



State Street Trust Company Canada's ("SSTCC") Pillar 3 Remuneration

(i) *Oversight bodies*

The Executive Compensation Committee ("ECC") of State Street Corporation has ultimate oversight of the compensation system at State Street¹ and met 6 times in 2014. The ECC has oversight of all compensation plans, policies and programs in which senior executives participate within State Street's operations globally, including SSTCC.

In accordance with the listing standards of the New York Stock Exchange, ECC members are senior professionals with strong financial and business knowledge, who are independent members of the board of directors of State Street Corporation (the "**SSC Board**"). They are appointed by the SSC Board on the recommendation of the Nominating and Corporate Governance Committee of the Board. There are currently five members of the ECC who are: Richard P. Sergel, Chair; José E. Almeida, Amelia C. Fawcett; Linda A. Hill; and Robert S. Kaplan.

One member of the ECC also serves on the Risk Committee of the Board ("**RC**"), providing continuity between the two committees. The RC is responsible for oversight relating to assessment and management of risk within State Street. The RC is also responsible for discharging the duties and obligations of the Board under applicable Basel requirements. In addition, other independent directors of the SSC Board who are not members of the ECC attend ECC meetings from time to time.

The ECC has sole authority to:

- (i) retain and terminate any compensation consultants and other advisers used by the ECC to assist in the evaluation of compensation for State Street Corporation's Chief Executive Officer ("**SSC's CEO**") and/or other executive officers of State Street Corporation; and
- (ii) approve these consultants' and advisers' fees and other retention terms.

The ECC engages Meridian Compensation Partners ("Meridian"), an executive compensation consulting firm, to provide compensation consulting as part of its review of executive compensation, and retains its own external legal counsel, Shearman & Sterling LLP.

The ECC operates under an SSC Board approved charter. Under this charter, the ECC oversees all the compensation plans, policies, and programs of State Street in which senior executives participate and certain other incentive, retirement, welfare and equity plans in which all other

¹ As used herein, "State Street" means State Street Corporation, its affiliates, and subsidiaries.

employees of State Street participate. It also oversees the alignment of the group's incentive compensation ("IC") arrangements with the group's financial safety and soundness, consistent with applicable related regulatory rules and guidance. In overseeing the compensation plans, policies and programs, the ECC takes full account of the annual and long-term financial and strategic objectives of State Street and its duties to shareholders and other stakeholders. The ECC seeks to preserve shareholder value by ensuring the successful recruitment, retention, and motivation of employees.

SSC's CEO and the Chair of the ECC review annually, IC allocations for all Executive Vice Presidents ("EVPs") and all employees who are in the top 100 globally with respect to total compensation.

The ECC approves the overall allocation of the IC Plan pool. SSC's CEO allocates IC pools to business units based upon a variety of factors, which may include budget performance, achievement of key goals and other considerations. The final expenditure and overall allocation between current and deferred awards is then reviewed by the ECC prior to payment.

The ECC meets with senior risk officers to discuss the implications of compensation policy and practices for risk and risk management. Human Resources is also heavily involved in overseeing the remuneration process and this process is well documented.

State Street Corporation has a formal process for integrating the perspectives of the RC into compensation decisions made by the ECC. The RC evaluates annually the material risks applicable to State Street, as well as management actions during the year designed to mitigate those risks. The RC then makes recommendations to the ECC as to positive or negative factors to be considered in compensation decisions. These recommendations are presented to the ECC by the Chair of the RC, who is also a member of the ECC.

SSTCC's Board annually reviews, and ratifies the incentive compensation plans and approves IC payments for SSTCC's employees and management.

SSTCC senior management are identified as the key executives with the greatest authority over the strategic direction and management of SSTCC

Canadian Material Risk Takers are identified by applying the guidance for Material Risk Takers as noted below and then identifying which of those employees are employed by SSTCC. The guidance for Material Risk Takers is as follows::

- senior executives;
- other individual employees able to take or influence material risks; and
- groups of similarly compensated individuals who, in aggregate, can take or influence material risks.

(ii) Design and structure

The policies and practices as set out below apply on a global basis to all employees of State Street, including SSTCC.

State Street's overall aim is to attract and retain high-performing employees via its compensation strategy. State Street recognizes that for the business to succeed, it must remain competitive and cultivate an environment that encourages employees to learn and grow in their careers.

There are five key principles that define the compensation strategy:

- An emphasis on total compensation.
- A pay-for-performance philosophy. Company, business unit and individual performance drive overall compensation levels.
- A competitive compensation package to attract and retain key talent. State Street targets the aggregate annual value of our total compensation program to the median of our corporate peer group.
- An alignment with shareholder interests as reflected through the mix of cash, deferred cash instruments, and deferred equity compensation. Compliance with applicable regulations and related guidance, including limiting incentives to take excessive risks.
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(iii) Pay and performance

Base Salary

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

Variable Remuneration

State Street operates a fully-flexible and discretionary bonus policy. The discretionary bonus policy is structured so as to achieve a balance between fixed and variable components.

The corporate IC pool is based on the overall profits of State Street. The primary component in the calculation of the IC pool is operating-basis² Net Income Before Tax and Incentive Compensation ("NIBTIC"). The IC pool by business unit is decided by reference to the performance of the relevant business unit. The sub-allocation of the business unit pool to an individual is determined by reference to the individual's performance.

In its establishment of the IC Plan pool, the ECC reviews operating-basis NIBTIC calculations and identifies any applicable adjustments to reflect its assessment as to elements of revenues and expenses that should apply, should not apply, or should apply differently for IC purposes. In making these determinations, the ECC considers a number of factors, including capital, risk, business and other considerations. Specific capital measurements taken into consideration include:

² State Street Corporation measures and reports its financial performance in accordance with U.S. generally accepted accounting principles, or GAAP. It also separately measures and compares its financial performance on an operating basis, which reflects revenue from non-taxable sources on a fully taxable-equivalent basis and excludes the impact of revenue and expenses outside of the normal course of its business. State Street reviews its results on an operating basis, as these results, in addition to results presented in accordance with GAAP, facilitate comparisons from period to period and the analysis of comparable financial trends with respect to State Street's normal ongoing business operations.

the Tier 1 risk-based capital ratio; the tangible common equity (TCE) ratio³; unrealized portfolio gains and losses; and the Tier 1 leverage ratio. Historically, the ECC has exercised its discretion in the determination and application of NIBTIC to reduce the IC Plan pool.

On an individual basis, both financial and non-financial performance are factors in determining IC. Non-financial or qualitative factors are evaluated subjectively based upon the following goals (explained further below): driving strategy, delivering highly-valued services and solutions to our clients, enhancing our culture and engaging employees. In making individual IC awards, the group permits the use of discretionary adjustments to awards for non-compliance with internal policies and procedures or significant audit findings.

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 which individual control function employees support. The IC payable to senior risk and compliance officers is considered and determined by the ECC.

State Street, including SSTCC, also has a performance planning and review (“PPR”) process for employee compensation that involves a collaborative planning process in which employees and their managers establish performance goals that align individual goals with corporate goals (in respect of the 2014 performance year in relation to the four categories noted below). Mid-year and year-end progress reviews are conducted and the employee’s performance level is reviewed and rated on a five-point scale (“consistently exceeded expectations”, “often exceeded expectations”, “consistently achieved expectations”, “sometimes achieved expectations”, and “unacceptable performance”). This rating is a key factor used by managers and the ECC in determining IC and salary decisions during the annual compensation planning process. Typically, employees receiving a rating of 2 or lower will receive a much-reduced or zero IC award.

Performance management employs consistent processes to cascade goals, create "line of sight" and measure actual individual and organizational performance. Frequent feedback is a critical element of the Performance Planning & Review (PPR), which is State Street's performance management process.

State Street's PPR process is designed to maximize individual performance and further the accomplishment of its corporate goals. The corporate goals guide selection of business unit, department, and individual goals, which all align with the corporate goals and serve as the basis for the PPR process. SSTCC’s focus is to provide servicing solutions to sophisticated institutional investors in Canada. Its strategy and goals are derived from and align with State Street Corporation’s corporate goals.

³ The TCE ratio is calculated by dividing consolidated total common shareholders' equity by consolidated total assets, after reducing both amounts by goodwill and other intangible assets net of related deferred taxes. Total assets reflected in the TCE ratio also exclude cash balances on deposit at the U.S. Federal Reserve and other central banks in excess of required reserves. The TCE ratio is not required by GAAP or by bank regulations, but is a metric used by management to evaluate the adequacy of State Street's capital levels. Since there is no authoritative requirement to calculate the TCE ratio, State Street’s TCE ratio is not necessarily comparable to similar capital measures disclosed or used by other companies in the financial services industry.

The PPR process, described earlier, includes a three-staged approach to Performance Management. The first stage, called Performance Planning, involves the employee and manager working in partnership to ensure that performance goals and targets, skills and behaviors, and development goals are collaboratively set for every employee at the beginning of the year. Goals are recorded in the PPR application, with final approval being given by the manager. Stage two focuses on the facilitation of regular review and feedback between the employee and manager throughout the year. The third stage is the completion of a year-end review by mid-December and includes a performance level descriptor.

Where applicable, individual financial targets will be incorporated into the Performance Planning stage of the PPR process and the level of achievement against these financial goals will form part of the year-end review process and contribute to the performance rating along with qualitative assessment.

In addition to the PPR process, in 2012 State Street introduced the Talent and Reward Differentiation Tool (“**TRDT**”) to assist managers in making compensation decisions. The TRDT allows managers to assign a relative score (on a seven-point scale) to employees at the Vice President level and above, based on five factors. These include relative performance, potential, criticality of role, critical skills or expertise and retention risk, and combined with the PPR rating, are used to help guide compensation decisions.

Additionally, State Street applies both “ex-ante” and “ex-post” adjustments to its award process for identified material risk takers

- ex ante compensation adjustments, permitting reductions in the amount of awards, prior to grant, guided by risk assessments developed and implemented by State Street Corporation’s Enterprise Risk Management group and approved by the Risk Committee
- ex post compensation adjustments, permitting recourse by State Street to incentive compensation after the award of the compensation, to adjust for specified post-award outcomes

Ex ante adjustments to incentive compensation represent downward adjustments made to the amount that may otherwise be awarded, based upon a determination that the corporation, business or material risk-taker contributed to a poor risk environment or actual or potential risk outcome during a compensation year. These adjustments are guided by a formal risk management performance summary. The ECC also specifically uses the risk management performance summary in determining the total incentive compensation plan funding available to all State Street personnel globally for the compensation year. Finally, the risk management performance summary is used, in the event of under-performance, to trigger an inquiry into whether it is appropriate to make a downward risk adjustment to the incentive compensation of a responsible material risk-taker before the compensation is awarded.

As ex post adjustment opportunities, State Street Corporation has incorporated a risk-based forfeiture provision to the deferred incentive compensation for all material risk-takers. The provision provides for the reduction or cancellation of the amount remaining to be paid under the relevant award in the event the ECC determines that the actions of the material risk-taker exposed State Street to inappropriate risk and that exposure has resulted or could reasonably be expected to

result in a material loss or losses that are or would be substantial in relation to the revenue, capital and overall risk tolerance of State Street. This forfeiture provision permits the application, as appropriate, of a risk adjustment to the compensation of the responsible material risk-taker after the compensation is awarded.

(iv) Forms of variable compensation

State Street awards variable remuneration in the form of cash, deferred cash instruments and deferred equity.

(v) Vesting and malus-based forfeiture provisions

Equity that may be awarded as part of the IC is deferred and subject to a four-year vesting schedule. The specific vesting schedule (e.g., quarterly, annual) and additional restrictions vary in accordance with local regulatory requirements and State Street Policy.

Beginning with IC awards for the 2011 compensation year, State Street added a malus-based forfeiture provision to the deferred award agreements of all material risk takers.

As described earlier, 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.

(vi) Quantitative disclosures (in Canadian Dollars)

The 2014 remuneration awarded for SSTCC's senior management group and material risk takers and the outstanding deferred stock awards is provided in the tables below. No malus adjustments were made in 2014.

Remuneration - fixed and variable amounts	December 31, 2014		
	Senior management ^{2,3}	Material risk takers ³	Total
Number of employees	8	5	13
Fixed remuneration¹			
Cash based	\$ 1,952,700	\$ 836,512	\$ 2,789,212
Variable remuneration⁴			
Cash based ⁵	1,086,927	468,603	1,555,530
Deferred value award	478,171	59,334	537,505
Deferred equity award	507,390	108,398	615,788
Total variable remuneration	\$ 2,072,487	\$ 636,335	\$ 2,708,822

Deferred remuneration	2014		
	Senior management ^{1,2}	Material risk takers	Total
Outstanding awards as of December 31, 2014 ⁶	\$ 2,813,669	\$ 458,650	\$ 3,272,319
Awards vested/ exercised during the 2014 financial year ^{7,8}	\$ 1,107,127	\$ 254,217	\$ 1,361,344

Notes:

¹ Fixed remuneration is annualized.

² In addition to the (5) material risk takers shown above, (3) senior management are also material risk takers.

³ Includes data for 1 senior management and 2 material risk takers who left the company in 2014 and 1 material risk taker new hire in 2014.

⁴ Awards for 2014 performance may have been paid in 2014 or 2015

⁵ Two severance packages are include in the cash base variable remuneration and include compensation offered to severed employees (excluding car allowances and vacation payments). However, should the severed employee secure alternative employment prior to the end of the severance period then State Street ceases payments and provides a lump sum payment equal to 50% of base salary for the balance of the salary continuance period.

⁶ Outstanding awards include deferred equity (e.g., options, RSUs). Closing per share price of our common stock on December 31, 2014 was \$78.50. Market values for outstanding shares and options are based on that price. FX rate as of December 31, 2014.

⁷ Awards vested/ exercised during the 2014 year are based on fair market value and FX rate at the time of vest/ exercise (varies).