



# Corporate Governance Guidelines

## Introduction

The Board of Directors (the “Board”) of State Street Corporation (“State Street”; or the “Company”) has adopted the following Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of State Street and its shareholders. The Guidelines are intended to be applied in a manner consistent with applicable laws, the rules of any stock exchange on which State Street’s common stock is listed and State Street’s Articles of Organization and By-laws, each as amended and in effect from time to time. The Guidelines are a flexible framework for the conduct of the Board’s business and are not intended as a set of legally binding obligations. The Board may interpret, modify or make exceptions to the Guidelines from time to time in its sole discretion and consistent with its duties and responsibilities to State Street and its shareholders.

## Background

State Street is a financial holding company organized under the laws of the Commonwealth of Massachusetts and is one of the leading specialists in serving sophisticated investors worldwide.

The Federal Reserve System is the primary federal banking agency responsible for regulating State Street and its subsidiaries (together, the “Company”), including State Street Bank and Trust Company (the “Bank”). State Street’s U.S. banking subsidiaries are also subject to regulation by the Massachusetts Commissioner of Banks, the Federal Deposit Insurance Company and the Comptroller of the Currency. The Company is a global company and is subject to the regulatory authorities of those countries in which a branch or subsidiary of the Bank, or subsidiary of State Street, is located or conducts business.

State Street is a public company and its common stock is registered with the U.S. Securities and Exchange Commission and is listed on the New York Stock Exchange (ticker, STT). State Street

maintains a website at [www.statestreet.com](http://www.statestreet.com) containing information about our corporate governance, including printable versions of our Board Committee Charters, these Guidelines, our Standards of Conduct and our Code of Ethics for Senior Financial Officers.

### **Role of the Board of Directors**

State Street's directors, in their role of overseeing the sound management of the Company, have the responsibility to exercise their business judgment in what they believe to be in the best interests of the Company and the shareholders, taking into account the interests of the employees, the customers and the community at large, and in so doing enhancing the long-term value of the Company.

### **Board Responsibilities and Functions**

The Board of Directors holds regularly scheduled meetings throughout the year during which the Board and management participate in discussions of a broad array of issues, including the Company's performance, plans and objectives. The Board, including through its committees, also attends to specific functions, including

- overseeing the business and financial strategies and risk appetite of the Company; and evaluating, providing counsel on and authorizing major corporate actions;
- promoting honest and ethical business practices and conduct, sound corporate governance, sound risk management, full, fair and timely public disclosure, and avoidance of conflicts of interest;
- approving the financial statements and the program for compliance with law;
- evaluating the performance of the Chief Executive Officer ("CEO") and overseeing CEO succession planning;
- approving the incentive compensation arrangements for senior executives;
- providing advice on the selection of senior management and overseeing management

development; and

- monitoring the Company's material activities and practices regarding environmental, social and governance matters.

The Board and its committees may meet simultaneously with the board and committees of the Bank. In determining whether to hold specific meetings, the Boards and the committees of the Corporation and Bank should always act in a manner that they determine to comply with policies of State Street and the Bank with respect to conflict of interests and with applicable laws and regulations.

### **Director Qualifications and Selection Process**

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board the requisite skills and characteristics of new Board members, as well as the composition and size of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, skills, and experience in the context of the needs of the Board. Nominees for directorship will be recommended to the Board by the Nominating and Corporate Governance Committee which will consider recommendations for nominees submitted by shareholders and addressed to the Chairman of the Nominating and Corporate Governance Committee, c/o the Office of the Secretary of the Company, State Street Financial Center, One Lincoln Street, Boston, Massachusetts 02111 (facsimile number 617-664-8209). The Board may appoint directors to fill newly created directorships resulting from an increase in the size of the Board or vacancies resulting from death, resignation or disqualification of a director.

The Board has not established term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board and committee membership every year. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and of any

committees. This review allows the Committee to assess the continuing contributions of each director and, if appropriate, to recommend that a particular director step down from the Board.

Any director who reaches the age of 75 while serving as a director will retire from the Board effective no later than at the end of his or her then current term.

Any incumbent director again nominated for election, other than at a Contested Election Meeting, who does not receive more votes cast “for” his or her election than votes cast “against” his or her election, shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall evaluate the tendered resignation, and shall recommend to the Board action to be taken with respect to such tendered resignation. The Board (with the subject nominee not voting) shall vote to take such action as it deems in its discretion appropriate with respect to such resignation, taking into account the best interests of the Company and its shareholders. No such tendered resignation shall be deemed effective unless and until it is accepted by action of the Board.

### **Change to Business Affiliation and Service on Other Boards**

It is the policy of the Board that any director who changes his or her principal business affiliation, shall offer to tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall evaluate the offer, and shall recommend to the Board whether to accept the offer. This mere offer to tender a director’s resignation shall not create a presumption that the Nominating and Corporate Governance Committee shall recommend the acceptance of the resignation.

Directors are also required to advise the chair of the Nominating and Corporate Governance Committee in advance of accepting any invitation to serve on another public company board and to provide sufficient opportunity and information to determine if the director who proposes to accept a new directorship remains independent under the Guidelines. Service on boards and/or committees of other organizations shall comply with the Company’s conflict of interest policies. Directors may serve on no more than four other public company boards in addition to service on the Board.

## Director Independence

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange (NYSE) corporate governance standards. The Board has adopted the following guidelines to assist it in determining director independence in accordance with the NYSE standards. To be considered independent, the Board must determine, after review and recommendation by the Nominating and Corporate Governance Committee, that the director has no direct or indirect material relationship with the Company. The Board has established the following categorical guidelines to assist it in determining independence:

- a. A director will not be independent if he or she does not satisfy any of the bright-line tests set forth in Section 303A.02 (b) of the NYSE Listed Company Manual.
  
- b. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence: (i) if the State Street director or a member of such director's immediate family (as defined in Section 303A of the NYSE Listed Company Manual) is a director or owner of less than a 10% ownership interest of another company (including a tax-exempt organization) that does business with the Company; provided such State Street director is not involved in negotiating the transaction; (ii) if the State Street director or a member of such director's immediate family is a current employee, consultant or executive officer of another company (including a tax-exempt organization) that does business with the Company; provided that, (x) where the State Street director is an employee, consultant or executive officer of the other company, neither the director nor any of his or her immediate family members receives any special benefits as a result of the transaction and (y) the annual payments to, or payments from, the Company from, or to, the other company, for property or services in any completed fiscal year in the last three fiscal years are equal to or less than the greater of \$1 million, or two percent of the consolidated gross annual revenues of the other company during the last completed fiscal year of the other company; and (iii) if the State Street director or member of such director's immediate family is a director, trustee, employee or executive officer of a tax-exempt organization that receives discretionary charitable contributions from the Company; provided such State Street director and his or her Immediate

Family Members do not receive any special benefits as a result of the transaction; and further provided that, where the director or immediate family member is an executive officer of the tax-exempt organization, the amount of discretionary charitable contributions in any completed fiscal year in the last three fiscal years are not more than the greater of \$1 million, or two percent of that organization's consolidated gross revenues in the last completed fiscal year of that organization (in applying this test, State Street's automatic matching of employee charitable contributions to a charitable organization will not be included in the amount of State Street's discretionary contributions).

c. The following commercial relationships will not be considered to be a material relationship that would impair a director's independence: lending relationships, deposit relationships or other banking relationships (such as depository, transfer, registrar, indenture trustee, trusts and estates, private banking, investment management, custodial, securities brokerage, cash management and similar services) between State Street and its subsidiaries, on the one hand, and a company with which the director or such director's immediate family member is affiliated by reason of being a director, employee, consultant, executive officer, general partner or an equityholder thereof, on the other, provided that: (i) such relationships are in the ordinary course of the Company's business and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons; (ii) with respect to a loan by the Company to such company or its subsidiaries, such loan has been made in compliance with applicable law, including Regulation O of the Board of Governors of the Federal Reserve and Section 13(k) of the Securities Exchange Act of 1934, such loan did not involve more than the normal risk of collectability or present other unfavorable features, and no event of default has occurred under the loan; and (iii) payments to the Company for property or services (including fees and interest on loans but not including principal repayments) from such company does not exceed the limit provided in (b)(ii) above.

If a relationship is described by the categorical guidelines contained in both paragraphs b and c above, it will not be considered to be a material relationship that would impair a director's independence if it satisfies all of the applicable requirements of either paragraph b or c. For relationships not covered by

the categorical guidelines (either because they involve a different type of relationship or a different dollar amount), the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth above. The Company will explain in the next proxy statement the basis for any Board determination that a relationship was immaterial despite the fact that it did not meet the categorical guidelines of immateriality set forth above.

### **Setting the Board Agenda**

The Chairman, in consultation with the CEO (if a separate individual from Chairman) and the Lead Director, will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of agenda subjects to be discussed during the year to the degree this can be foreseen. One of the Board meetings will be devoted primarily to long-term strategic plans. Each Board member is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed to the directors before the meeting. Board members are expected to dedicate the time and resources sufficient to ensure the diligent performance of their duties, including advance review of meeting materials for each Board or committee meeting attended and attending all Board meetings and committee meetings of which the individual is a member except when prevented by good cause.

### **Meetings of Non-Management Directors; Role of Lead Director**

The non-management directors (directors other than Company officers) will meet in executive session at least quarterly or more frequently as needed. At least once a year or more frequently as needed, an executive session of only independent directors shall meet.

The independent directors shall annually, at the first executive session following the annual meeting of shareholders, elect an independent director to be the Lead Director for the year. There shall be no limit on the number of terms that one individual may serve as Lead Director. The Lead Director shall:

- serve as a liaison between (1) the Chairman and the CEO (if a separate individual from the Chairman) and (2) the independent directors;
- preside at all meetings of the Board at which the Chairman is not present, including at executive sessions of non-management and independent directors;
- communicate with the CEO (and the Chairman if individual is separate from the CEO) to provide feedback and implement the decisions and recommendations of the independent directors;
- establish the agenda for the executive sessions;
- consult with the Chairman and the CEO (if individual is separate from the Chairman) as to the agendas for Board meetings (and approve those agendas), as well as the information sent to the Board and the schedule of Board meetings to help assure that there is sufficient time for discussion of all agenda items;
- conduct an annual process for reviewing the Chief Executive Officer's performance and report the results of the process to the other independent directors
- receive communications from interested parties regarding concerns about State Street and otherwise be available, where appropriate, for direct communications with major shareholders; and
- perform such other functions as may be designated from time to time by the independent directors.

The Lead Director is authorized to call meetings of the non-management or independent directors and shall have the authority from time to time to designate an independent Board member to act on behalf of the Lead Director if absent from the meeting or otherwise unable to perform his or her responsibilities. The name of the then-current Lead Director will be disclosed in the annual proxy statement.

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. In particular, as noted above, the Lead Director is available, where appropriate, for direct engagement with major shareholders. However, it is expected that the Lead Director or other Board



members would do this, absent unusual circumstances or as contemplated by the committee charters, with the knowledge of management.

### **Board Committees**

The Board will have at all times an Examining and Audit Committee, an Executive Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors of the Board and independent under any criteria also applicable to the relevant Board committee, in each case as established by the SEC and the New York Stock Exchange.

The Board will also have a Risk Committee, a Technology Committee and an Executive Committee, each of which may include directors who are not considered independent, including directors who also serve as executive officers of State Street; although, the membership of the Risk Committee shall comply with the applicable rules of the Federal Reserve System. From time to time Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors.

Each of the committees named above will have its own charter. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

The Executive Committee of the Board may exercise all of the powers of the Board with limitations as noted in the committee charter, By-laws or as specifically limited by the Board from time to time.

The Board may, from time to time, establish or maintain additional committees, as it deems necessary or appropriate.

### **Director Access to Officers and Employees; Funding**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly

by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, if appropriate, copy the CEO or the Secretary on any written communications between a director and an officer or employee of the Company.

The Board welcomes attendance at each Board meeting, other than during an executive session, of senior management as may be invited by the CEO of the Company.

The Board and each committee, whether or not specifically provided by charter or by the Board, has the power to independently retain outside legal, financial, accounting (consistent with any applicable audit committee policies) or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. The Company will provide appropriate funding, as determined by the Board or applicable committee, for the payment of (i) compensation of any such outside advisors, and (ii) ordinary administrative expenses of the Board and its committees necessary or appropriate in carrying out its duties.

### **Director Compensation**

The form and amount of director compensation will be recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter, and the Nominating and Corporate Governance Committee will conduct an annual review of director compensation. The Nominating and Corporate Governance Committee will consider that directors' independence may be jeopardized if director compensation exceeds customary levels as well as when the Company makes substantial charitable contributions to organizations with which a director is affiliated or enters into contracts with or provides other indirect forms of compensation to a director.

### **Stock Ownership Guidelines**

The Board believes that it is desirable for directors to own a reasonable amount of equity in the Company to align director and shareholder interests and to support a director's long-term perspective. Accordingly, the Board requires each non-employee director to have an equity ownership in the Company in a multiple of five times the annual stock retainer amount then in effect, with a holding

requirement until the guideline is met. Qualifying stock ownership includes, (1) all shares held in beneficial ownership as defined in Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, and (2) all shares awarded as director compensation (whether or not the receipt of, or voting or investment power with respect to, such shares is deferred, delayed or subject to vesting or other restrictions). This equity ownership interest should generally be achieved within a five-year period.

### **Reporting of Concerns**

Anyone who has a concern about State Street or its conduct, including concerns about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Lead Director. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing, or reported by phone to a special address or a toll-free telephone number that is published on the Company's website. The Lead Director may, in his or her discretion, provide for handling of time-sensitive or emergency concerns, forward to the Examining and Audit Committee or to another appropriate group or department any concern for their review, and will report to the non-management directors as a group on a quarterly basis regarding concerns received during the preceding quarter. The Lead Director, the non-management directors, or the Examining and Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them.

### **Communication with the Board of Directors**

Shareholders and interested parties who wish to contact the Board of Directors or Lead Director of the Board should address correspondence to: Lead Director of State Street Corporation, c/o Office of the Secretary, State Street Financial Center, One Lincoln Street, Boston, MA 02111. The Corporate Secretary will review and forward correspondence to the appropriate person or persons for response.

### **Standard of Conduct for Directors**

Building upon State Street's long-standing Standard of Conduct for employees and its Code of Ethics for Senior Financial Officers, the Board has adopted a Standard of Conduct for Directors to promote honest and ethical conduct and the avoidance of conflicts of interest. The Board expects that

directors, officers and employees will adhere to the code of conduct applicable to them and act ethically and with honesty and integrity at all times.

### **Director Orientation and Continuing Education**

All new directors are required to participate in State Street's Director Orientation Program, which will include presentations by senior management to familiarize directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Standards of Conduct, its principal officers, and its internal and independent auditors. The Company encourages director continuing education and will offer internal training and information to directors regarding external education sessions.

### **CEO Evaluation, CEO Compensation and Management Succession**

The Lead Director will conduct an annual process for reviewing the CEO's performance, and will report the results of the process to the other independent directors of the Board of Directors. The other independent directors will review the results of the Lead Director's evaluation process with regard to the CEO's leadership of the Company in the long- and short-term. The Executive Compensation Committee, acting with the other independent directors, shall use the results of the Lead Director evaluation process to annually determine the CEO's compensation level, based in part upon this evaluation report and other factors, consistent with the Executive Compensation Committee charter.

As provided in its charter, the Nominating and Governance Committee will periodically report to the Board on succession planning. The Board will work with the committee, as specified, to evaluate potential successors to the CEO, including in the event of an emergency. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

### **Annual Board and Director Performance Evaluation**

The Board of Directors will conduct an annual self-evaluation to assess whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive

comments from all directors, and will report annually to the Board with an assessment of the Board's performance. This report will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company, and specifically focus on areas in which the Board believes that the Board or committees could improve. The Nominating and Corporate Governance Committee will assess annually whether each of the Examining and Audit Committee, Executive Compensation Committee, Nominating and Corporate Governance Committee, Risk Committee and Technology Committee has a functioning self-evaluation process, and will report its assessment to the Board of Directors. The Nominating and Corporate Governance Committee will also annually assess each director's contributions, skills, committee assignments and tenure on the Board to evaluate the overall composition of the Board and its effectiveness.

#### **Policy Regarding Shareholder Ratification of Registered Public Accounting Firm**

State Street will submit the Examining and Audit Committee's selection of a registered public accounting firm to shareholder ratification at each year's annual meeting.

#### **Policy Regarding Shareholder Rights Plans**

The Board will only adopt a shareholder rights plan if either:

- Shareholders have approved the adoption of the plan; or
- The Board, including at least a majority of the independent directors, in the exercise of its fiduciary responsibilities, determines that it is in the best interests of State Street's shareholders under the circumstances to adopt a plan without the delay in adoption that would result from seeking shareholder approval; provided that, in such case, the Board will put the plan to a shareholder ratification vote within 12 months of its adoption or the plan will expire. If the plan is put to a shareholder vote by the Board and ratification of the plan is not approved by a majority of the votes cast on the issue, the plan will be terminated immediately after the vote has been certified by the inspector of elections.

#### **Periodic Review of the Corporate Governance Guidelines**

The Corporate Governance Guidelines are reviewed and approved by the Board on an annual basis.