Second-Party Opinion

State Street Sustainability Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the State Street Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Environmental Infrastructure and Services, Affordable Housing, Essential Services and Socio-economic Advancement and Employment – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4 7, 8, 10 and 11.

PROJECT EVALUATION / SELECTION State Street's ESG Bond Working Group (EBWG) is responsible for evaluating and selecting eligible projects and assets, which will be approved by State Street's ESG Bond Issuance Committee (EBIC). State Street has in place a process to identify and manage environmental and social risks associated with ESG-related bond issuances. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

MANAGEMENT OF PROCEEDS State Street's EBWG will be responsible for the allocation of net proceeds using a Sustainability Bond Register. State Street intends to fully allocate net proceeds within 24 months following the issuance date. Pending allocation, net proceeds will be temporarily invested in cash, cash equivalent and marketable securities. This is in line with market practice.

REPORTING State Street intends to report on allocation and impact of proceeds in a Sustainability Bond Report on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects, a list of eligible projects by category, and the outstanding amount of unallocated net proceeds. In addition, State Street is committed to reporting on expected impact metrics. Sustainalytics views State Street Corporation's allocation and impact reporting as in line with market practice.

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Issuer Location	Boston, United States

Report Sections

For inquiries, contact the Sustainable Finance Solutions project team:

Daniel Sanchez (Toronto)
Project Manager
daniel.sanchez@sustainalytics.com
(+1) 647 264 6644

Taotao Yue (Amsterdam)
Project Support

Kay Tao (Amsterdam)
Project Support

Stefan Spataru (Amsterdam)
Project Support

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

State Street Corporation ("State Street" or the "Bank") is a financial services and banking holding company providing services that include investment services, investment management, and investment research and trading. As of December 31, 2021, State Street had approximately USD 43.7 trillion assets under custody and administration as well as USD 4.1 trillion assets under management. State Street operates globally in more than 100 geographic markets and employs more than 38,000 people worldwide.

State Street has developed the Sustainability Bond Framework (the "Framework") under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to contribute to the transition towards a low-carbon and sustainable economy and have positive social impact.

The Framework defines green eligibility criteria in the following three categories:

1. Green Buildings
2. Renewable Energy
3. Environmental Infrastructure and Services

The Framework defines social eligibility criteria in the following three categories:

4. Affordable Housing
5. Essential Services
6. Socio-economic Advancement and Employment

State Street engaged Sustainalytics to review the State Street Sustainability Bond Framework, dated October 2022, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).[1] The Framework will be published in a separate document.[2]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[3] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of State Street's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. State Street representatives have confirmed that (1) they understand it is the sole responsibility of State Street to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

[1] The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/

[2] The State Street Sustainability Bond Framework is available on State Street Corporation's website at: https://investors.statestreet.com/investor-relations/default.aspx

[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and State Street.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that State Street has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the State Street Sustainability Bond Framework

Sustainalytics is of the opinion that the State Street Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of State Street's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Environmental Infrastructure and Services, Affordable Housing, Essential Services and Socioeconomic Advancement and Employment – are aligned with those recognized by the GBP and SBP.
  - Under the Green Buildings category, State Street may finance and refinance the construction of new commercial buildings and the renovation of existing commercial buildings that are expected to receive one of the following green building certifications: LEED (Gold or above),[4] BREEAM (Excellent or above)[5] or Energy Star (85+).[6] Sustainalytics views the certification schemes as credible and the selected levels as impactful, noting the following:
    - The expenditures may include lease payments on buildings that have received one of the above green building certifications where State Street is the primary tenant, or the buildings that were constructed at State Street's request at the same certification levels. State Street has communicated to Sustainalytics that the leases may include both capital or finance leases and operating leases with a duration beyond the term of the bond. Sustainalytics considers this to be in line with market practice.
  - Under the Renewable Energy category, State Street may finance and refinance the generation of energy from renewable sources including wind power, solar photovoltaic power and battery storage projects. This is in line with market practice.
  - Under the Environmental Infrastructure and Services, State Street may finance and refinance loans that promote or enhance access to environmental infrastructure and services, including clean transportation and sustainable water and wastewater management.

[4] LEED at: https://www.usgbc.org/leed
[5] BREEAM at: https://www.breeam.com/discover/technical-standards/
[6] Energy Star Certification for Buildings at: https://www.energystar.gov/buildings/building_recognition/building_certification#:~:text=ENERGY%20STAR%20certified%20buildings%20save%20energy%2C%20save%20money%2C,meet%20strict%20energy%20performance%20standards%20set%20by%20EPA.?msclkid=8e00f2d6aecd11ecb777a1b517f6be07

    - Regarding clean transportation, State Street has confirmed that, loans may be provided to pure-play companies deriving 90% or more of their revenue from eligible activities in infrastructure and services related to clean transportation that meet one of the following criteria (i) electric transportation or other zero direct emissions transport, or (ii) transportation which produces <50 gCO_2/pkm before 2025 and 0 gCO_2/pkm in 2025 and thereafter.
    - In relation to water and wastewater management, loans may be provided to pure-play companies deriving 90% of their revenue from the eligible activities including infrastructure and services related to wastewater treatment as well as water supply and distribution. Sustainalytics notes that wastewater treatment projects will not support nor involve fossil fuel operations and views this to be in line with market practice.
    - Sustainalytics considers this definition of "pure-play" to be aligned with market practice. Sustainalytics recommends State Street to track and disclose the portion of bond proceeds allocated to general purpose loans and to provide detailed impact reporting on the companies or types of businesses financed.
- Under the Affordable Housing category, State Street may finance and refinance equity investments in affordable housing projects that qualify for nationally recognized affordable housing programmes, including, (i) the federal Low Income Housing Tax Credits (LIHTCs)[7] under Section 42 of the Internal Revenue Code[8] and (ii) Public Welfare Investments (PWIs) by the Federal Reserve under 12 U.S.C. 24.[9] Sustainalytics notes that target populations for this category include those individuals benefiting from federal public housing programmes, including but not limited to low- and moderate-income individuals and households, and homeless individuals, as defined by federal regulations. State Street has confirmed that equity investments will be proportional to the number of affordable housing units per property, defined as those reserved for tenants with incomes at or below 80% of area median income. Sustainalytics considers the reliance on relevant regulations to be credible and for equity investments to finance affordable housing in this category to be aligned with market practice.
- Under the Essential Services category, State Street may finance and refinance credit enhancements and direct loans to promote or enhance access to essential services, including construction, maintenance and acquisition of facilities and equipment for public pre-kindergarten, elementary, secondary and higher education and not-for-profit healthcare.
    - Regarding access to healthcare, State Street has confirmed that the financing is directed to not-for-profit healthcare systems which cannot deny patient care based on inability to pay in emergencies. While recognizing the positive social impact of providing emergency healthcare for all regardless of ability to pay, Sustainalytics notes that additional services may still be provided at a cost and that these costs may present a barrier to accessing hospital care. State Street will prioritize healthcare organizations that cater to underserved individuals and communities and that have programmes to promote access and affordability. Sustainalytics considers it important to ensure access to healthcare for all regardless of ability to pay and views the lack of assurance in this regard to be limitation to the Framework.
    - In relation to the financing of education services, Sustainalytics notes that public elementary and secondary education is free and that State Street will finance pre-k schools that are federal, state or city funded and accessible to all regardless of ability to pay. This aligned with market practice. Regarding public higher education, State Street will prioritize public higher education organizations that serve underserved individuals and communities and that have programmes to promote access and affordability. Sustainalytics recognizes the societal benefit of financing educational

[7] The LIHTC programme was created by the Tax Reform Act of 1986 with the aim of creating affordable housing in the United States. It gives the State and local LIHTC-allocating agencies the authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. US Department of Housing and Urban Development, Office of Policy Development and Research (PD&R), "Low-income Housing Tax Credit (LIHTC)", at: https://www.huduser.gov/portal/datasets/lihtc.html?msclkid=56397045ae0211ec8e0c6e82f87716b9

[8] Section 42 of the Internal Revenue Code sets out provisions on tax credits to investors who build affordable housing. United States Code, "26 U.S.C. 42 - Low-income housing credit", at: https://www.govinfo.gov/app/details/USCODE-2011-title26/USCODE-2011-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec42?msclkid=7461e170ae0611ec841cb234f1cf19d4

[9] United States Code, "12 U.S.C. 24 – Community And Economic Development Entities, Community Development Projects, And Other Public Welfare Investments", at: https://www.ecfr.gov/current/title-12/part-24

institutions. However, public higher education may have tuitions or associated fees that may present a barrier to accessibility to target populations, including low-income people, and views the lack of assurance of affordability as a limitation to the Framework.

- Under the Socio-economic Advancement and Employment category, State Street may finance and refinance expenditures that support the advancement of populations and communities that are underrepresented in the financial services sector including women, ethnic and racial minorities, LGBTQ+ community and people with disabilities. Eligible expenditures may include:
  - Spend with certified or classified diverse suppliers. Sustainalytics notes that the suppliers will be certified by a designated agency such as the National Minority Supplier Development Council, Women's Minority Business Enterprise National Council, National Gay and Lesbian Chamber of Commerce, US Department of Veteran Affairs, United States Business Leadership Network, or state and local municipalities. While Sustainalytics recognizes the social benefits of supporting business that are owned by historically disadvantaged groups through procurement, Sustainalytics recognizes that the green and social bond market favours expenditures directly associated with an issuer's green or socially beneficial assets or activities and that allocation toward procurement costs based on the identity of suppliers rather than the nature of the products or services being supplied is not fully aligned with market practice. State Street has communicated to Sustainalytics it intends to advance their diverse supplier program to focus on business size in the future. However, the Framework does not place any restriction on the size of the businesses that may receive financing. Sustainalytics considers a threshold on size to be an important criterion in this context and therefore considers the absence of the same to be a limitation of the Framework.
  - Establishing State Street Foundation programmes and projects to combat racism. Expenditures may include grants to racial equity funds which are registered charities or NGOs that focus on supporting Black and Brown-led organizations that are working on issues such as policing and criminal justice reform, health care equity, economic empowerment, and youth civic engagement. Sustainalytics notes this category may include grants to foundations and, although not specifically excluded by the GBP or SBP, charitable or philanthropic contributions are not generally aligned with market expectations for green, social and sustainability bonds as these expenditures are often not tied to the primary business activities of issuers. As such, Sustainalytics strongly encourages the Bank to report on the positive social outcomes achieved by these activities.
  - Companywide and publicly available programmes such as conducting anti-racism conversations, training for employees and suppliers, implementing programmes and projects related to leveraging Juneteenth as a day of reflection to create awareness and establishing a State Street-wide day of service focused on better understanding racism and giving back to State Street's communities. State Street has communicated to Sustainalytics its intent to focus on external programmes to reach as many people as possible and provide the most impact. Sustainalytics considers it to be good practice to limit spending in these programmes to less than 10% of net proceeds to ensure that most of the funding will go towards projects with the most social impact. Sustainalytics notes the Bank will report on the social outcomes achieved by these activities.
  - Financings and deposit placements with certified Community Development Financial Institutions (CDFIs) or Minority Depository Institutions (MDIs) certified by the Federal Deposit Insurance Corporation (FDIC). CDFIs are mission-oriented lenders compliant with the regulatory definition of at least 60% of financing activities targeted at LMI populations or underserved communities. Recognizing that the specific end uses of financing are unknown, Sustainalytics encourages State Street to provide transparency on potential end uses and allocations to CDFIs and MDIs that strive to exceed the minimum threshold for serving targeted populations. Sustainalytics also notes that long-term deposits provide greater social impact due to the security that this capital provides to MDIs and recommends that State Street reports on the structure of the placed certificates.

  - Sustainalytics notes State Street will not knowingly allocate proceeds of any green, social or sustainability bond issuance to activities such as fossil fuel related energy generation, exploration, production or transportation, weapons, tobacco, alcohol or any other activities ineligible due to environmental or social impact considerations.
- Project Evaluation and Selection:
  - State Street's ESG Bond Working Group (EBWG) is responsible for evaluating and selecting projects or assets (collectively, the ESG Bond project portfolio) in line with the Framework's eligibility criteria. The selected projects or assets will be approved by State Street's ESG Bond Issuance Committee (EBIC). EBIC includes representation from relevant departments such as the Global ESG, Global Inclusion Diversity Equity, Global Treasury, Global Credit Finance, Tax-Advantaged Investments, Legal, Controller, Compliance, Corporate Audit, Enterprise Risk Management, Investor Relations, Corporate Communication & Marketing, and other relevant business teams.
  - The EBIC will identify and manage environmental and social risks associated with ESG related bond issuance programmes, which are applicable to all allocation decisions made under this Framework. For additional detail see Section 2.
  - Based on the presence of cross-functional oversight of project selection as well as systems for risk management, Sustainalytics considers this process to be aligned with market practice.
- Management of Proceeds:
  - The EBWG, chaired by a senior member of Corporate Treasury, will track the allocation of net proceeds by using the Sustainability Bond Register and follow its internal Enterprise Data Governance Management. The EBWG will meet at least quarterly to ensure the aggregate amount allocated to the ESG Bond project portfolio is equal to or greater than the net proceeds for the respective bond issuance. If a project in the ESG Bond portfolio is terminated early or it no longer meets the eligibility criteria, State Street intends to reallocate an equivalent amount of proceeds into other eligible projects. This will be done throughout the term of each bond.
  - State Street intends to allocate all net proceeds within 24 months following the issuance date. Pending allocation, unallocated proceeds will be temporarily invested in cash, cash equivalent, and/or marketable securities.
  - State Street has established a 36-month look back period for refinancing activities.
  - Based on the presence of an internal tracking system and the disclosure of temporary and full allocation timeframe commitment, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - State Street intends to report on the allocation and impact of net proceeds of green, social or sustainability bonds annually until full allocation in a publicly available Sustainability Bond Report. The report will be published on State Street's website.
  - Allocation reporting will include the amount of net proceeds allocated to eligible projects, a list of eligible projects, and the outstanding amount of unallocated net proceeds.
  - Where feasible, State Street will report relevant impact indicators such as number of certified green buildings, levels of certifications by property, expected CO_2 emission avoided (tCO_2e), kWh of renewable electricity produced, and number of affordable housing units.
  - Based on State Street's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the State Street Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of State Street

Contribution of Framework to State Street Corporation's sustainability strategy

Sustainalytics is of the opinion that State Street demonstrates a commitment to sustainability, having identified eight key environmental and social topics: (i) ESG integration; (ii) climate change; (iii) inclusion, diversity and equity; (iv) employee experience; (v) board governance and ESG management; (vi) risk, ethics, and compliance; (vii) operational and cyber resilience; and (viii) data privacy.[10]

Regarding ESG integration, State Street works with investors to integrate important ESG issues in their portfolio to drive long term value. The Bank has been increasing its allocation to ESG-labelled bonds with plans to implement an ESG Responsible Investing policy across the Bank's balance sheet in 2022, which will apply to its lending activities. As part of its ESG financing, State Street investments contributed to the creation of 4.9 GW of wind and solar energy and the construction of 1,300 affordable housing properties in the US in 2021.[11]

Throughout the years, State Street has made further commitments to advance a low-carbon economy. State Street Global Advisors, the asset management division, signed the United Nations Principles for Responsible Investing and in 2021, State Street Global Advisors signed the Net Zero Asset Managers initiative, committing to reach net-zero GHG emissions in their portfolios by 2050, with interim targets in 2030.[12] In line with this, in January 2022, State Street Global Advisors created disclosure guidance for carbon-intensive sectors to engage in the low-carbon transition.[13]

To further accommodate increasing investor demand for ESG-integrated services, State Street offers multiple products and solutions integrated with an ESG scoring system and ESG-related data for the construction of more sustainable portfolios.[14] State Street also leads the Sustainable Markets Initiative's Asset Manager and Asset Owner Task Force, aimed at reallocating capital towards sustainable solutions. The Task Force is aimed at finding scalable ways for institutional investors to facilitate the reallocation of capital toward sustainable solutions, using the two most powerful levers at their disposal: 1) capital already invested in companies; and 2) fresh capital investments directed at climate mitigation and adaptation projects.[15]

In the social space, State Street has identified inclusion and diversity and equity as one of its important issues and has established various policies, goals and actions to foster an inclusive strategy. In 2020, State Street launched its 10 Actions Against Racism and Inequality, which includes several targets, such as tripling the number of Black and Latinx executives and doubling the number of Black and Latinx employees over the next three years. As part of the 10 Actions, State Street also aims to improve, among others, the opportunities of Black and Latinx professionals by formalizing partnerships with organizations that focus on career development and by increasing its procuring services and products from diverse suppliers, which increased by 43% in 2021 from 2020.[16]

Sustainalytics is of the opinion that the State Street Sustainability Bond Framework is aligned with its overall sustainability strategy and initiatives and will further State Street's action on its key sustainability priorities.

Approach to managing environmental and social risks associated with the projects

Although Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects include, but are not limited to, land use and biodiversity issues related to large-scale infrastructure development, emissions, effluents, waste generated during construction, occupational health and safety, and the exacerbation of inequalities if underserved groups are not appropriately targeted. Additionally, there are risks associated with being exposed to controversial companies or projects as a result of lending activities.

Sustainalytics is of the opinion that State Street is able to manage or mitigate potential risks through implementation of the following:

- State Street has a dedicated Corporate Environmental Sustainability Policy that outlines its approach to environmental sustainability by conducting business in a manner that acknowledges, measures, and addresses its direct and indirect impact on the environment.[17]

[10] State Street, "2021 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/esg/SSC-ESG-2021-Final-Full.pdf
[11] Ibid.
[12] Net Zero Asset Managers initiative, "Signatories", at: https://www.netzeroassetmanagers.org/signatories/
[13] State Street, "2021 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/esg/SSC-ESG-2021-Final-Full.pdf
[14] State Street, "2020 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/values/state-street-esg-report-04-2021.pdf
[15] Sustainable Markets Initiative, "Asset Manager and Asset Owner Taskforce", at: https://www.sustainable-markets.org/taskforces/asset-manager-and-asset-owner-taskforce/
[16] State Street, "2021 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/esg/SSC-ESG-2021-Final-Full.pdf
[17] State Street, "Corporate Environmental and Sustainability Policy Statement – Global", (2021), at: https://www.statestreet.com/content/dam/statestreet/documents/values/CorpCit-Global-Environmental-Sustainability-Policy.pdf

- State Street Global Advisors has an Asset Stewardship Program, which monitors and reports its impact on improving ESG practices in its portfolio companies globally.[18] State Street Global Advisors encourages the portfolio companies to adopt long-term, climate-related sustainability goals, such as greenhouse gas (GHG) reduction, and to integrate ESG risks as well as disclose information regarding important ESG factors.
- As a signatory to the United Nations Global Compact since 2014,[19] State Street conforms to its 10 principles, including human rights, labour, environment and anti-corruption, and transparently discloses its performance regarding these principles to the UN Global Compact.[20] In line with the principles, State Street commits to avoid any violation of human rights, forced and child labour, environmental degradation and corruption.
- State Street adopted an Environmental Management Framework[21] to oversee environmental sustainability within its operations and it is currently ISO 14001 certified at 18 locations and ISO 50001 certified at two locations.[22]

In addition to the above, Sustainalytics notes that the financing under the Framework will take place primarily in the US, which is categorized as a Designated Country under the Equator Principles, indicating strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.[23]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that State Street has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the projects financed.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics focuses below on three sustainability issues, where the impact is specifically relevant in the local context.

Impact of green buildings in the US

According to the Global Alliance for Buildings and Construction, the building sector contributes significantly toward global energy consumption and total GHG emissions, accounting for 37% of total energy-related CO_2 emissions.[24] In 2021, buildings were responsible for 39% of the US's primary energy consumption, whereby the residential and commercial building sectors represented 18% and 21%, respectively.[25] In order to achieve energy innovation in the building sector, the US Department of Energy (DOE) has designed the Better Buildings Initiative to lead the public and private bodies to improve the energy efficiency of their portfolios through a series of programmes and partnerships.[26] The DOE also awards funding to accelerate building upgrades. In 2021, it awarded USD 82.6 million in funding for 44 projects, while at the beginning of 2022, it awarded USD 32 million for seven projects in the building sector.[27,28] Furthermore, in 2021, the White House announced the first implementation of building performance standards for federally owned and leased buildings, as well as the launch of the Better Buildings Low Carbon Pilot programme to put into practice pathways to low and no emission buildings.[29,30]

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[18] State Street, "2020 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/values/state-street-esg-report-04-2021.pdf
[19] UNGC, "State Street Corporation", at: https://www.unglobalcompact.org/what-is-gc/participants/49631-State-Street-Corporation
[20] United Nations Global Compact, "The Ten Principles of the UN Global Compact", at: https://www.unglobalcompact.org/what-is-gc/mission/principles
[21] State Street, "2020 ESG Report", at: https://www.statestreet.com/content/dam/statestreet/documents/values/state-street-esg-report-04-2021.pdf
[22] Ibid.
[23] Equator Principles, "Designated Countries", at: https://equator-principles.com/designated-countries/
[24] Global Alliance for Buildings and Construction, "2021 Global Status Report for Buildings and Construction", at: https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf
[25] US Energy Information Administration, "Monthly Energy Review February 2022", at: https://www.eia.gov/totalenergy/data/monthly/pdf/sec2_3.pdf
[26] US Department of Energy, "Better Buildings Programs & Partners", at: https://betterbuildingssolutioncenter.energy.gov/partnerships
[27] US Department of Energy, at: https://www.energy.gov/articles/doe-announces-nearly-83-million-increase-building-energy-efficiency-and-cut-consumers
[28] US Department of Energy, at: https://www.energy.gov/articles/doe-awards-32-million-accelerate-next-generation-building-upgrades
[29] The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/
[30] US Department of Energy, "Low Carbon Pilot Factsheet", at: https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/Low%20Carbon%20Pilot%20Factsheet.pdf

Based on the above context, Sustainalytics expects State Street's financing of green buildings to be impactful in helping to reduce carbon emissions from the built environment in the US while also contributing to the country's climate-related targets.

Impact of renewable energy in the US

The electricity sector is the second largest source of GHG emissions in the US, accounting for 25% of total GHG emissions as of 2019.[31] As of 2020, 60% of US electricity generation comes from fossil fuels, such as natural gas, coal and petroleum, and 20% comes from nuclear energy.[32] From 1990 to 2019, GHG emissions from electricity generation decreased by 12%, thanks to a shift in the generation to lower- and non-emitting sources of electricity generation and an increase in end-use energy efficiency.[33] Although renewable energy generation in the US has experienced significant growth since 2008, it only accounted for 20.1% of the country's total electricity generated in 2021.[34,35] Specifically, wind energy contributed 9.2% of total electricity generation in the country, while solar energy contributed 2.8% in the same year.[36] According to the DOE National Renewable Energy Laboratory, renewable electricity generation from currently available technologies, including wind and solar generation, has the potential to reach 80% of the country's electricity by 2050.[37] In 2021, the US government set a goal to reach 100% carbon-free electricity by 2035, which is expected to further stimulate the renewable energy momentum in the US.

Moreover, the US has set the nationally determined contribution (NDC) to reduce its net GHG emissions by 50-52% by 2030, with the baseline in 2005.[38] Nonetheless, significantly more renewable energy investments are required to meet the Paris Agreement climate target of limiting global temperature increase to well below 2°C. The International Renewable Energy Agency has estimated the additional investments needed in renewable energy for the energy transition to be approximately USD 29 trillion between 2015 and 2030, with an average of USD 830 billion per year.[39]

Considering the above, Sustainalytics believes that the activities carried out under the Framework are expected to contribute towards increasing renewable energy generation and supporting the clean energy transition in the US.

Importance of affordable housing in the US

The lack of affordable housing is a significant issue in the US, with approximately 580,466 people experiencing homelessness in 2020, a 2.2% increase over the previous year.[40] Furthermore, a National Low Income Housing Coalition report notes that no state has sufficient affordable rental housing for low-income renters.[41] According to the National Low Income Housing Coalition, the US faces a 3.4 million unit shortfall of affordable and available rental homes for extremely low-income households.[42] Of the 10.8 million extremely low-income renter households, 7.6 million (70.4%) are severely burdened by housing costs, spending more than 50% of their incomes on rent and utilities. The lack of affordable housing further leads to adverse social outcomes across multiple dimensions. Families and individuals are forced to make trade-offs between spending on rent and other essentials such as food, healthcare and transport.[43]

A multi-faceted approach to addressing this severe shortage includes state-sponsored solutions such as (i) the National Housing Trust Fund (HTF), an annual grant to states for the creation, preservation, or

[31] US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity
[32] US Energy Information Administration, "Electricity Explained", at: https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php
[33] US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity
[34] US Energy Information Administration, "U.S. primary energy consumption by energy source", (2020), at: https://www.eia.gov/energyexplained/us-energy-facts/
[35] US Energy Information Administration, "What is U.S. electricity generation by source", at: https://www.eia.gov/tools/faqs/faq.php?id=427&t=3
[36] Ibid.
[37] National Renewable Energy Laboratory, "Renewable Electricity Futures Study", at: https://www.nrel.gov/docs/fy13osti/52409-ES.pdf
[38] UNFCCC, "The United States of America Nationally Determined Contribution", at: https://unfccc.int/sites/default/files/NDC/2022-06/United%20States%20NDC%20April%2021%202021%20Final.pdf
[39] International Renewable Energy Agency, "Renewable energy: a key climate solution", (2017) at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_A_key_climate_solution_2017.pdf?la=en&hash=A9561C1518629886361D12EFA11A051E004C5C98
[40] US Department of Housing and Urban Development, "The 2020 Annual Homeless Assessment Report (AHAR) to Congress", (2021), at: https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf
[41] National Low Income Housing Coalition, "The Gap: A shortage of Affordable Rental Homes", at: https://reports.nlihc.org/gap
[42] National Low Income Housing Coalition defines extremely low-income households as households with income at or below the Poverty Guideline or 30% of Area Median Income, whichever is higher.
[43] National Low Income Housing Coalition, "The Gap - A shortage of affordable homes", (2021), at: https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

rehabilitation of rental housing for low-income renters;[44] (ii) the low-income housing tax credit (LIHTC), a tax incentive to construct or rehabilitate affordable rental housing for low-income households;[45] and (iii) the Capital Magnet Fund, a competitive grant programme for affordable housing and related developments administered by the Treasury Department.[46] The federal government spends approximately USD 9.5 billion annually on the LIHTC, making it the largest federal programme for low-income housing.[47] In 2022, the federal government announced plans to allocate USD 740 million to the HTF, and USD 398 million to the Capital Magnet Fund.[48]

In this context, Sustainalytics is of the opinion that State Street's projects qualify within the nationally recognized affordable housing programmes to directly support the United States' housing targets and the lower-income population in the country and are expected to have overall positive social impacts.

Alignment with and contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the State Street Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Environmental Infrastructure and Services	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Essential Services	3. Good health and well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
	10. Reduced inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race,

[44] National Low Income Housing Coalition, "National Housing Trust Fund", at: https://nlihc.org/explore-issues/projects-campaigns/national-housing-trust-fund
[45] Congressional Research Service, "An Introduction to the Low-Income Housing Tax Credit", (2021), at: https://sgp.fas.org/crs/misc/RS22389.pdf
[46] Community Development Financial Institution Fund website, "Capital Magnet Fund", at: https://www.cdfifund.gov/programs-training/programs/cmf
[47] Tax Policy Center, "What is the Low-Income Housing Tax Credit and how does it work?", at: https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work
[48] Federal Housing Finance Agency, "FHFA Announces More than $1.1 Billion for Affordable Housing Programs", (2022), at: https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-More-than1pt1-Billion-for-AH-Programs.aspx

Socio-economic Advancement and Employment		ethnicity, origin, religion or economic or other status
	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Conclusion

State Street has developed the State Street Sustainability Bond Framework under which it may issue green, social and sustainability bonds and use the proceeds to finance or refinance existing and future projects that are expected to contribute to the transition towards a low-carbon and sustainable economy and have positive social impact in the United States.

The State Street Sustainability Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for State Street to reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the State Street Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 3, 4, 7, 8, 10 and 11. Additionally, Sustainalytics is of the opinion that State Street has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that State Street Corporation is well positioned to issue sustainability bonds and that that State Street Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	State Street Corporation
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	State Street Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 3, 2022
Publication date of review publication: **Original publication date *[please fill this out for updates]*:**	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Environmental Infrastructure and Services, Affordable Housing, Essential Services and Socio-economic Advancement and Employment – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4 7, 8, 10 and 11

Use of proceeds categories as per GBP:

☒ Renewable energy

☐ Energy efficiency

☐ Pollution prevention and control

☐ Environmentally sustainable management of living natural resources and land use

☐ Terrestrial and aquatic biodiversity conservation

☒ Clean transportation

☒ Sustainable water and wastewater management

☐ Climate change adaptation

☐ Eco-efficient and/or circular economy adapted products, production technologies and processes

☒ Green buildings

☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs

☐ Other (please specify):

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

☐ Affordable basic infrastructure

☒ Access to essential services

☒ Affordable housing

☐ Employment generation (through SME financing and microfinance)

☐ Food security

☒ Socioeconomic advancement and empowerment

☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP

☐ Other (please specify): DE&I Initiatives

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

State Street's ESG Bond Working Group (EBWG) is responsible for evaluating and selecting eligible projects and assets, which will be approved by State Street's ESG Bond Issuance Committee (EBIC). State Street has in place a process to identify and manage environmental and social risks associated with ESG-related bond issuances. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

Evaluation and selection

☒ Credentials on the issuer's social and green objectives

☒ Documented process to determine that projects fit within defined categories

☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds

☒ Documented process to identify and manage potential ESG risks associated with the project

☒ Summary criteria for project evaluation and selection publicly available

☐ Other (please specify):

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

State Street's EBWG will be responsible for the allocation of net proceeds using a Sustainability Bond Register. State Street intends to fully allocate net proceeds within 24 months following the issuance date. Pending allocation, net proceeds will be temporarily invested in cash, cash equivalent and marketable securities. This is in line with market practice.

Tracking of proceeds:

☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other (please specify):

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

State Street intends to report on allocation and impact of proceeds in a Sustainability Bond Report on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects, a list of eligible projects by category, and the outstanding amount of unallocated net proceeds. In addition, State Street is committed to reporting on expected impact metrics. Sustainalytics views State Street Corporation's allocation and impact reporting as in line with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☐ Other (please specify): Examples of eligible projects, where feasible; outstanding amount of net proceeds yet to be allocated

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Number of beneficiaries

☐ Target populations

☒ Other ESG indicators (please specify): Number of buildings funded; Levels of certifications by buildings funded; kWh of electricity produced; Total new installed capacity; Number of water treatment services funded; Number of transportation systems funded; Number of units funded; Number of individuals benefitted by affordable housing projects funded; Number of healthcare facilities funded; Number of education institutions funded; Number of Tier 1 and Tier 2 diverse suppliers by diversity classification; Number of State Street Foundation grants by social cause; Number of strategic external partnerships.

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify): Sustainability Bond Report

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)

☐ Certification

☐ Verification / Audit

☐ Rating

☐ Other *(please specify)*:

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics` opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit http://www.sustainalytics.com/legal-disclaimers.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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