensitivities to interest rate changes.

SSTCC accepts the interest rate risk associated with its deposits with CDS, balances held with regulated financial institutions, its holdings of regulatory required unencumbered high-quality liquid assets, and interest bearing deposits.

4.2.6 LIQUIDITY RISK

Liquidity risk is defined as the potential for loss to occur from not holding sufficient liquidity to survive a contingent stress event. Liquidity risk is considered to be low for SSTCC, and involves timing mismatches between payables and receivables. SSTCC is considered by management to be highly liquid based upon current and future business projections and the nature of the services it provides.

SSTCC manages its liquidity risk through the forecasting of cash flows and anticipated investing and financing activities, management's review and approval of planned expenditures, the ICAAP scenario testing process, and compliance with its liquidity management policy and standard and the liquidity guidelines of SSC applicable to it.

SSTCC's liquidity management process utilizes a number of internal liquidity targets to ensure that SSTCC has sufficient funds to meet its commitments as they come due under both normal and stressed conditions. SSTCC maintains a stock of high quality liquid assets to meet both business needs and regulatory requirements.

SSTCC has no appetite to run its business without adequate liquidity to satisfy its operational and regulatory requirements in both business-as-usual and stress conditions.

4.2.7 REPUTATION RISK

SSTCC's business model is predicated on its reputation and SSTCC recognizes that State Street's brand value is its most valuable and irreplaceable asset.

Reputational risk at SSTCC stems from the high interconnectedness between risk categories, mainly operational risk, regulatory compliance risk, business risk and concentration risk. Reputational damage caused directly or indirectly by SSTCC's activities or external factors (including SSTCC's affiliates) can result in revenue impairment, declines in shareholder value, customer attrition and loss of trust with all stakeholders. For these reasons, SSTCC strives to conduct its activities in a manner which is consistent with the highest standards of professionalism, fairness, ethics and integrity.

SSTCC is committed to fostering and maintaining business practices and controls that are consistent with a culture of excellence, high ethical standards and strong commitments to its employees, customers, regulators and the communities in which it operates. Existing guidelines and governance structures include independent oversight provided by risk-focused committees, and corporate functions including Enterprise Risk Management, Corporate Compliance and SSC's Corporate Audit division.

SSTCC has no appetite for exposure to reputational risk and zero tolerance for unethical behaviour. All

employees must adhere to State Street's Standard of Conduct. Employees must complete mandatory annual training in the programs designed to protect State Street's reputation.

SSTCC seeks to avoid business relationships with individuals or business entities where such involvement could damage State Street's reputation. SSTCC maintains appropriate Anti-Money Laundering training, and Anti-Money Laundering and Know Your Customer procedures to verify its customers' reputation and integrity.

4.2.8 REGULATORY COMPLIANCE RISK

Regulatory compliance risk is the risk of legal or regulatory sanctions, material financial loss or reputational damage SSTCC may suffer as a result of its material failure to comply with applicable final rules, laws, statutes and regulations, formal regulatory guidance, and Self-Regulatory Organization standards that regulate SSTCC's financial services activities and functions that support those activities ("Regulatory Obligations") in jurisdictions where SSTCC carries on business and provides services.

SSTCC's policy is to effectively manage regulatory compliance risk in order to support the achievement of its corporate objectives and to comply with Regulatory Obligations. The failure to comply with Regulatory Obligations and respond quickly to changes in the regulatory environment could broadly impact franchise value and lead to regulatory or legal sanctions, material financial loss or reputational damage.

SSTCC does not knowingly engage in activities that are illegal, or which would undermine the trust of its stakeholders and interested parties. All SSTCC employees are expected to comply with all Regulatory Obligations and internal and external codes of conduct which govern their activities.

4.2.9 TECHNOLOGY AND RESILIENCY RISK

Technology and Resiliency Risk is the inability to materially achieve strategic, financial and operational objectives due to issues arising from the use, ownership, operation, involvement, influence and adoption of information technology or from the inability to effectively detect, prevent, respond, and recover from operational and technological failures that may impact the delivery of critical business services to SSTCC's clients and the financial markets. This includes technology, cyber security and resiliency issues related to products and services provided by third parties, Information Technology ("IT") teams or non-IT personnel.

SSTCC manages information technology and resiliency risks, including cyber and information security risks, with the intention to operate within its regulatory and contractual obligations, fiduciary and other legal duties, policies and standards, strategic and operational objectives as well as to meet client commitments. It achieves this objective via SSC's information technology policies, controls and operating procedures as well as implementing governance, monitoring and assurance functions.

SSTCC recognizes that technology and resiliency risks are intrinsic to its business, but it has no appetite for material business disruption due to system failures. SSTCC seeks to reduce technology and resiliency risks to a minimum attainable level, but recognizes that this must be balanced against achieving its strategic, financial, and operational objectives.

4.2.10 SECURITIZATION RISK

Securitization risk is the risk that the capital resources held by an institution in respect of assets which it has securitized are inadequate with regard to the economic substance of the transaction, including the degree of risk transfer achieved. This risk is not applicable to SSTCC as it does not securitize assets or

invest in any securitized products.

4.2.11 SYSTEMIC RISK

Systemic risk is the risk associated with the inter-linkages and interdependencies in a system or market, where the failure of a single entity or cluster of entities could cause a cascading failure, which could potentially cause insolvency or bring down the entire system or market.

The financial markets are characterized by extensive interconnections between financial institutions. SSTCC is exposed to direct systemic risk from an income perspective from its clients who are financial institutions or which have invested in financial institutions. Direct SSTCC income vulnerability is associated with the market impact to the value of its clients' assets under custody, which in turn would impact SSTCC's servicing fees. SSTCC's clients are large, sophisticated, institutional investors.

SSTCC is also indirectly affected by systemic risk as it is a subsidiary of SSC, a designated global systemically important bank ("G-SIB"). As at September 30, 2024², SSC and SSBT are in excess of the regulatory minimum thresholds required under the US regulatory capital adequacy framework.

4.2.12 COMPENSATION RISK

Compensation risk is the risk of misalignment of an institution's compensation system and prudent risk taking, the outcome of which may adversely affect the safety and soundness of the entity. SSTCC considers its compensation practices to be in alignment with its risk profile, and its compensation structure does not expose SSTCC to an undue level of risk.

A complete summary of SSTCC's compensation practices are published separately on the State Street Canada website alongside this statement at [Regulatory Disclosure from State Street | State Street](#) under **Regulatory Disclosures**.

4.2.13 ENTERPRISE-LEVEL RISK

Enterprise-level risks are financial and non-financial risks that span the organization, including the interaction of multiple significant risks, multiple non-significant risks, and the interaction of a non-significant risk with other events and conditions that result in great damage.

SSTCC recognizes that there is potential for inter-connectivity between and within all of its risks. SSTCC's Enterprise Risk Management ("ERM") Framework documents processes designed to identify potential events that may affect SSTCC, manage risk within SSTCC's approved risk appetite, and provide reasonable assurance regarding the achievement of SSTCC's objectives. Furthermore, SSTCC's ERM Framework is intended to establish how the various components of its risk management program interact and aid in the management of the various categories of risk to which SSTCC is potentially exposed.

4.2.14 GROUP RISK

Group risk is the risk that the financial position of an institution may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group.

SSTCC recognizes that it can achieve enhanced returns by promoting strong co-operation and co-ordination with other State Street entities, including those in Canada. It also benefits from support

received from SSBT. There are inter-company agreements in place which formalize the arrangements in respect of the services provided between SSTCC and other State Street entities.

SSTCC's direct impact as a result of group risk arises from potential reputational risk associated with the provision of services to it by other State Street entities or from it to other State Street entities. SSTCC's group risk is mitigated by the fact that other business units operating within the State Street group are subject to the same SSC policies as SSTCC, such as SSC's Enterprise Risk Management Policy, which articulates SSC's risk management philosophy and the global framework supporting this philosophy.

