STATE STREET GLOBAL ADVISORS

State Street Global Advisors Limited

Pillar 3 Disclosure Statement

As of 31 December 2021

1 Objective

This disclosure statement (the "Statement") has been prepared by State Street Global Advisors Limited ("SSGAL"), London, United Kingdom, also referred to as (the "Company") to provide quantitative and qualitative information on the capital adequacy, risk management framework and remuneration practices of the Company. This Statement fulfils the regulatory disclosure requirements set out by the Financial Conduct Authority ("FCA") in the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

SSGAL is regulated by the 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. SSGAL is a €50k BIPRU firm and its Pillar 1 capital requirement is the higher of sum of credit risk and market risk or fixed overhead 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 at 31 December 2021 and includes relevant regulatory disclosures for SSGAL in accordance with the rules set out in chapter 11 of BIPRU. Certain information has been omitted from the Statement if, in the opinion of the management of SSGAL, such information is of proprietary nature, price-sensitive, may intrude the privacy of the Company's clients or would not change or influence the assessment or decision of market participants or other users of the Statement.

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 Board of SSGAL for publication on the State Street website www.statestreet.com. Copies of the statement are available at Company's main office located at 20 Churchill Place, Canary Wharf, London E14 5HJ.

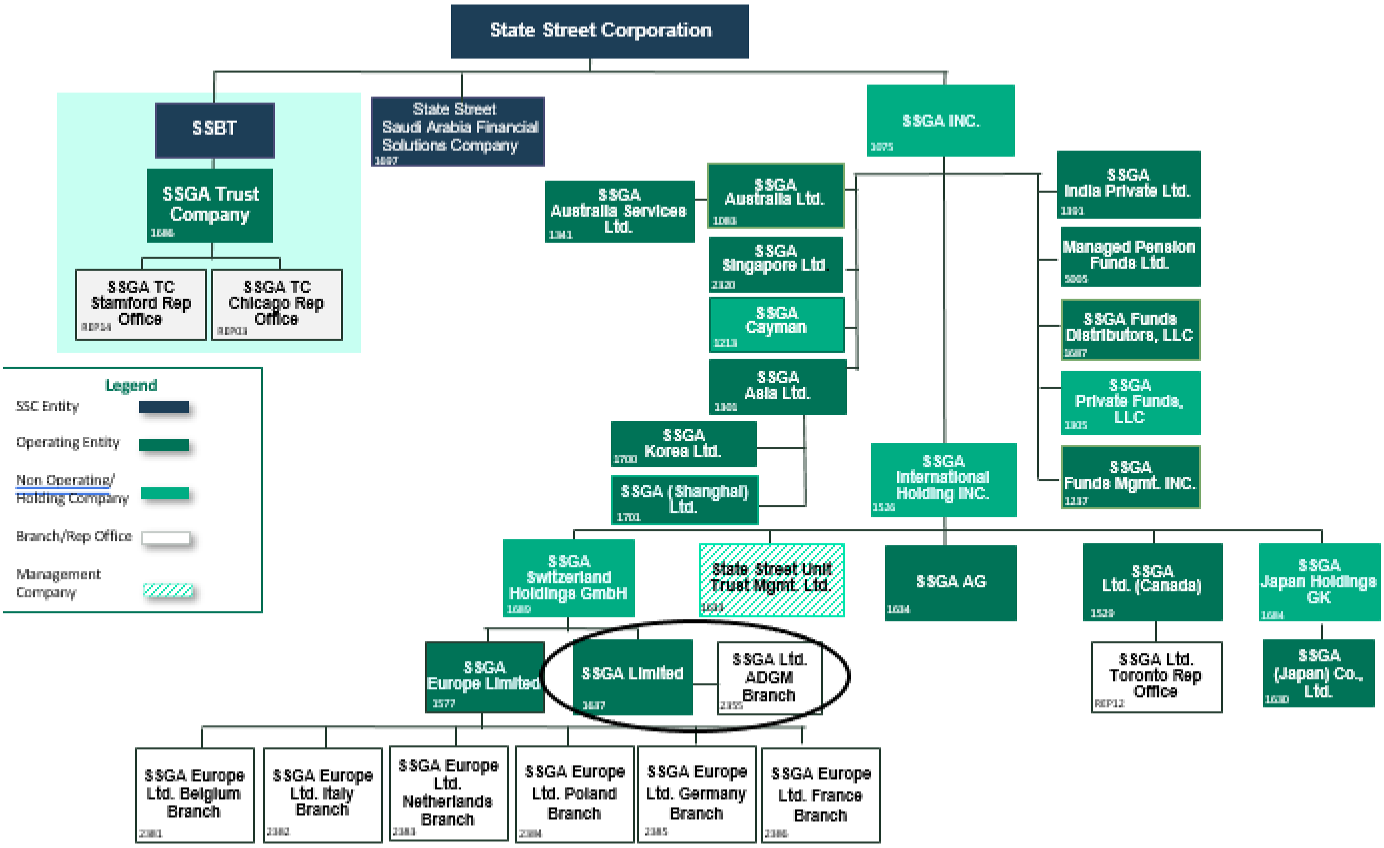
The FCA has introduced a new set of prudential rules for investment firms, the Investment Firm Prudential Regime ("IFPR"), effective from 01 January 2022. The Company will publish its first set of public disclosures under the IFPR from reporting period ending 31 December 2022 onwards.

2 General Information

2.1 Company Structure

SSGAL is a wholly owned direct subsidiary of State Street Global Advisors Switzerland Holdings GmbH, and a wholly owned indirect subsidiary of State Street Corporation ("SSC"), Boston, United States of America. SSC is subject to supervision and regulation by the Board of Governors of the Federal Reserve System among other US regulatory authorities.

The legal entity structure of SSGAL and its branch in relation to the hierarchy of the SSC organisation as at June 2022 is as follows. The Abu Dhabi Global Markets (ADGM) branch of SSGAL provides client and marketing services.



2.2 Business Profile

SSGAL is a large and diverse UK asset manager. The Company has grown rapidly since it began operations in London in 1990, providing a comprehensive range of investment management services to institutional investors, intermediary channel clients and its affiliates.

The solutions the Company provides encompass a multitude of asset classes managed across the risk spectrum including index, enhanced and active strategies across equity, fixed income, cash and investment solution products. SSGAL manages ESG-focused products across the risk spectrum from exclusion strategies where certain sectors or corporate behaviour are excluded from a portfolio to ESG-outcome orientated products such as Climate thematic strategies. The increase of ESG and climate focused investing is driven by investor demand, regulation and policy, global pledges (such as Net Zero), stakeholder pressure and performance opportunities and is an area of focus for SSGAL and its affiliates.

A high proportion of SSGAL's assets are managed on an index basis. Net fees on index funds are relatively low, so it is crucial to ensure the business is managed efficiently and at a size where the scalability is appropriate for a sustainable level of profitability. However, SSGAL also recognises the importance of retaining, growing and stabilising higher margin active management products.

The Company acts as the largest business management and investment centre for SSGA Group activities across Europe. The Company provides investment management and investment advisory activities across a wide range of index and actively managed investment strategies to clients. This core activity has performed relatively well over the period of economic stress, volatility, and dislocation in recent years. The Company retains client relationships through separately managed mandates, and mutual fund and pooled investments. The Company is currently the investment manager, or provides sub-advisory functionality, for SSGA fund umbrellas domiciled in the EMEA region. The Company provides investment and advisory services to two UK Group companies, namely State Street Unit Trust Management Limited and Managed Pension Funds Limited, which are supported by legal agreements.

The client base has a diverse international spread albeit there is a concentration in UK-domiciled clients with the remainder spread globally across Middle East, Africa, North America and Asia. The sales and distribution branch in the United Arab Emirates offers the Company wider distribution capabilities.

In 2021 the Ireland domiciled SSGA exchange traded funds, Liquidity, Luxembourg SICAV and IUT fund ranges appointed State Street Global Advisors Europe Limited as investment manager in place of the Company, which has consequently reduced the average assets under management contracted with the Company. The company continues to manage much of the impacted assets under management on a delegated basis resulting in an increase in revenue earned from affiliates.

In early 2020, the coronavirus pandemic (COVID-19) struck countries around the world, presenting enormous challenges and volatility in the global economic environment. During the year equity markets returned to levels close to pre-pandemic levels and the Company's assets under management rebounded accordingly.

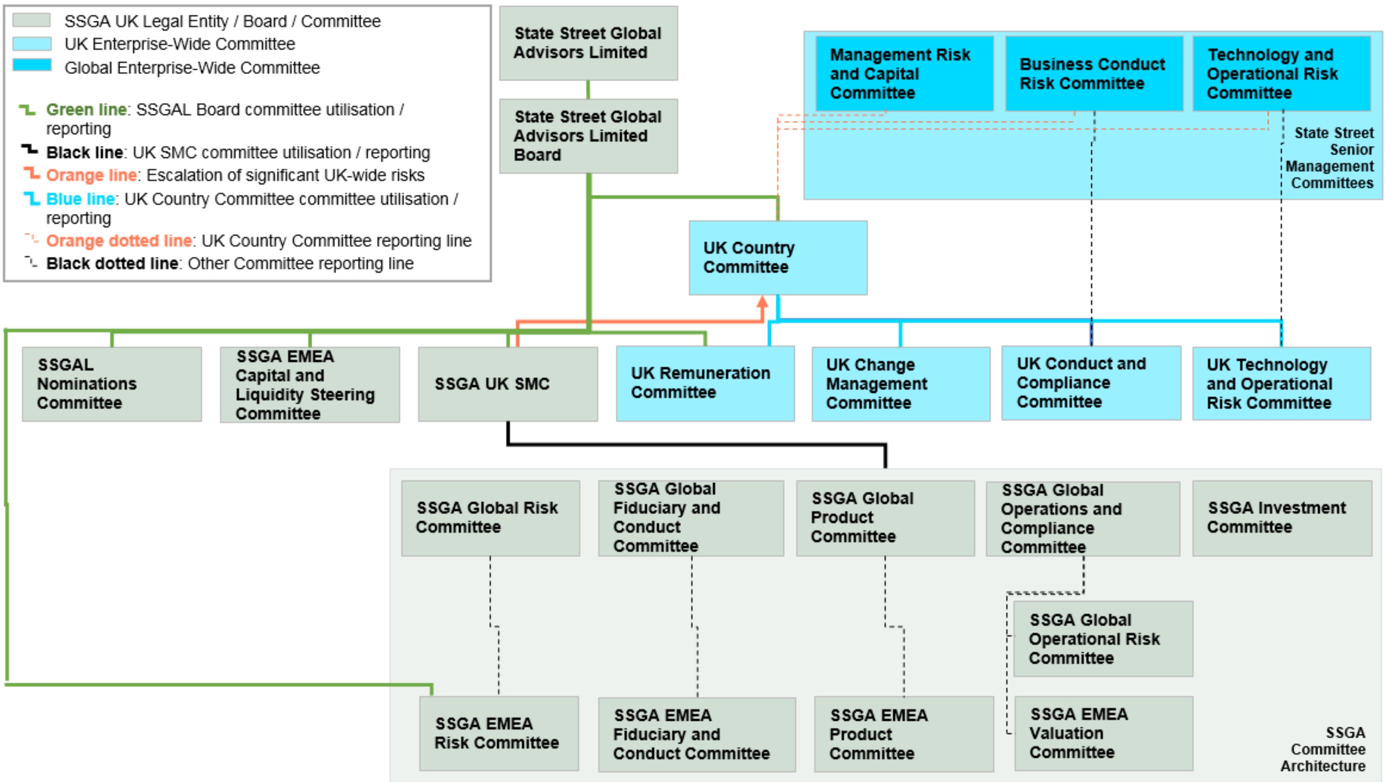
The Company implemented work from home arrangements for its staff during the pandemic, and its operations, governance and oversight framework continued to operate effectively. Considering the progress made with vaccinations and the more positive outlook, State Street commenced a limited return to the office in the year and is implementing plans for a hybrid working environment in 2022 with a more connected and technology-driven workforce.

3 Governance and Risk Management Framework

3.1 Governance Framework

SSGAL's governance structure is designed to support effective decision making and enhance management oversight practices. The SSGAL Senior Management Committee ("SMC") oversees the activities of the SSGA UK businesses, which includes oversight of the business activities of SSGAL. The SSGAL SMC and the Company are also supported by SSGA's broader committee/governance structure, which includes committees focused on fiduciary and conduct, risk, new products, valuations and investments matters. Significant matters are escalated to relevant functional heads and to senior governing bodies as needed.

The following diagram sets out the governance structure of SSGAL, as it fits into the wider SSGA EMEA governance model:



The Company has also adopted an industry standard Three Lines of Defence model described below:

Governance

- Periodic oversight by Board and Management
- Sets "tone from the top" and establishes Corporate risk appetite and strategy

First Line of Defence

Who (examples)

- Businesses: e.g., SSGA
- Functions: e.g., Operations, IT

Overall responsibilities

- **Accountable** for appropriately identifying, assessing, managing, and reporting on risks relevant to achieving business and corporate objectives
- **Accountable** for designing, documenting, implementing, and monitoring effectiveness of internal controls
- **Self-identify** and report internal control deficiencies, analyze their root causes, implement timely corrective actions, and continuously monitor risk

Second Line of Defence

Who (examples)

- Enterprise Risk Management (ERM)
- Corporate Compliance

Overall responsibilities

- Identify and maintain inventory of material risks
- Establish (with approval of Board) risk appetite framework for major risks
- Develop policies, limits, and risk standards for containing risks within risk appetite boundaries
- Monitor and report on risk taking and exposures relative to policies, limits, guidelines
- Independently assess and advise First Line of Defence functions in their risk management responsibilities
- Design and lead the governance framework for risk monitoring and decision-making

Third Line of Defence

Who

- Corporate Audit

Overall responsibilities

- Maintain independence and objectivity in providing assurance relative to the effectiveness of first and Second Line of Defence functions
- 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
- Provide opinion on the overall effectiveness of risk management practices

Culture

- Focus to incorporate conduct culture as part of business principles in order to embed risk management and control thinking into business decision making

3.2 Risk Management Framework ("RMF")

The RMF enables identifying, managing, assessing, mitigating, monitoring and reporting of 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 the Company, including compliance with its own risk policies as well as all applicable SSGA Group and SSC corporate risk policies and guidelines.

The key purpose of the RMF is to ensure that the Company's risks 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, the Company works to ensure that risk-taking falls within the Board-approved appetite and conforms to applicable policies, limits and guidelines.

3.2.1 Risk Culture

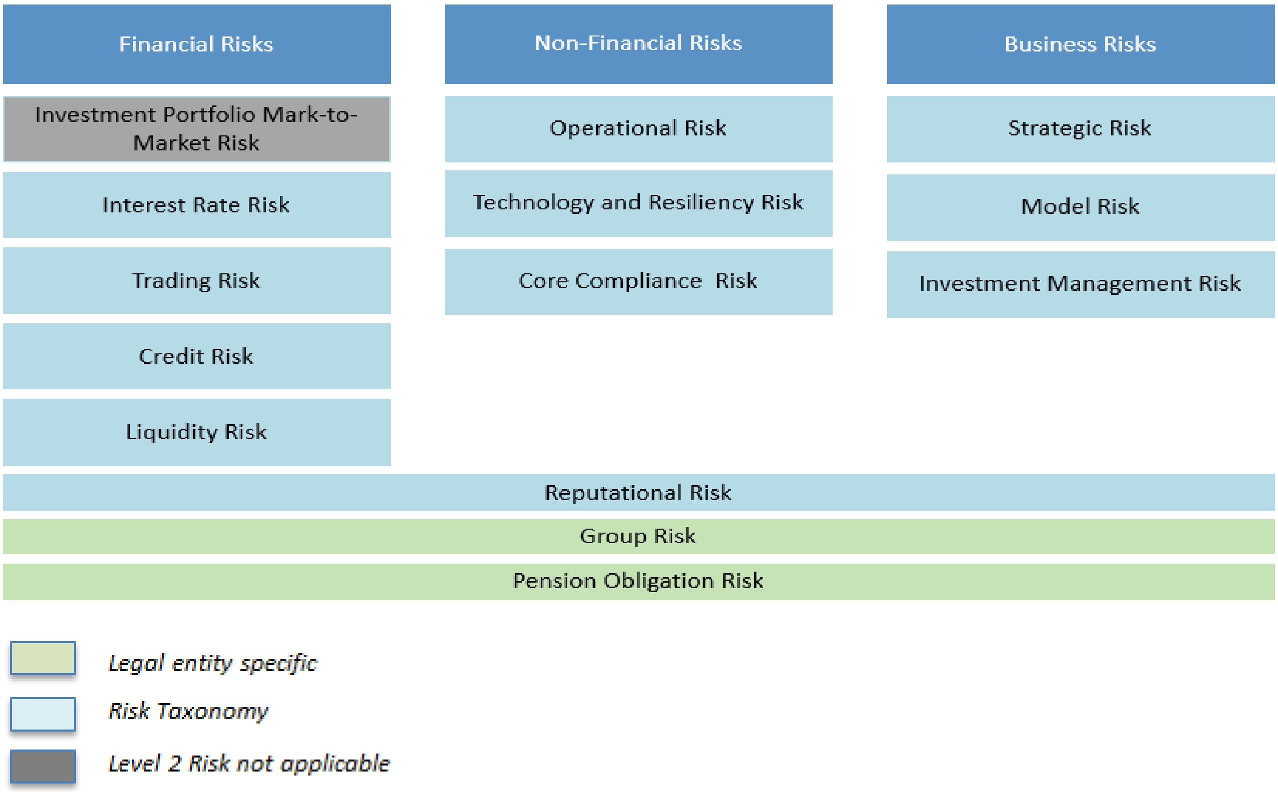
The culture of State Street is the foundation for the RMF, focusing on putting risk at the forefront of how all State Street entities do business by embedding risk management into day-to-day decision making. This means effectively managing risk and control environments, complying with risk and regulatory 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 a 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.

3.2.2 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 firm's 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 the Company's level, such that the top risks are mapped to GENPRU 1.2.30R. Risks not applicable are marked as such, and Company-specific risks are added in, namely Group and Pension Obligation risks.



3.2.3 Risk Appetite Statement

The RAS, together with the accompanying risk limits and capital adequacy goals, is an integral part of the Group's RMF and describes the level and types of risk that the Company 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, Company-specific metrics and thresholds are established. Other risks may be managed through the global business lines by SSGA Group or SSC. Thus, it is accepted that certain risks should be managed with the assistance of global functions and the Company'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. SSGAL's risk appetite is set by the Board, with consideration of the appetite of SSC and SSGA Group.

Given the dynamic nature of the environment in which the Company operates, these limits and capital adequacy goals may be modified or supplemented as appropriate subject to review and approval by the SSGAL Board, upon recommendation by the SSGA EMEA Risk Committee ("ERC").

The objectives of the RAS are to:

- Establish transparency on the types and amount of risk the business is willing to take in executing its objectives;
- Serve as an early warning mechanism allowing managers to take 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.

Risk Appetite Execution:
The Business Plan is constructed from the most recent financial actuals, adjusted for known and anticipated events. This baseline view ensures that the Business Plan reflects the ongoing risk appetite accepted by the business as articulated in the RAS as it relates to strategic risks to the Company. Risks are assessed through the material risk identification exercise. The execution of the RAS is translated into reports and dashboards. Risks are mainly monitored through appetite metrics which are 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 (Human Resources, Legal, Finance, Audit, Information Technology, and Compliance) enrich the risk appetite process by providing insight, data and challenge, often through their participation in the ERC.

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

3.2.4 Risk Programme

The following processes or programs enable the capture and assessment of risks within the Company. They also enable the Company to evaluate and test the effectiveness of the controls that are in place to manage and mitigate those risks.

Risk Identification

Risk identification is the foundation of SSGAL's risk management framework, playing an important role in establishing a strong risk culture. Its purpose is to consider the full scale and scope of exposures and assess materiality of all relevant risks, leveraging the insight of senior management within SSGA Group, as well as the subject matter experts for the Company. Risk identification ensures understanding of the risk impact to the Company from the evolution of business activities, and changes to economic and market conditions.

Accurate identification of the material risks ensures the Company is better able to identify potential harm to clients and markets, improve the control environment in response to the expected change to the risk environment, better design stress testing to understand the impact on capital and liquidity from severe but plausible stress events related to the material risks, and develop an understanding of steps it could take now to reduce the severity or likelihood of an adverse impact from the materialising of identified risks.

The risk identification is also mapped to risks captured as part of the RAS, to ensure there are no gaps in monitoring of material risks.

Integrated Non-Financial Risk Assessment Standard (“INFRA”)

The INFRA establishes a common methodology and process for the identification, assessment and measurement of non-financial risks. Relevant stakeholders in the first and second lines of defence actively participate in annual workshop-based sessions in order to form a comprehensive view of the relevant risks. The INFRA results are used to appropriately direct risk monitoring programmes, enabling a co-ordinated approach to management of non-financial risks. These results also inform the capital adequacy programmes, as well as the risk identification process.

Internal Loss Management

The collection and analysis of internal operational loss data is a key component of a sound operational risk programme and provides important information to support the effective measurement, control and quantification of operational risk. Collection and analysis of internal operational loss data is used to:

- Provide a current and historical indication of the operational loss experience of SSGAL, and where appropriate global SSGA and State Street-wide;

- Identify processes or areas where control enhancement is required;
- Support risk processes such as Risk Identification, INFRA and scenario analysis; and
- Support quantification of SSGAL's Operational Risk capital requirement.

External Loss Management

External operational risk events provide information on control breakdowns and lessons learnt from large risk events occurring within the financial services industry. External operational risk data can provide essential content for a variety of purposes, including:

- Indication of the operational loss experience of peers, local UK and global SSGA;
- Self-Assessment programmes and control benchmarking exercises;
- Educational efforts;
- Lessons-learnt dialogues and management discussions;
- Scenario generation; and
- Risk measurement.

New Business and Product Review and Approval ("NBPRA")

All potential new business lines are reviewed through the State Street NBPRA process which ensures a full assessment is made for all new business lines and that the proposed control framework is fully documented. Risk, capital and liquidity assessments form part of this process. As required, the EMEA Product Committee ("EPC") coordinates with the NBPRA team to determine the extent to which new products are approved. The EPC is responsible for the oversight of the product development and management processes across all SSGA business units in EMEA and for ensuring compliance with the SSGA New Product Approval Policy.

The role of EPC includes an evaluation of the risks inherent in new product proposals to SSGA, other relevant business units and SSC. This includes a risk assessment of new products, including impact on the risk profile of the Company. As part of this process, EPC is challenged as to whether the new product will have any capital implications. If a material adjustment is required, an interim internal capital assessment is triggered, which will require re-approval by the Board.

New business or products are considered in the formulation of the Company's Business Plan. Additionally any changes in the business profile (e.g. significant new business or products) are considered during the risk identification process of any capital assessments and must follow Legal Entity Governance Standards ("LEGS") as set by State Street LEGS policy.

4 Capital

4.1 Capital Structure

The total capital resources, also known as Own Funds, held by the Company as at 31 December 2021 consists of Tier 1 capital. This is the highest form of capital and consists of share capital, retained profit and other relevant qualifying reserves. There is no tier 2 capital within the Company.

Own Funds		Amount in £000
Paid up share capital (ordinary shares of £1 each)	(A)	62,350
Add: Audited reserves	(B)	191,306
Total capital before deductions	(A+B)	253,656
Less: Intangible assets	(C)	13,511

Total capital resources after deductions	(A+B-C)	**240,145**

4.2 Capital Resource Requirement

SSGAL is a BIPRU Firm regulated by the FCA. The Company's Pillar 1 capital requirements are the higher of base capital requirement of €50,000 or sum of its credit and market risks requirements or fixed overhead requirement. The capital requirements of SSGAL as at 31 December 2021 are highlighted below:

Total Capital Requirement		**Amount in £000**
Base capital requirement of BIPRU firm	(A)	42
Credit risk capital requirement	(B)	7,759
Market risk capital requirement	(C)	754
Fixed overhead requirement	(D)	26,161
Total capital requirement	Max {(A), (B+C), (D)}	**26,161**

SSGAL has applied the prudential capital requirements set out in the IFPR from 01 January 2022 whereby Company's Pillar 1 capital requirements are calculated as the higher of permanent minimum capital, K-factors and fixed overheads requirements. The Statement shall be published in accordance with the provisions of IFPR from period ending 31 December 2022 onwards. For the purpose of 31 December 2021 public disclosures, the regulatory capital requirements are based on BIPRU rules.

4.2.1 Credit Risk

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

SSGAL's credit risk arises from exposure to institutions and corporates from the period fees become accrued to the period it is paid. In addition, SSGAL bears credit risk on balances held with banks.

To mitigate the exposure to credit risk while continuing to maintain readily available resources, SSGAL invests a significant portion of its regulatory capital in SSGA Money Market GBP Fund ("MMF"). The Company also actively monitors outstanding fees and other debts in order to keep them at a minimum. The RAS metrics specify all receivables which are outstanding for greater than ninety days providing the Board with an early insight into the Company's credit risk exposure and an approach to managing credit risk which is consistent with UK market practice.

The Company has adopted a standardised approach to calculate its credit risk requirement, which is 8% of the total risk-weighted exposure amounts for each of the applicable standardised credit risk exposure classes. External ratings from External Credit Assessment Institutions ("ECAI") Standard and Poor, Fitch and Moody's are used to assign credit quality steps to the central government and central bank exposure class.

The credit risk requirement as at 31 December 2021 was £7,759k. The following tables detail SSGAL's regulatory credit risk exposure as at 31 December 2021.

- Geographic distribution by exposure classes
- Maturity breakdown by exposure classes
- Past due exposures
- Credit quality steps for central government and central banks
- Risk weights assigned to exposures classes

Credit exposure by geographical distribution and exposure class (in £000):

Exposure Class	UK exposure	Non-UK exposure	Total exposure	Risk weighted assets	Credit Risk
Central Governments and Central Banks	5,388	22,200	27,588	236	19
Regional governments or local authorities	2,854	-	2,854	2,271	182
Multilateral Development Bank	396	37	433	-	-
Institution	153,203	62,416	215,619	61,661	4,933
Corporate	19,513	3,745	23,258	23,258	1,861
Past Due	1,285	583	1,868	2,802	224
Other	6,740	17	6,757	6,757	541
Total	**189,379**	**88,998**	**278,377**	**96,984**	**7,759**

Credit exposure by maturity profile (in £000):

Exposure Class	<3 months exposure	> 3 months exposure	Total exposure	<3 months credit risk	>3 months credit risk
Central Governments and Central Banks	6,497	21,091	27,588	19	-
Regional governments or local authorities	729	2,125	2,854	12	170
Multilateral Development Bank	433	-	433	-	-
Institution	153,853	61,766	215,619	2,462	2,471
Corporate	13,331	9,926	23,258	1,067	794
Past Due	-	1,868	1,868	-	224
Other	1,440	5,317	6,757	115	425
Total	**176,283**	**102,093**	**278,377**	**3,675**	**4,084**

Past Due exposures (in £000):

Exposure Class	UK exposure	Non-UK exposure	Total exposure	Risk weighted assets	Credit Risk
Regional governments or local authorities	6	-	6	8	1
Multilateral Development Bank	-	37	37	55	4
Corporate	1,280	546	1,826	2,739	219
Total	**1,285**	**583**	**1,868**	**2,802**	**224**

Note: Past Due Exposures apply when the obligor is unlikely to pay its credit obligations in full or when the obligor is 90 days or more past due on credit obligation to SSGAL.

Credit quality steps for central government and central bank exposure class (in £000):

CQS	Risk weight	Fitch	Moody's	S&P	Total exposure	Risk weighted assets
1	0%	AAA to AA-	Aaa to Aa3	AAA to AA-	26,921	-
2	20%	A+ to A-	A1 to A3	A+ to A-	539	108
3	50%	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	-	-
4	100%	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	128	128
5	100%	B+ to B-	B1 to B3	B+ to B-	-	-
6	150%	CCC+ and below	Caa1 and below	CCC+ and below	-	-
Total					**27,588**	**236**

Risk weights assigned to exposure classes (in £000):

Exposure Class	0%	20%	50%	100%	150%	Total exposure
Central Governments and Central Banks	26,921	539	-	128	-	27,588
Regional governments or local authorities	-	729	-	2,125	-	2,854
Multilateral Development Bank	433	-	-	-	-	433
Institution	-	153,828	61,791	-	-	215,619
Corporate	-	-	-	23,258	-	23,258
Past Due	-	-	-	-	1,868	1,868
Other	-	-	-	6,757	-	6,757
Total	**27,354**	**155,096**	**61,791**	**32,267**	**1,868**	**278,377**

4.2.2 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.

The Company does not have trading book positions or positions in commodities. However, it has foreign exchange rate risk from non-GBP fee accruals until the date of settlement and non-GBP bank balances held to support branch operations in United Arab Emirates.

The Company calculates foreign currency position risk capital requirements, which are 8% of the sum of absolutes values of open currency positions. The market risk capital requirement was £754k as at 31 December 2021.

The market risk from non-GBP balances is managed through the limits set out in the risk appetite statement and frequent sweep of foreign currency balances to reduce the exposure to foreign exchange fluctuations.

4.2.3 Fixed Overhead Requirement

Fixed overhead requirement of the Company at £26,161k is a quarter of annual audited fixed overheads for the period ended 31 December 2021. It is higher than the sum of credit and market risk capital requirements and therefore, drives the Pillar 1 capital requirement of the Company.

5 Additional Risks

The Company's policy is to maintain capital in excess of the required minimum regulatory risk-based and non-risk-based capital levels according to its capital adequacy process. The Company's capital adequacy process assesses overall capital levels in relation to its risk profile, considering all material risks across multiple stress scenarios, up to, and including, resolution. The capital adequacy process provides a strategy for maintaining appropriate capital levels in current and future periods, accounting for changes in its strategic direction, economic and market conditions, idiosyncratic events as well as existing and future regulatory expectations.

In accordance with Pillar 2 requirements set out by the FCA, the Company has undertaken an internal capital adequacy and assessment process based on all material risks to which the Company is exposed. The Company has considered the impact on capital resources of significant risks in addition to an assessment of the costs to wind down the business in an orderly manner.

Additional capital is maintained under Pillar 2 based on management evaluation of the Company's material risks and relates primarily to the Company's exposure to operational, business and pension obligation risk.

Material Risks

5.1.1 Operational Risk

The Company distinguishes between three major categories of operational risks:

Operational Risk is defined as the risk of errors or omissions arising from inadequate or failed internal processes with the potential for financial, reputational or franchise harm. The Company addresses Operational Risk by identifying, collecting and analysing operational risk data; utilizing the data to quantify its operational risk exposure and by implementing a comprehensive operational risk management and governance structure. The Company recognizes that Operational Risk is intrinsic to its business and cannot be managed to zero. The Company 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.

Technology and Resiliency Risk is defined as the inability to materially achieve its objectives due to issues arising from the use, ownership, operation, involvement, influence and adoption of information technology. This includes technology products and services provided by third parties, provided by internal IT teams or provided by non IT personnel. Also included under Technology and Resiliency Risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation State Street may suffer as a result of its failure to comply with regulatory obligations pertaining to information technology and resiliency systems and processes. The Company recognizes that technology risk is intrinsic to its business. Management's risk appetite seeks to reduce technology risk to a minimum attainable level, but recognizes that this must be balanced against achieving strategic, financial, and operational objectives.

Core Compliance Risk is defined as the failure to comply with regulatory obligations, which are defined as applicable final rules, laws, statutes and regulations, formal regulatory guidance, self-regulatory organization standards and codes of conduct adopted by the Company that regulate its financial services activities and functions that support those activities.

The Company works within the framework of SSC's Operational Risk Policy and Operational Risk Guidelines as adopted by the Company and operational procedures adopted by the business units. These documents codify State Street's approach to Operational risk and describe the cycle to identify, measure, monitor, evaluate and report Operational risks, which together support all decision-making processes.

5.1.2 Pension Obligation Risk

The Company 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.

The Company paid a deficit contribution of £1.2 million to the defined benefit scheme in November 2021 based on the advice of an independent qualified actuary. The Company has 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.

5.1.3 Business Risk

Business risk is defined as any risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. It also includes risks arising from a firm's remuneration policy.

Business risk corresponds to business conduct and compliance risk, strategic risk, model risk and investment management risk in the Company's top risk taxonomy. With regards to changes in its business, the Company is exposed to risk through its activities as a global asset manager where revenue can be affected by macroeconomic factors as well as a business plan that may not be suitable for the market and wider environment in which it operates.

Business risk is managed by early identification of potential business exposures and related implementation of risk mitigation measures, through monthly monitoring. The identification and remedial action plan are facilitated by the NBPRA process through the EPC, which provides a dialogue platform for the various stakeholders. Information about the client wins and losses during the month, and relationships viewed as "at risk" are provided to the Board on at least a quarterly basis. Additionally, metrics specified in the RAS, including assessment of actual losses, qualitative assessments by control and support functions, actual revenue and expenses as a percentage of budget revenue and expenses respectively, allow monitoring of the risk to ensure it is within appetite, or taking of appropriate action where necessary.

With regards to business risk linked to the Company's remuneration policy, the Company ensures remuneration levels do not lead to excessive risk taking and there exist controls which comply with the remuneration principles per SYSC 19C.3.

Other Risks

5.1.4 Concentration Risk

Concentration Risk may arise from exposures to each counterparty, including central counterparties, groups of connected counterparties and counterparties in the same economic sector, geographic region or from the same activity or commodity; the application of credit risk mitigation techniques; and risks associated with large indirect credit exposures, such as a single collateral issuer.

Given the size, scale and scope of the Company's business lines, it is unlikely to experience concentration to a single customer or client type. Diversification across businesses, geographical sectors, and risk types is an important consideration in managing risk and reducing earnings volatility. The Company also strives to avoid undue exposure and risk concentration in its activities in the ordinary course of business and in the event of geopolitical, macroeconomic and market shocks.

Concentration risk is more likely to occur in the Company's exposure to financial institutions where funds are held on deposit. The risk from concentration of deposits with financial institutions is managed by monitoring the percentage of aggregate cash balances held with a single counterparty and considering how this relates to the risk appetite of the Company. To mitigate its exposure to credit risk, the Company invests a significant portion of its regulatory capital in SSGA Money Market GBP Fund.

5.1.5 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. The majority of the Company's capital is maintained in highly rated institutions which are on the SSGA approved counterparty list.

The Company has a Board approved legal entity principal liquidity risk policy ("Policy") and Liquidity Risk Management Framework ("LRMF") in place which allow the Company to identify, monitor, quantify and manage liquidity risks in both business-as-usual ("BAU") and stressed conditions and to meet internal and regulatory requirements for liquidity risk management. The Policy sets out a broad structure for principal liquidity risk management within the Company which is aligned to the corporate policy. The LRMF provides the details of how the Company implements the Policy and includes details of the liquidity risk appetite, stress testing and contingency funding plan. The Company aims to maintain sufficient liquidity at all times to meet its operational and regulatory requirements in both BAU and stress conditions.

5.1.6 Group Risk

Group risk is defined as the risk that the financial position of a firm 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, for example reputational contagion.

The Company has significant exposure to group risk through intragroup exposures as a result of its heavy reliance on intra-group operational support services such as investment operations, information technology and corporate functions. In financial terms, the group risk is through the Company's use of the transfer pricing mechanism, a residual profit split method where operating losses incurred in other parts of the SSGA group could potentially impact the profitability of the Company. As SSGAL is a beneficiary from the transfer pricing, senior management are cognisant that this source of revenue could potentially be adversely impacted, or indeed disappear, in the event of a material loss elsewhere in the Group. Senior management believe this risk is mitigated through the strong management and control culture within the SSGA Group.

In assessing the capital adequacy of the Company for the year ending 31 December 2021, senior management have made no assumption or allowance for parental guarantees or commitments. Parental support is not used as a risk mitigant. However, if required, the Company would seek support from its Parent as the first source of capital support.

The Company has credit risk and transfer pricing policies as well as an outsourcing framework in place to help monitor and mitigate group risk. In addition, group risk is monitored as a quantitative metric as part of the RAS measuring poor performance or adverse impact from a reputational event emanating from other entities within the SSGA group, such that it results in a net group operating loss; the metric reports net loss allocation as a percentage of capital.

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 breaches and compliance issues as well as credit ratings.

5.1.7 Interest Rate Risk

Interest-rate risk is defined as the risk that changes in interest rates can negatively impact the Company's profitability, capital adequacy and the economic value of assets and liabilities.

Interest rate risk is not deemed material for the Company due to the insignificance of exposures in the balance sheet that are interest rate sensitive. The Company does not rely on interest income to fund its operations and currently has no debt. The Company holds cash as part of the normal cash management process and is not materially affected by the movements in interest rates.

6 Remuneration Practices and Policies

BIPRU 11.5.18 (1)

"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"

6.1 Remuneration Governance

At the State Street Group level, the Human Resources Committee ("HRC") of SSC, 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 2021, there were five (5) members of the HRC. During 2021, the HRC held seven (7) 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 senior executives and certain 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") serves 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 and consists of senior representatives of the Enterprise Risk Management ("ERM"), Compliance, Internal Audit, Finance, Legal, and Global Human Resources ("GHR") departments. This review and assessments are 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.

The HRC evaluates a corporate multi-factor risk scorecard, developed by ERM, which is used to measure firm-wide risk performance. The scorecard 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 is overseen by the RC and is used by the HRC as an input into State Street's corporate IC pool size process. This 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 separate, independent, UK Remuneration Committee ("UK RemCo") which held four (4) meetings in 2021. 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 Identified Staff [1];
- Oversight of decisions made by those with authority to determine the remuneration of UK Identified Staff; and

1 UK Identified Staff is the State Street internal nomenclature for UK Material Risk Takers

- 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

6.1.1 SSGAL 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 the Company, reflects the nature of SSC's global remuneration approach while complying with local/regional regulatory remuneration requirements that are applicable to the Company and those performing activities on behalf of the Company. The Company only makes use of remuneration-related plans and programs that exist at the SSC level. As described above, the Company, therefore, also benefits from State Street's global and EMEA remuneration governance.

6.2 UK 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., UK Identified Staff and FRB Material Risk Takers)[2]. 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.

6.2.1 Governance

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

- UK RemCo – this body represents the ultimate oversight governing body for the UK Identified Staff identification process;
- Heads of UK, EMEA and respective SSGA Heads – have the ultimate responsibility for regional compensation decisions including those impacting UK Identified Staff. In addition, the Head of the UK conducts a review of all UK Identified Staff;
- UK Identified Staff Advisory Group – this Advisory Group meets during the year to consider recommendations on positions to be taken by the UK Identified Staff Working Group. In 2021, this Advisory Group included State Street's senior stakeholders in EMEA representing Total Rewards/HR (Chair), ERM, Compliance, and Legal functions; and
- UK Identified Staff Working Group – the UK Identified Staff Working Group evaluates new UK Identified Staff positions to be implemented due to regulatory feedback, external advice, and ongoing internal governance restructuring. In 2021, State Street's EMEA functions represented were Total Rewards/HR (Chair), ERM, Compliance and Legal.

6.2.2 Process

Qualitative UK Identified Staff Identification

In line with the UK Identified Staff regulatory criteria[3], a detailed review process is performed for each individual, considering their role, responsibilities, independent authority and potential ability to impact main

2 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

3 EBA/RTS/2020/05 and Directive (EU) 2019/878, as transposed in section 3 of the Remuneration part of the PRA Rulebook and SYSC 19D.3.4R of the FCA Handbook

risks of any of the in-scope entities, on a solo or consolidated basis, to determine if an individual should be UK Identified Staff.
All decisions to include someone as UK Identified Staff are documented and made as part of a multi-layered review process, with sign offs obtained (in addition to the governance bodies above) from the Head of the relevant Business or Function from which the UK Identified Staff has been identified, with supporting input from other senior representatives of the business or function who may be closer to the UK Identified Staff member and their role.

Quantitative UK Identified Staff Identification

The detailed qualitative identification review helps inform State Street UK's quantitative identification approach for UK Identified Staff. In a number of cases, the individual's role and responsibilities will already have been reviewed by the relevant business or function head and added as UK Identified Staff under the qualitative criteria. State Street UK does not apply for exclusions from the quantitative criteria.

6.3 Information on the link between pay and performance - BIPRU 11.5.18 (2)

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

6.3.1 Elements of Remuneration

Fixed Pay

6.3.1.1 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.

6.3.1.2 Role Base 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

6.3.1.3 Maximum Pay Ratio

Variable compensation awards for UK Identified Staff are restricted to 2x fixed compensation to ensure compliance with the maximum ratio permitted under UK regulations. The Company 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.

6.3.1.4 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 2021 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 payout varies within a range of 0% to 150%.

6.3.1.5 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.

6.3.2 Link between pay and performance for the institution

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. The HRC approves the funding of the corporate IC pool.

6.3.3 Link between pay and performance for Business Units

State Street's Global 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 2021 Proxy Statement filed with the US Securities Exchange Commission and available publicly on its website.

6.3.4 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.

6.3.5 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 shorter 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; Inclusion Diversity & Equity; Demonstrated Behaviours; Managing Others; Overall Comment. 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 Vice Presidents (VPs), Managing Directors (MDs) and to Senior Vice Presidents (SVPs) and within a Business Unit or Corporate Function. Vice Presidents (VPs) are calibrated following the second Snapshot.

- *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/Not Rated).

6.4 Characteristics of the remuneration system BIPRU 11.5.18 (3)

"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"

6.4.1 Structure of variable remuneration awards under State Street's corporate design

For the 2021 performance year (paid in the first quarter of 2022), IC awards under State Street's corporate design consisted of Deferred Awards[4] 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.

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 non-equity deferral vehicles, called the SSGA Long-Term Incentive Plan ("SSGA LTIP") for those in the SSGA business. The SSGA LTIP notionally tracks to the value of a money market fund.

For most active investment teams, the SSGA LTIP award notionally tracks the performance of a set of funds managed by the team during the deferral period. For the remainder of the population, including SSGA corporate or Control Functions, State Street offers Deferred Value Award ("DVA") that notionally track the

4 Deferred Stock Awards ("DSA"), SGGA Long-Term Incentive Plan ("SSGA LTI"), and Deferred Value Awards ("DVA")

value of a money market fund. SSGA LTIP and DVAs are delivered in cash on the vesting date. The earnings credited to the DVAs vary based on the actual performance of 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, SSGA LTIPs and 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 Awards is based on total value of an individual's 2021 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 SSGA LTIPs/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.

6.4.2 Structure of IC awards for UK Identified Staff

For UK Identified Staff, 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. 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.

- 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."

- Deferred Award

UK Identified Staff receive a Deferred Award, which is delivered partly in DSAs and partly in SSGA LTIPs/DVAs. Award distribution for UK Identified Staff 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
    - PRA Senior Management Functions: 7 year deferral with vesting from year 3 for higher paid UK Identified Staff or 5 year deferral for not higher paid UK Identified Staff[5]

[5] Higher paid UK Identified Staff: Total remuneration of £500k or more or variable remuneration of 33% or more of total remuneration

- FCA Senior Management Function/ Management and Board Members: 5-year deferral with annual vesting allowed from year 1[6]
- UK Risk Managers: 5 year deferral with vesting from year 1 for higher paid UK Identified Staff or 4 year deferral for not higher paid UK Identified Staff
- Other UK Identified Staff: 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.

6.4.3 Other elements of variable pay

6.4.3.1 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

6.4.3.2 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 appropriate evidence is sought of existing awards being lapsed prior to the award of a buyout.

6.4.3.3 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
- Awards are granted after the retention period/retention event has been achieved

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

- Awards are taken into account within the calculation of the ratio between the variable and fixed remuneration as variable remuneration
- UK Identified Staff are eligible for retention awards where they have been notified to the PRA/FCA.

6.4.3.4 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. UK Identified Staff are not eligible to participate in recognition award programs.

6.4.3.5 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.

6.4.4 Risk Adjustment

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

6.4.4.1 “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 global 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 UK Identified Staff 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 UK Identified Staff, any negative deviations from agreed performance targets and misconduct by UK Identified Staff 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 UK Identified Staff (internally termed the UK Identified Staff 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 UK Identified Staff 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.

6.4.4.2 "Ex-Post" Risk Adjustment

State Street includes malus-based forfeiture and clawback provisions in the Deferred Award agreements of all UK Identified Staff. 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 Identified Staff for a period of seven years from the date of grant. One hundred percent of Deferred Awards are subject to malus performance adjustments and one hundred percent of all variable pay is subject to clawback.

6.4.5 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, UK Identified Staff 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.

6.5 Quantitative Information[7]

6.5.1 Remuneration by business area BIPRU 11.5.18 (6)

"Aggregate quantitative information on remuneration, broken down by business area"

Amount in £'000	Management Body	Asset Management	Independent Control Functions	Corporate Functions	All UK Identified Staff
Total Remuneration	1,605	20,461	3,603	908	26,577

6.5.2 Fixed and Variable Remuneration BIPRU 11.5.18 (7a)

"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 Identified Staff	All UK Identified Staff
Number of UK Identified Staff	5	37	42
Total Fixed Remuneration (£'000)	722	10,370	11,092
Total Variable Remuneration (£'000)	883	14,602	15,485
Total Remuneration	1,605	24,972	26,577

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7 Provided on the basis of UK Identified Staff (including Non-Executive Directors identified as UK Identified Staff) for SSGAL.