BNY MELLON

The Bank of New York Mellon (International) Limited

Pillar 3 Disclosure

December 31, 2022

BNY MELLON

Attestation Statement

I confirm that the 31 December 2022 Pillar 3 Disclosure meets the relevant regulatory requirements as described in section 1 of this report and it has been prepared in accordance with the internal policies and controls in place.

As set out in section 3 of this report, the Board is responsible for approving policies and procedures as may be required by law or otherwise appropriate and for reviewing The Bank of New York Mellon (International) Limited's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct.

The disclosures were approved by the Board of Directors and signed on its behalf on 24 April 2023 by:

JW Jack

John Jack

Chief Financial Officer

Director

1 Introduction

These Pillar 3 disclosures are published for The Bank of New York Mellon (International) Limited (the 'Company'). These disclosures are published at a consolidated level, covering the Company and its affiliated undertakings as at 31 December 2022. The Company's reporting currency is GBP.

Basel III is the international banking accord of the Basel Committee on Banking Supervision ('BCBS') and is intended to strengthen the measurement and monitoring of financial institutions' capital, their management of risk, and remuneration of material risk takers.

The framework comprises of three pillars; Pillar 1 sets out the minimum capital requirement that firms are required to meet for categories of risk including credit, market, operational and securitisation risk. Pillar 2 concerns the supervisory review process and Pillar 3 promotes market discipline through the disclosure of key information around capital, risk management and remuneration. Accordingly, this report contains qualitative and quantitative information as required under the Capital Requirements Regulation ('CRR II') [1] prescribed within the Disclosure Part of the PRA Rulebook [2].

The Company considers that its risk management arrangements and systems are adequate with regards to its profile and strategy. The Company recognises the importance of risk management in the execution of its strategy and has defined the levels of risk acceptable to the entity. This is formalised and monitored through its risk appetite statement. Based on the proposed strategy, there are no anticipated changes to the Company's risk appetite and the Company will continue to monitor its risk profile as part of its regular business activities. Further, the Company has a Pillar 3 disclosure policy and a control framework in place regarding the production and validation of its disclosures.

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[1] PS22/21 - Implementation of Basel standards: Final rules

[2] PRA Rulebook

1.1 Scope of application

The Company has assessed itself against the disclosure requirements of CRR II and determined that it is classified as an Other Institution (non-listed) in accordance with Article 433c(2) of the Disclosure part of the PRA Rulebook. Therefore, these Pillar 3 disclosures focus on items required for disclosure by such an institution at the disclosure date. The Company includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and risks, and its approach to remuneration. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

Pillar 3 disclosures are prepared solely to meet Pillar 3 disclosure requirements and for no other purpose. These disclosures do not constitute any form of financial statement of the business nor do they constitute any form of contemporary or forward looking record or opinion about the business. The Company undertakes no obligation to revise or to update statements contained within this report regardless of whether or not those statements are affected as a result of new information or future events. Unless indicated otherwise, information contained within this document has not been subject to external audit.

In accordance with Article 432 of CRR II the Company is permitted to exclude certain disclosures if they contain proprietary or confidential information, or are non-material in nature.

Disclosures will be made in accordance with the requirements of Article 433c(2) of CRR II. Annual disclosures will be published on the same date on which the Annual Report and Financial Statements are made public or as soon as reasonably possible thereafter. The Company will reassess the need to publish disclosures more frequently in light of any significant change in the business, capital resources or risk profile.

Disclosures are published on The Bank of New York Mellon Corporation website which can be accessed using the link below, referring to the Additional Country Disclosures section.

BNY Mellon Investor Relations - Pillar 3

1.2 Scope of consolidation

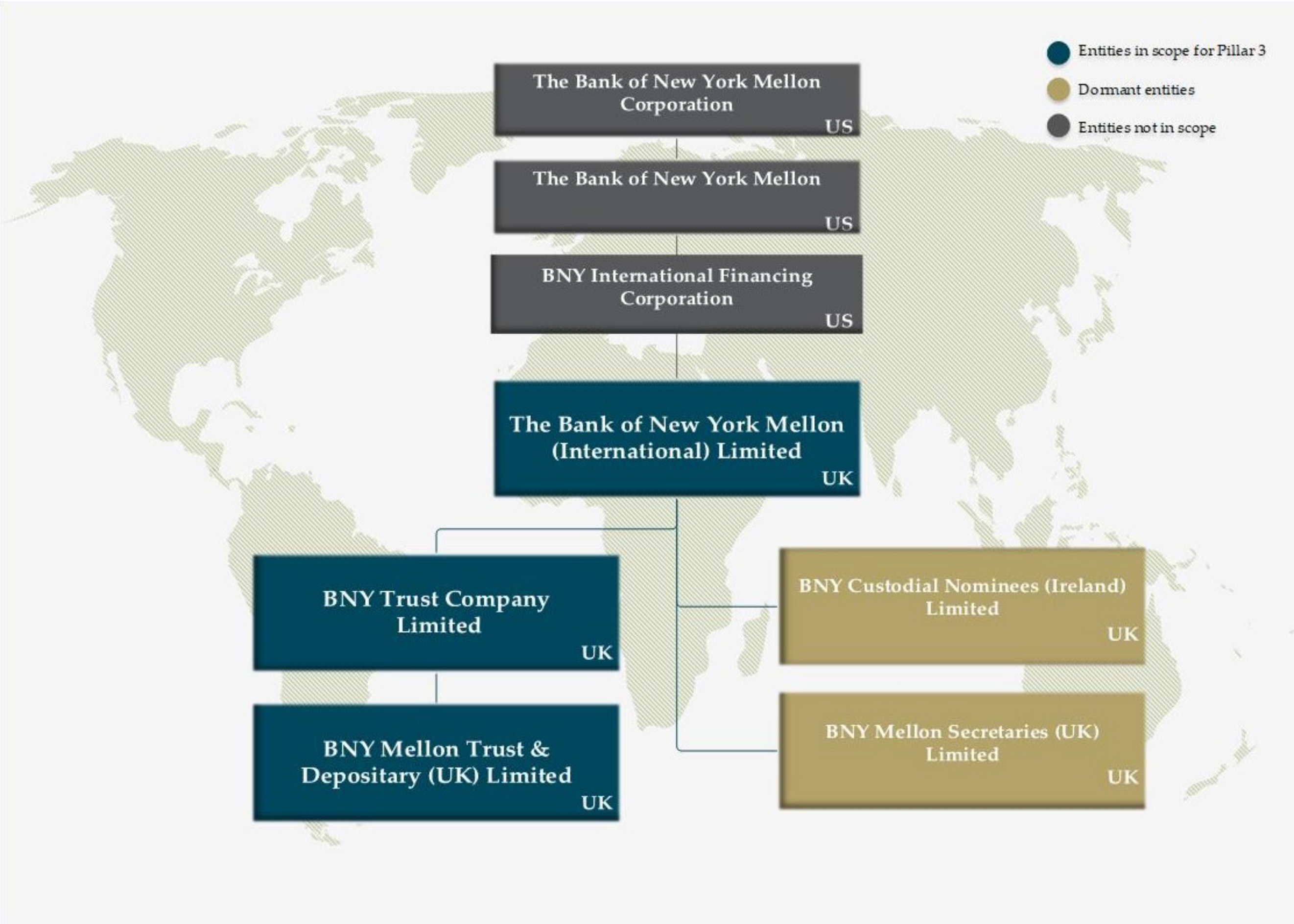
The Company is a private limited company incorporated in the UK with a Banking Licence issued by the PRA. As at 31 December 2022, the Company had £393bn in assets under custody. It is a wholly-owned subsidiary of BNY International Financing Corporation ('BNYIFC'), a holding company with investments in banking and non-banking entities. BNYIFC is a wholly-owned US-regulated subsidiary of The Bank of New York Mellon, the main banking entity of BNY Mellon.

The Company is regulated by the PRA and the Financial Conduct Authority ('FCA'). Its wholly owned subsidiaries include BNY Mellon Trust & Depositary (UK) Limited via BNY Trust Company Limited, BNY Custodial Nominees (Ireland) Limited and BNY Mellon Secretaries (UK) Limited. All entities are incorporated in the UK, whilst the latter two are dormant. BNY Trust Company Limited is no longer regulated or authorised by the FCA. In addition, the Company has applied to the FCA to cancel BNY Mellon Trust & Depositary (UK) Limited's authorisation.

The Company is an integral part of the BNY Mellon EMEA business as one of the material group entities in the region and aligns with BNY Mellon on strategic decision making, commercial considerations and intelligent risk-taking in line with risk appetite.

BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2022, BNY Mellon had $44.3 trillion in assets under custody and/or administration, and $1.8 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

Figure 1: Legal entity and ownership structure at 31 December 2022



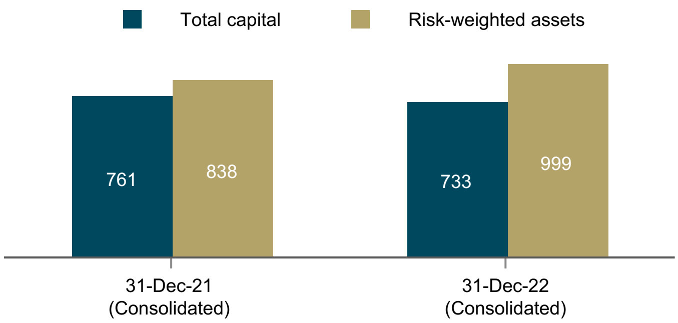
Basis of consolidation

Entity name	Consolidation basis	Services provided
The Bank of New York Mellon (International) Limited	Fully consolidated	Reporting entity - Provides asset servicing to clients, particularly custody, global payments, fund accounting and administration, transfer agency, as well as corporate trust and segregation services.
BNY Trust Company Limited	Fully consolidated	Subsidiary - Through its own subsidiary, provided trustee and depositary services to authorised collective investment schemes ('CISs') and alternative investment funds in the UK. BNY Trust Company Limited is no longer authorised and so can no longer provide these services.
BNY Mellon Trust & Depositary (UK) Limited	Fully consolidated	Subsidiary - Primary activity was to perform trustee and depositary services for CISs. Also performed limited custody services. BNY Mellon Trust & Depositary (UK) Limited is no longer active and is not providing these services and is awaiting removal of authorisation by the FCA.
BNY Custodial Nominees (Ireland) Limited	N/A	Dormant subsidiary.
BNY Mellon Secretaries (UK) Limited	N/A	Dormant subsidiary.

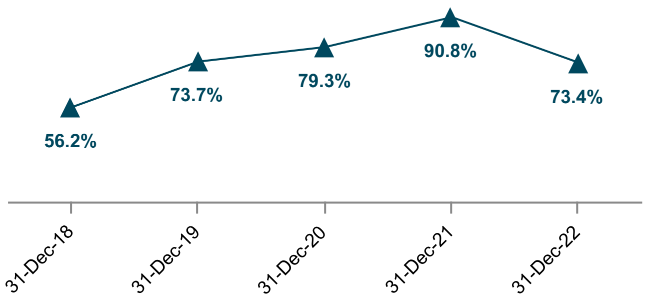
1.3 Article 447 CRR II - Disclosure of key metrics

The following key metrics reflect the Company's key metrics on a consolidated basis:

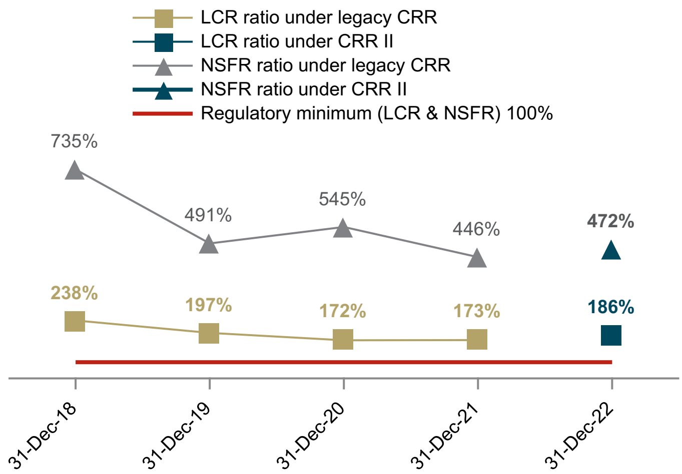
Regulatory capital and Risk-weighted assets (£m)



Total capital ratio

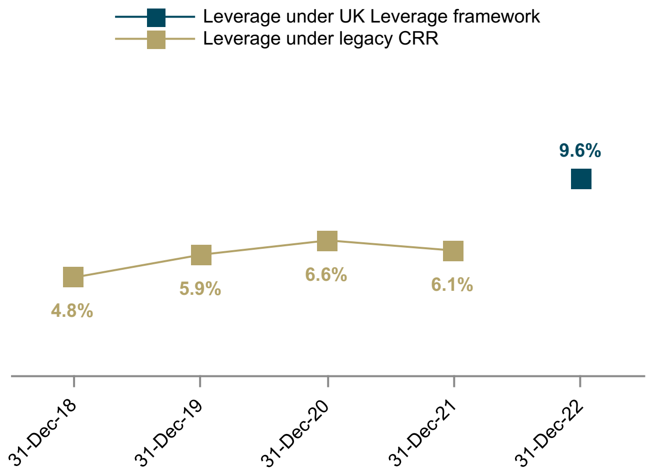


Liquidity ratios



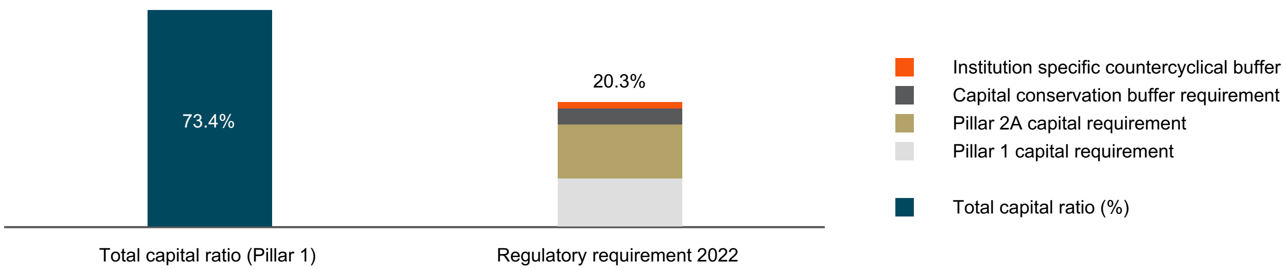
Note: As of the disclosure date the liquidity ratios are presented on an average basis in accordance with Article 447(f)(g) CRR II. Prior periods were disclosed as point in time metrics.

Leverage ratio



Note: As of the disclosure date the leverage ratio is presented exclusive of central bank claims in accordance with the UK Leverage framework. For context, prior periods included central bank claims under the legacy CRR framework.

2022 consolidated total capital ratio versus regulatory capital requirements



The total capital ratio exceeds regulatory requirements (the summation of Pillar 1 capital, Pillar 2A capital, and the combined buffer requirements of 8.0%, 8.88% and 3.42% respectively). The Company is also subject to the PRA buffer which is set by the PRA and is not subject to disclosure.

Table 1:UK KM1 - Key metrics template

	(£m)	31-Dec-22	31-Dec-21
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	733	761
2	Tier 1 capital	733	761
3	Total capital	733	761
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	999	838
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	73.35 %	90.81 %
6	Tier 1 ratio (%)	73.35 %	90.81 %
7	Total capital ratio (%)	73.35 %	90.81 %
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount) [1]		
UK 7a	Additional CET1 SREP requirements (%) [2]	5.00 %	
UK 7d	Total SREP own funds requirements (%)	16.88 %	
	Combined buffer requirement (as a percentage of risk-weighted exposure amount) [1]		
8	Capital conservation buffer (%)	2.50 %	2.50 %
9	Institution specific countercyclical capital buffer (%)	0.92 %	— %
11	Combined buffer requirement (%)	3.42 %	
UK 11a	Overall capital requirements (%) [3]	20.30 %	
12	CET1 available after meeting the total SREP own funds requirements (%)	56.47 %	75.77 %
	Leverage ratio [1]		
13	Total exposure measure excluding claims on central banks	7,602	
14	Leverage ratio excluding claims on central banks (%)	9.64 %	
	Liquidity Coverage Ratio [4]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	8,876	
UK 16a	Cash outflows - Total weighted value	7,712	
UK 16b	Cash inflows - Total weighted value	2,911	
16	Total net cash outflows (adjusted value)	4,801	
17	Liquidity coverage ratio (%)	185.66 %	
	Net Stable Funding Ratio [4]		
18	Total available stable funding	3,210	
19	Total required stable funding	680	
20	NSFR ratio (%)	472.37 %	

Notes:

Capital and leverage are stated after the inclusion of audited profits for the year.

Selected non-applicable rows have not been presented. The ratios reflect the regulatory reporting which may result in immaterial rounding differences.

[1] Certain metrics related to additional own funds requirements, buffers, and leverage, are new disclosure requirements. Comparatives are not reported.

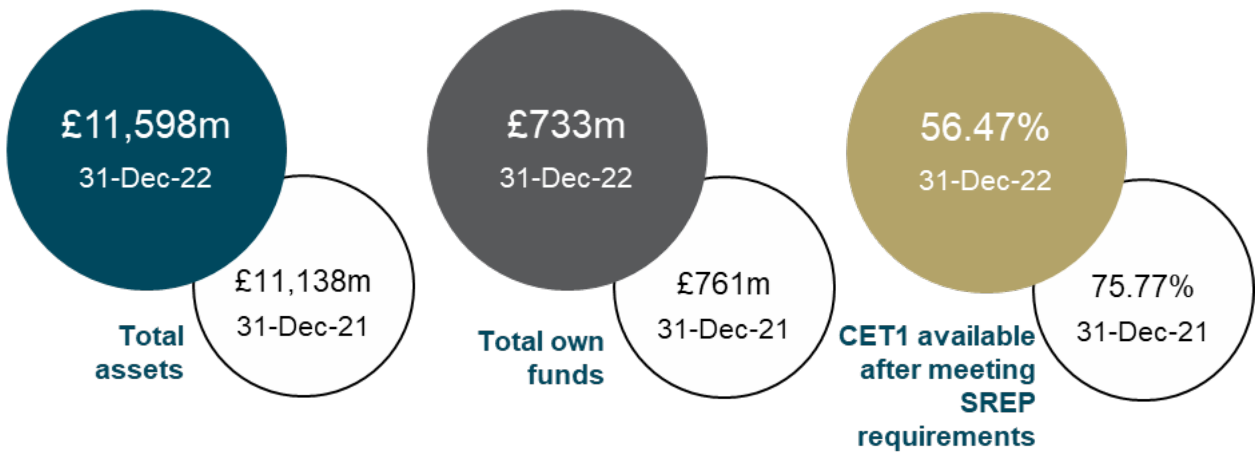
[2] The total P2A requirement is 8.88%, of which 5% is attributable to CET1.

[3] Refer to the summary on page 7 for the composition of the overall capital requirement.

[4] Comparatives are not provided for LCR and NSFR following a change in the instructions from those reportable at 31 December 2021. As of the disclosure date the ratios are presented on an average basis in accordance with Article 447(f)(g) CRR II.

The reduction in the total capital ratio during the year is reflective of a decrease in capital resources, largely due to a decrease in Accumulated Other Comprehensive Income of around £80 million, partly offset by the inclusion of audited profit. Additionally, higher risk-weighted assets were mainly driven by an increase in credit and operational risk-weighted assets of approximately £100 million and £60 million respectively. Both elements are further explained in the following chapter.

2 Article 437 CRR II - Disclosure of own funds



This section provides an overview of the regulatory balance sheet and composition of the Company’s regulatory capital in comparison to the accounting balance sheet. There are a number of differences between the Pillar 3 disclosures published in accordance with prudential requirements and balance sheet prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

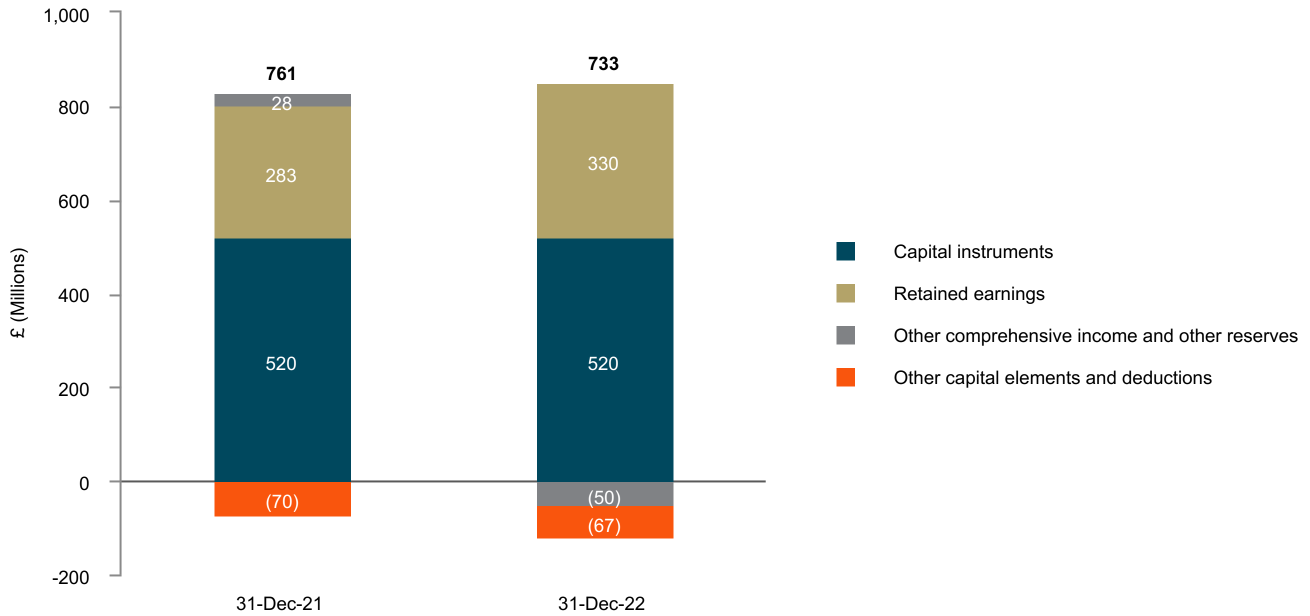
The Bank of New York Mellon (International) Limited

The Company's audited financial statements are prepared on an individual financial statements basis under which the Company's investments in subsidiaries and associate (a 10% participating interest in an Investment and Cooperation Agreement ('ICA') with another BNYM Group entity) are measured at cost less impairment.

This results in differences compared to the balance sheet when prepared under the regulatory scope of consolidation. The regulatory scope of consolidation reflects the Company on a fully consolidated basis as explained in Section 1.2, Figure 1. On this basis the Company's investment in associate (the ICA) is accounted for using the equity method. These effects are reflected in Table 3:UK CC2.

Composition of regulatory capital (£m)

This graph shows the composition of regulatory capital including all regulatory adjustments at 31 December 2022 (see Table 2:UK CC1 - Composition of regulatory own funds).



The Company's regulatory capital comprises Common Equity Tier 1 capital which is the highest quality form of regulatory capital under Basel III comprising common shares issued and any related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments. Own funds comprise Tier 1 capital less deductions, these are outlined in Table 2:UK CC1 on the following page.

The overall reduction in capital position as at the disclosure date is largely attributable to the reduction in Accumulated Other Comprehensive Income, which reflects mark to market movements on the securities portfolio influenced by market conditions in H2 2022. These movements are temporary in nature and is expected to reverse over the maturity of the related securities. This is offset by inclusion of current year profits.

Table 2:UK CC1 - Composition of regulatory own funds

This table shows the composition of the Company's regulatory capital including all regulatory adjustments. A reference is provided to identify how the capital element can be linked to the Company's published balance sheet and the related regulatory consolidation view of the balance sheet on the next page.

	At 31 December 2022 (£m)	Amounts	Reference to Table CC2
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	520	
	of which: ordinary shares	520	(a)
2	Retained earnings	330	(b)
3	Accumulated other comprehensive income (and other reserves)	(50)	(c) / (d) [1]
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	800	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(4)	(e)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(63)	(f) / (g) [2]
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(67)	
29	**Common Equity Tier 1 (CET1) capital**	733	
44	**Additional Tier 1 (AT1) capital**	—	
45	**Tier 1 capital (T1 = CET1 + AT1)**	733	
58	**Tier 2 (T2) capital**	—	
59	**Total capital (TC = T1 + T2)**	733	
60	**Total Risk exposure amount**	999	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	73.35 %	
62	Tier 1 (as a percentage of total risk exposure amount)	73.35 %	
63	Total capital (as a percentage of total risk exposure amount)	73.35 %	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount) [3]	12.92 %	
65	of which: capital conservation buffer requirement	2.50 %	
66	of which: countercyclical buffer requirement	0.92 %	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	56.47 %	
	Amounts below the thresholds for deduction (before risk weighting)		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	27	(h)

Note: Selected non-aplicable rows have not been presented.

[1] Of which £(56) million relates to Accumulated Other Comprehensive Income (c), and £6 million relates to Other Reserves (d).

[2] Of which £(75) million relates to additional deductions eligible under Article 3 of CRR II (f), and £12 million relates to restricted stock (g).

[3] Of which 4.5% is the CET1 regulatory minimum, 5% is the additional CET1 P2A amount, and 3.42% is the combined buffer requirement.

Table 3:UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

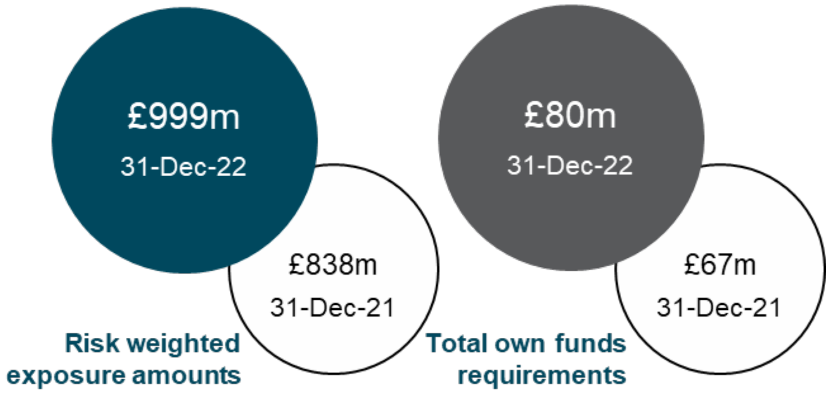
The table illustrates where the elements of regulatory Own Funds listed in Table 2: UK CC1 are referenced within the balance sheet when considered under the regulatory scope of consolidation. The balance sheet prepared under the regulatory scope of consolidation forms the basis for the calculation of regulatory capital requirements.

	At 31 December 2022 (£m)	Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Reference
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash in hand and on demand balances at central banks	4,706	4,676	
2	Loans and advances to banks	2,520	2,567	
3	Loans and advances to customers	138	138	
4	Investment securities	4,055	4,068	(e) *
5	Investment in affiliates	189	75	(f)
6	Deferred tax asset	27	27	(h)
7	Other assets, Prepayments and accrued income	67	47	
8	**Total assets**	11,702	11,598	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
1	Deposits by banks	4,165	4,165	
2	Customer accounts	6,631	6,583	
3	Other liabilities	29	23	
4	Accruals and deferred income	9	9	
5	Provisions	5	5	
6	**Total liabilities**	10,839	10,785	
Shareholders' Equity				
1	Called up share capital	520	520	(a)
2	Fair value reserve	(68)	(56)	(c)
3	Other reserves	7	19	(d) / (g)
4	Profit and loss account	404	330	(b)
5	**Shareholders' funds**	863	813	

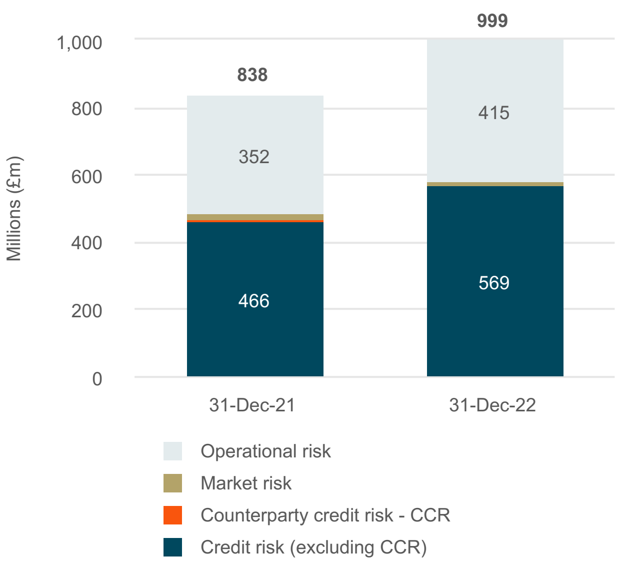
* Investment securities carried at Fair Value through Other Comprehensive Income are subject to a Prudential Valuation Adjustment amounting to £4 million.

The Company does not have a trading book, but there are securities in the non-trading book that are measured at fair value, applying observable quoted prices.

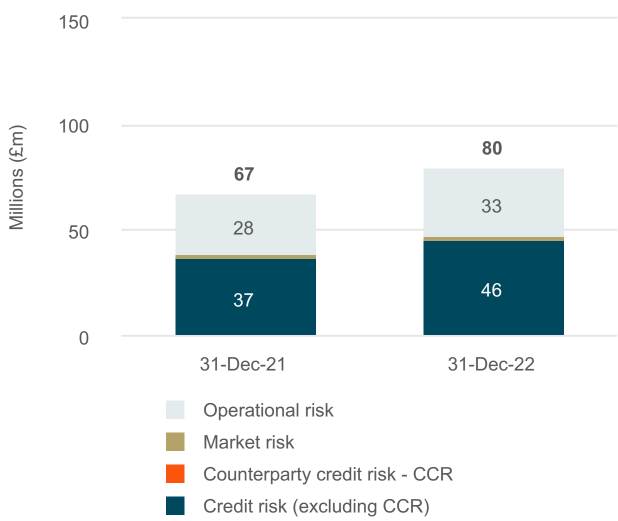
3 Article 438 CRR II - Disclosure of own funds requirements and risk-weighted exposure amounts



Risk weighted exposure by risk type (£m)



Capital requirements by risk type (£m)



The capital plan is reflective of the Company’s business strategy and its risk appetite, which includes a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

Incorporating projected earnings based on its business plan, the Company generates a three year forecast, which forms the base foundation for financial modelling and stress testing used as part of the ICAAP process. Potential capital shortfalls are identified over the three year period and capital plans adjusted accordingly.

The capital plan itself is developed with input from Finance, Risk, Treasury and the business lines. It incorporates a view of the Company’s current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. It aims to ensure that an appropriate amount of capital is held to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios.

The capital plan is subject to Executive Committee ('ExCo') and Board approval with capital ratios reviewed against risk appetite levels in the Asset and Liability Committee ('ALCO').

3.1 Calculating capital requirements

CRR II permits different approaches for calculating risk weighted assets and associated capital requirements. The following table shows the risk weighted assets for the Company on a consolidated basis with their respective pillar 1 capital requirements and identifies the framework used for each type of risk. An 8% factor is applied to the risk weighted assets to calculate the capital requirement.

Table 4:UK OV1 – Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	(£m)	31-Dec-22	31-Dec-21	31-Dec-22
1	**Credit risk (excluding CCR)**	**569**	**466**	**46**
2	Of which the standardised approach	569	466	46
6	**Counterparty credit risk - CCR**	—	**4**	—
7	Of which the standardised approach	—	2	—
UK 8b	Of which credit valuation adjustment - CVA	—	2	—
16	**Securitisation exposures in the non-trading book (after the cap)**	**3**	—	—
18	Of which SEC-ERBA (including IAA)	3	—	—
20	**Position, foreign exchange and commodities risks (Market risk)**	**12**	**16**	**1**
21	Of which the standardised approach	12	16	1
23	**Operational risk**	**415**	**352**	**33**
UK 23b	Of which standardised approach	415	352	33
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	68	5	5
29	**Total**	**999**	**838**	**80**

Note: Selected non-aplicable rows have not been presented.

The overall increase in risk weighted assets was driven by an increase in credit risk weighted assets of approximately £100 million and an increase in operational risk weighted assets. The increase in credit risk was mainly driven by Other Assets, overall up £55 million, mainly in relation to Deferred Tax. Operational risk weighted assets is updated on an annual basis and includes an update to the calculation methodology.

The Company exceeded the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. The Company sets the internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which allows for balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

4 Article 435 CRR II - Disclosure of risk management objectives and policies

Given the critical role that BNY Mellon plays supporting clients and its status as a Global Systemically Important Financial Institution ('G-SIFI'), the financial stability of all of its constituent legal entities, throughout market cycles and especially during periods of market turbulence, is recognised at the BNY Mellon group level as imperative. Clients and market participants need to have confidence that all of BNY Mellon's legal entities will remain strong, continue to deliver operational excellence and maintain an uninterrupted service. Therefore, the Company and the BNY Mellon group as a whole, are committed to maintaining a strong balance sheet and purposefully assume less risk than many financial services companies.

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does exhibit other types of risk as a result of its business model. BNY Mellon has developed an enterprise risk management framework that is designed to ensure that amongst other things:

- risk limits are in place to govern its risk-taking activities across all businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the Board takes place; and,
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Board has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles combined with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates and a robust capital structure, whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

The Company’s risk profile is assessed and monitored using a legal entity Risk Identification Process ('Risk ID'). The legal entity Risk ID is a management tool designed to provide a high level view of an entity's risk landscape, across risk types. The Risk ID, alongside the entity's Risk Appetite Statement, are key components within the strategy of the entity. Applied to the Company, the legal entity Risk ID enables management to focus on the key risks to which the entity is exposed. The materiality and significance of risks in the legal entity Risk ID are based on both a quantitative and qualitative assessment of the impact for each risk, both from an inherent (before controls) perspective and from a residual (after controls) perspective.

The Company is exposed to various risks, the most material of which are strategic, operational, credit, market, liquidity, and model risk. Transversal risk drivers such as reputational and conduct risk are not explicitly singled out as they are felt to be intrinsic to the other risk types. However, maintaining a strong brand and reputation is fundamental to our ability to attract and retain clients and as such we consider any reputational impact as part of our overall risk management process. Similarly the result of poor conduct could result in a lack of confidence from our regulators, our clients and other key stakeholders. As such, our adherence to the conduct risk regime is considered via the wider risk management process. Other key transversal risk drivers of focus for the entity are climate change as well as operational and technological resilience.

The above risks are managed by the Company in line with the BNY Mellon Group Risk Management Framework, including the 3 line of defence model and governance requirements. Any capital requirements for these risks have been assessed utilising models under business as usual ('BAU') and stressed conditions.

Adherence to the risk management framework ensures that:

- risk appetite principles and associated limits are in place to govern its risk-taking activities across all business and risk types;
- these risk appetite principles and associated limits are incorporated into its strategic decision making processes; and,
- monitoring and reporting of key risk metrics takes place and that these are reported to senior management and the Board.

In accordance with the Board defined Risk Appetite Statement, the Company is committed to maintaining a balance sheet that remains resilient throughout market cycles; a balance sheet which is characterised by significant liquidity, strong asset quality and a capital structure that is adequate to support the bank's risk-taking activities as well as being able to absorb potential losses. The Company is also committed to delivering operational excellence to meet the expectations of its stakeholders, including its clients, shareholders, employees and regulators.

The Company monitors its capital adequacy in accordance with the Basel Framework, on the basis of Pillar 1 requirements (Regulatory Capital Requirements) as well as Pillar 2 (ICAAP). Both concepts are subject to Board approved risk appetite limits.

Given the capital adequacy ratios and capital surplus, the Company concludes that its capital and risk management arrangements are sufficient at 31 December 2022 to face the risks of the entity:

- the Pillar 1 capital requirement was £80 million (31 December 2021: £67 million); CET1 was £733 million (31 December 2021: £761 million); the CET1 ratio was 73.4% (31 December 2021: 90.8%) which was significantly higher than the Pillar 1, Pillar 2A and combined buffer requirements applicable to the Company.

The Company's Pillar 1 capital requirements are calculated according to the Basel standardised approach for credit risk, counterparty credit risk, market risk, operational risk, and for credit value adjustment ('CVA'). The Company's capital ratios (Common Equity Tier 1 ('CET1'), Tier 1 and Total Capital) are monitored daily against regulatory thresholds defined by the PRA's Supervisory Review and Evaluation Process ('SREP'), the CRD V buffers and Board defined risk appetite limits.

The Internal Capital Assessment uses BNY Mellon capital models which follow an approval process including independent validation by BNY Mellon’s Model Risk Management Group. These capital models are presented to and challenged by the Company's Capital and Stress Testing Committee; a committee focused on Internal Capital Assessment related subjects. Capital is assessed for all material risks identified within the Company.

The Internal Capital Assessment is calculated quarterly, with approximations applied to estimate monthly internal capital requirements. A three-year financial forecast is used to project future capital requirements. Capital assessments are performed under baseline and stressed conditions, taking into account any changes to accounting elements (balances and profitability) and the risk profile.

Capital stress tests, pre and post identified management actions, are used to assess the resilience of the Company to adverse systemic and idiosyncratic shocks. Capital stress tests are identified within the legal entity taking into account the Company’s business model and forecasts of the future economic environment.

4.1 Risk Appetite Statement ('RAS')

The Company’s RAS is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations within its resource capacity. The statement applies to all subsidiaries and is reviewed at least annually or when the Company’s risk profile changes.

The Company defines risk appetite as the aggregate level of risk a legal entity is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the legal entity and its risk capacity. The Company has, in line with the Enterprise Risk policy for risk appetite, defined a RAS which recognises the inherent nature of both financial risks (i.e. credit, market, liquidity) and non-financial risks (i.e. operational, model, strategic) and the reliance on their respective risk management frameworks to mitigate them.

The Company uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. In addition, the legal entity Risk ID is also utilised to determine if the entity is outside of its quantitative and qualitative risk appetite. The entity risk profile and risk appetite metrics are actively monitored and managed through monthly risk management committees to ensure alignment with the entity's risk appetite.

As at the disclosure date, the company's capital and liquidity ratios are above the risk appetite set by the Company.

4.2 Capital stress testing

Capital stress testing is undertaken within the Company to quantify risk and capital requirements to determine whether sufficient capital resources are available on a forward-looking basis. The capital stress testing process considers enterprise-wide scenarios that cover a range of adverse circumstances of varying nature, severity and duration relevant to the Company's risk profile and vulnerabilities. The capital stress testing process also considers management actions to minimise stress impacts and where appropriate, the process allows for recommendations to strategic and/or capital actions.

4.3 Internal Capital Adequacy Assessment Process ('ICAAP')

An ICAAP document is produced at least annually for the Company on a consolidated basis, including its subsidiaries, in accordance with regulatory guidance. The process and document is owned by the Board. The purpose of the ICAAP is to:

- provide an on-going assessment and monitoring of the Company’s capital risks such that they remain within the risk appetite established by the Board;
- determine how much capital is likely to be necessary to support those risks at the moment the assessment is made and also over the Company's three-year planning horizon, both under baseline and stressed conditions;
- provide the necessary information so that senior management and the Board can make decisions about the amount of capital that is required and the approach to risk management that should be adopted.

The ICAAP aids to ensure there is sufficient capital to adhere to the Board defined risk appetite for both internally defined and regulatory capital requirements under business-as-usual and stressed conditions. The Company’s ICAAP document also includes a separate longer term climate change scenario assessment.

The Company submits its ICAAP document to the regulator, upon request, as prescribed by supervisory policy.

4.4 Recovery and resolution planning

A Recovery Plan is produced at least annually for the Company on a consolidated basis, including its subsidiaries, in accordance with regulatory guidance. The plan is owned by the Board. The recovery plan is designed to ensure that the Company group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises.

The Company submits resolution information to the regulator, at a minimum on an annual basis, as prescribed by supervisory policy.

4.5 Board of Directors

The main duty and responsibility of the Board is to approve the strategy and supervise the management of the Company. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns the Company's strategy to that of its primary shareholder (see section 1.2 Scope of consolidation). The Board has overall responsibility for the establishment and maintenance of the Company's risk appetite framework and for the approval of the Risk Appetite Statement ('RAS'). The Board must ensure that strategic and business plans are consistent with the approved risk appetite. The Board also has responsibility for:

- approval of the Company's risk management framework, RAS and risk tolerance limits; and,
- ensuring maintenance of a sound system of internal control and risk management.

The Board meets at least 4 times per year and the directors who served during the year were:

Board member	Function at the Company	Other Directorships
H Kablawi	Head of International and EMEA Chairman	
M Murphy [1]	Chief Executive Officer, UK Head of Asset Servicing and Digital	
J Jack	Chief Financial Officer, International	1 external entity (non-executive) [2]
J M Johnston	Non-Executive Director, Chair Nomination Committee and Member of Audit Committee	
P Bergamaschi Broyd	Independent Non-Executive Director, Chair Risk Committee, Member of Audit and Nomination Committees	3 external entity (non-executive)
M J Dodds	Independent Non-Executive Director, Chair Depositary Advisory Council and Member of Audit and Risk Committees	
G A Efthimiou [3]	Independent Non Executive Director, Chair Audit Committee, Member of Risk and Nomination Committees	1 external entity (non-executive)

Notes:

[1] Appointed 18 October 2022.

[2] An entity which does not do a predominantly commercial objective.

[3] Appointed 18 March 2022.

S O'Connor resigned as Non-Executive Director with effect from 6 April 2022.

K Damsell resigned as Executive Director with effect from 5 May 2022.

S Revell resigned as Executive Director with effect from 31 May 2022.

The Company has established a Diversity Policy, which sets out its approach to promoting diversity on the Board.

The Company has an unwavering commitment to diversity and inclusion in all its forms, including diversity of thought, experience and background. This commitment is not only important to the Company's culture and to each director as individuals but it is also critical to the Company's ability to serve its clients and grow its business. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes on the Board provides a range of perspectives, insights and challenge needed to support good decision making. Board appointments are based on an individual's skill, ability, experience, training, performance and other valid role-related requirements.

The Nomination Committee ('NomCo') is responsible for reviewing the structure, size and composition of the Board, (including its skills, knowledge, experience, and diversity) and making recommendations to the Board with respect to any appointment. In identifying suitable candidates for a particular appointment, the NomCo considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Company recognises the importance of having gender diversity on the Board. The Company did not meet its female representation target as at the disclosure date however the Company has approved additional appointments to the Board, subject to regulatory approval, which will result in the gender diversity target being met. The NomCo will continue to review all relevant diversity targets on a regular basis.

4.6 Climate-related disclosures

Our climate ambition and strategy

BNY Mellon is committed to putting the *Future First*SM by using our global reach, influence, and resources not just to power success today, but to help safeguard the future. In the UK, BNYMIL is equally committed to this ambition. Delivering on our Environmental, Social and Governance ("ESG") strategy, we *Consider Everything*SM, starting with our own enterprise-wide practices. The Group is committed to the development of programmes that help reduce the carbon footprint of its operations and manage the risks that arise from climate change. As a global financial services provider, the Group recognises the important role it plays in transitioning to a low carbon world. To that end, the Group endeavours to provide climate change client solutions to help its clients meet their own goals. The Group continues to consider climate-related, environmental and other social and governance risks as potentially impacting financial risks (such as credit, market, and liquidity risks) and non-financial risks (such as operational and strategic risks).

By incorporating the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"), the Company aims to illustrate the progress it has made as well as openly acknowledging the progress it needs to make to enhance its efforts and manage the impact from the risks and opportunities posed by climate change. Where enhancements are needed to align with the TCFD recommendations, the Company has highlighted this under each section.

Governance
Board oversight of climate-related risks and opportunities:
The Board recognises the importance of managing climate-related risks and steps have been taken to enhance its oversight. The Board has delegated certain responsibilities to the committees noted below to ensure the effective embeddedness of climate-related risks amongst these governance forums. Respective Terms of Reference ("TOR") for these committees include responsibility for managing climate-related risk: • Risk Committee of the Board; • Risk Management Committee; and • Capital and Stress Testing Committee. The Board meets on a quarterly basis and receives updates from the above-mentioned committees, who have considered climate-related risks as part of their responsibilities, ensuring effective oversight from the Board. The quarterly update to the Board includes a climate risk report for the entity that captures the financial and non-financial impacts of climate change. The Board approves the following activities/reports where climate-related risks impacts are considered – Annual Strategy, Annual Risk Appetite Statement, Annual Risk Assessment and quarterly review, Internal Capital Adequacy Assessment Process ("ICAAP"), Annual Financial Statements and Pillar III Report. The Board has adopted a climate strategy, which proposes the following: • A Global Footprint Approach; • A Global Climate Risk Approach; and • A Global Approach to Clients and Products. The Chairman of BNYMIL is the Senior Management Function ("SMF") allocated responsibility for 'identifying and managing the financial risk from climate change.' The Chairman delegates climate-related risk responsibilities to the following SMFs for BNYMIL: • SMF 2 and International Chief Finance Officer – Disclosures; • SMF 3 and International Treasurer - Stress Testing and Scenario Analysis; • SMF 4 and Global ESG Risk and Compliance - Risk Management Framework; and • The Line of Business and Operations SMF community have an additional goal to consider climate and environmental sustainability risks and opportunities in business operations and decision making as the Group ESG framework and related risk appetite and strategic objectives mature The Board has undertaken climate risk training and continues to be upskilled to ensure that all Board members are appropriately informed to understand and assess climate-related risks and opportunities as outlined below in the Risk Management and Metrics and targets sections. The Group Climate Strategy continues to evolve and will be presented for consideration at the BNYMIL Board with the objective of ensuring the corporate climate and environmental commitments are captured within the BNYMIL strategy. There is also a continued development of climate-specific Key Risk Indicators ("KRIs") to enable the BNYMIL Board to enhance its monitoring of climate-related risks, as well as any associated opportunities.

BNYMIL Management's role in assessing and managing climate-related risks and opportunities

BNYMIL has adopted the Three Lines of Defence ("LOD") model in deploying its risk management framework in line with the Group's organisational structure. The roles across each of the LOD are allocated as follows:

- The first line of defence (1st LOD) is the business or function. The business takes and owns the risk associated with its activities, and it manages the risks and the related control processes and procedures;
- The Risk Management and Compliance functions are the second line of defence (2nd LOD) and own the Group-wide risk management and compliance frameworks and provide independent oversight of the 1st LOD, ensuring that the 1st LOD understand and manage their risks through application of all elements of the frameworks and policies; and
- The third line of defence (3rd LOD) is Internal Audit, which independently provides BNYMIL Board of Directors and senior management with the assurance that the governance structures, risk management and internal controls are effective.

Dedicated 1st and 2nd LOD management is in place to provide support in developing climate-related strategy as well as support to assess and manage climate-related risks and identifying opportunities where relevant. In particular, the 2nd LOD is supported by a Global ESG Chief Risk & Compliance Officer ("ESG CRCO") who is responsible across the Group for the design and implementation of the climate-related risks requirements relating to the global risk frameworks. 1st LOD management are responsible for the embedding of these climate-related risks requirements and work in partnership with 2nd LOD to achieve this.

BNYMIL Executive Committee has established a Climate Change Council comprising a broad cross-section of 1st, 2nd and 3rd LOD teams. The Climate Change Council has been tasked with continuing to develop BNYMIL's plan to address financial risks and other climate change implications for the Company, leveraging existing governance structure, policies, and procedures. Climate change considerations are captured in BNYMIL's annually refreshed Strategy and Risk Appetite Statements, which are subject to approval by the Board of Directors, as well as more generally across the Risk Framework. Amongst other things, the Climate Change Council is responsible for training, client and vendor engagements, stress testing and financial disclosures.

In 2023, the Risk Framework will continue to mature and link impacts of climate change and nature on the Social and Governance aspects of ESG Risk Framework while continuing to mature the environmental risk factors.

Strategy

Overview (Climate-related risks and opportunities identified over the short, medium, and long term)

BNYMIL's quarterly risk assessment considers both physical and transitional risks across time horizons. The climate-related risk profile report produced quarterly for BNYMIL articulates climate-related financial and non-financial impacts.

As a provider of custody banking services, BNYMIL recognises that it has a role to play by ensuring the products and services it develops help clients integrate climate change into their asset management activities. The Company leverages its insights on portfolio exposures and construction with its clients and this service is one that can support client education and awareness. This is an on-going opportunity where BNYMIL will leverage its unique position to the advantage of its clients. During 2022, the Group enhanced several reporting services and products, including a powerful, artificial intelligence informed ESG Data Analytics tool. Clients can use this tool to support decision making as it consolidates sustainability data from multiple sources into actionable portfolio monitoring, analysis and reporting. The application creates transparency and alignment between market participants, enabling them to build customised, sustainable investment solutions. It draws on the Group's data management expertise and wide network of clients. Selected ESG data can also be incorporated into customisable reporting solutions so that institutional investors can communicate the ESG exposures within investment portfolios, including financial impact, carbon metrics and other factors.

BNYMIL will explore the possibility of expanding its scenario testing to clearly identify the potential impacts of physical and transitional risks identified, as well as the associated opportunities related to those areas across short, medium and long-term horizons. Ongoing measurement and reporting will be used by the Company to support management discussions and the development of risk strategy with respect to climate change. In addition, the Company will explore the possibility of further developing climate-friendly products that will enable the Company and its clients to have a positive impact in the fight against climate change.

Impact of climate-related risks and opportunities on BNYMIL's businesses, strategy, and financial planning

BNYMIL has considered climate-related impacts across all risk categories and processes to support ongoing monitoring and decision making, including decisions relating to ongoing strategy. The impact of climate-related risks on business strategy is predominantly focused on changes to strategy at the micro level – understanding of climate-related risks supports individual decision making as part of the development of clients, products, and services.

BNYMIL has considered three 30-year Network for Greening the Financial System ("NGFS") developed scenarios to assess the financial impacts of climate-related risk on the business; the same pathways/scenarios were utilised in the ICAAP and Internal Liquidity Assessment Process ("ILAAP"). The analysis considered the impacts of internal and external factors (such as physical and transitional risks) on several areas such as:

- Products & services;
- Client base;
- Competitive landscape; and
- All stakeholders.

The approach to scenario analysis will continue to be enhanced and run periodically to inform any strategic decision making and risk management.

The analysis undertaken in BNYMIL's 2022 ICAAP and ILAAP illustrated an immaterial impact from climate-related risks relative to overall risk profile, and therefore business strategy remains unchanged.

BNYMIL continues to monitor climate-related risks as reported through KRIs and stress testing. These are increasingly important considerations at the overall strategy setting level and processes are being put in place to ensure management are aware of climate-related risks as part of the strategy setting process. Stress testing considers longer term strategic implications directly associated with climate change and considers explicitly the impact to, and response of, the Group's strategy consistent with NGFS carbon transition pathways.

BNYMIL will consider appropriate opportunities that will provide the most impactful return to the Company and its stakeholders (including its customers) in addressing the risks and opportunities of climate change. Further details about climate-related risks and opportunities identified and associated decisions and actions will be disclosed as the Company further matures its approach.

Risk Management

The management of climate-related risk is integrated into BNYMIL's standard Risk Management Framework, which includes a formal process to identify and assess risks, maintaining an internal control environment, establishing risk appetite, and embedding risk considerations into decision making. The process is underpinned through risk management policies and procedures.

While the impacts of climate change have been assessed as immaterial relative to the overall risk profile, it is nonetheless managed and monitored in line with material risks should the profile change in future.

Processes for identifying and assessing climate-related risks

Climate-related risk identification was performed by BNYMIL taking account of the climate-related risks assessments performed by lines of business and considered potential physical and transitional climate-related risk "transmission channels", considering short, medium, and long-term horizons. Assessment was based on qualitative judgement and with reference to KRIs used to monitor climate-related risks (refer to the next section). The assessment considered only if a given transmission channel could impact the risk faced by BNYMIL and not whether the risk is or could be material. This assessment highlights several key risk impacts to which BNYMIL may be exposed to now or at some point in the future. Based on this analysis, it was determined that climate-related risk does not reflect a material risk driver at this stage but may become material in future. Currently, no financial risk types are significantly increased due to the impacts of climate change. Risks with the potential to be material include:

Transitional: *arising from the changes required to meet a low carbon economy in line with Paris Agreement targets.*

- Product and business development risk
- Outsourcing risks
- Legal and litigation risks
- Strategic and reputational risk

Physical: *arising from both acute and chronic changes to climate.*

- Premises and operational resilience
- Outsourcing risks

Processes for managing climate-related risks

Embedding climate-related risks in day-to-day risk management ensures that the processes used to take on a new client, process, product, or third-party relationship incorporate climate-related risks. To do so, risk assessments are performed to assess all potential sources of risk, including climate-related risk impacts, which may require mitigation and/or escalation through the decision-making process. Each of these is described further below:

New Clients: Climate-related, and broader ESG, risk considerations are incorporated into the standard client assessment approach for onboarding new clients. The process incorporates a dedicated screening mechanism to identify potential strategic and reputational risks associated with new clients. Escalation thresholds have been built into this Business Appetite Framework process and once triggered, get reviewed though an ESG subject matter expert governing body, for recommended actions back to business.

Product and Service Development: Climate-related risks are considered as part of the Company's product and service development process. This includes, for example, taking into consideration the potential risk of not developing products and services for clients that are aligned to their climate-related risk strategic goals.

Third party relationships: The process to consider the physical and reputational risks of vendors and third parties arising from climate-related risks continues to mature. The due diligence process captures resilience capabilities of the vendor, including physical, reputational, and other relevant risk impacts associated with climate change, along with other risk considerations.

Further embedding of climate-related risk decision-making in the business areas is supported by ongoing training, and development of decision-making tools and processes. Training encourages participants to lead by example and set the tone to support a culture that institutionalizes appropriate risk management behaviour with respect to climate.

Climate Risk Management

The risk appetite for BNYMIL does not currently include setting limits against risk drivers but rather includes climate-related risk as a driver of risk. However, as a potential cause of adverse events, a climate-related event could lead to an increase in risk that may increase the chance of a limit breach across any risk category for which risk appetite limits are set. On that basis, ensuring that risk concentrations are minimised, and risk is appropriately identified, assessed monitored and managed is key to the framework. Limits are in place at the risk category level and capture the impacts of all risk drivers, including climate-related risk.

Climate-related risk is further monitored through climate specific KRIs that measure levels of risk. A quarterly Climate Risk Report for BNYMIL is used for periodic monitoring and reporting of climate-related risks. The report includes quantitative and qualitative metrics/KRIs which capture the different elements of climate-related impacts.

There are embedded processes to report and discuss climate-related risks to the BNYMIL Board and relevant sub-committees to support senior management review and decision-making. The reporting includes results from ongoing monitoring as well as general updates on climate-related regulatory landscape.

Metrics and Targets

BNYMIL as an outsourcing recipient leverages the Group's structure to deliver products and services to its client base. The Group has defined climate-related risks as risk drivers impacting most risks outlined in its Risk Appetite Statement. The Risk Appetite Statement incorporates a dedicated section requiring all staff to ensure that climate-related risks impacts are considered within ongoing risk assessments across all risk types. This includes the adoption of the Enterprise Identification & Assessment Policy alongside other risk specific considerations.

In general, and as noted in the previous section, the current approach to setting of risk appetite does not involve the setting of limits and associated thresholds against any risk drivers, including climate-related risks.

The Group has defined KRIs for financial and non-financial risks, which are used as part of monitoring and management of climate-related impacts. The section below highlights the KRIs relevant to BNYMIL.

Strategic risk

This is a risk arising from adverse business decisions, poor implementation of business decisions or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions / divestitures / joint ventures, and major capital expenditures or investments. Examples include:

Physical risk

- Impact on operational resilience through physical events, in turn impacting ability to deliver on strategic objectives.

Transition risk

- Adverse publicity from interactions with clients, activities, or vendors who themselves attract negative attention.
- Failure to keep pace with changes in client demands for products which incorporate climate-related considerations.
- Inability to attract or retain staff, or impacts on client relationships, due to a failure to maintain a suitable climate-related strategy.
- Ability to deliver on existing strategy and maintain profitability as part of climate transition.

Key metric

- Value of revenue derived from clients in industries with high carbon weighted intensities.

Operational Risk

This relates to the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes compliance and technology risks. Examples include:

Physical risk

- Additional operational losses as a result of increased severity of physical loss events.
- Losses due to resilience implications of physical impacts on internal, inter-affiliate or other third-party failures.

Transition risk

- Litigation and/or loss of business resulting from a failure to achieve stated objectives, mis-reporting or fiduciary requirements or expectations.
- Failure to manage or understand regulatory requirements leading to non-compliance with applicable regulation.
- Loss of business due to failure to meet investor and client expectations around climate risk considerations.
- Losses from sudden policy or regulatory changes that impact markets.

Key metrics

- Number and value of losses associated with operational risk events recorded due to weather related causes.
- Number of incidents recorded due to weather related causes where no loss or impact is recorded but used to provide an indication of trend in noted incidents and hence potential risk, which are reported through enterprise resiliency reporting monthly.
- Number of third parties with higher risk physical and reputation risks.

Credit Risk

This is the risk of loss if any of our borrowers or other counterparties were to default on their obligations to us. Credit risk is present in the majority of our assets, but primarily concentrated in the loan and securities books, as well as foreign exchange and off-balance sheet exposures such as lending commitments, letters of credit and securities lending indemnifications. Key vulnerabilities due to both physical and transitional risks may exist in relation to exposures to:

- Direct credit provision or the purchase of assets issued by corporates operating in industries or geographies vulnerable to structural change or physical risk events;
- Impacts on collateral valuations due to physical events; and
- Holding of corporate bonds within the firm's own portfolio of assets - whose valuations may be impacted by physical or transitional risks.

Key metrics

- Value and percentage of in scope credit portfolio in high and moderate carbon intensive sectors/geographies.
- Weighted Average Carbon Intensity ("WACI") to monitor climate risk-related concentrations in the credit and investment portfolios.

Market Risk

Market risk relates to the potential loss in value for the BNY Mellon financial portfolio caused by adverse movements in market prices of FX, fixed income and equity assets, credit spreads, commodities and liabilities accounted for under fair value and equivalent methods. An example of physical risk includes losses driven by changes in market risk factors from systemic market changes in case of natural disasters or weather event. Transition risk example includes losses driven by changes in market risk factors from systemic market changes in case of changes in market perception of future profitability for underlying issuers of positions held on balance sheet by BNY Mellon.

Key metric

- Trading book fair value stress loss based on a designated NGFS climate scenario.

Liquidity Risk

Liquidity risk is the risk that BNY Mellon cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flows, without adversely affecting daily operations or financial conditions. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, the inability to raise cash in the markets, deposit run-off or contingent liquidity events.

Physical risks

- Changes in value of corporate bonds within the portfolio of assets held by BNY Mellon to support liquidity management whose valuations may be impacted by physical risk events.
- Outflows of cash due to client demands following physical risk events.

Transition risk

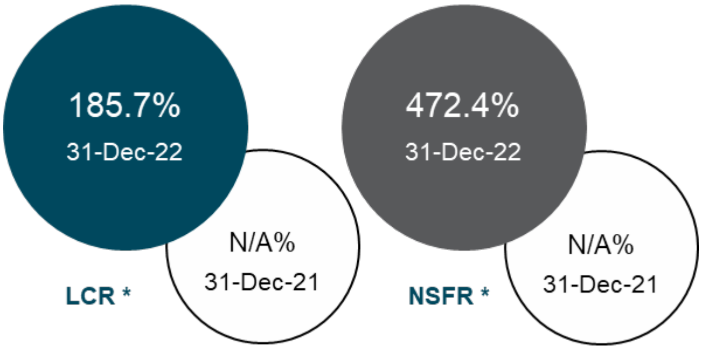
- Changes in value of corporate bonds within the portfolio of assets held by BNY Mellon to support liquidity management whose valuations may be impacted by market changes in perception of value.

Key metric

- Stress impact on liquidity metrics based on a designated NGFS climate scenario.

  Strategic and reputational risks associated with climate remain the primary area of focus for BNYMIL, with tools being in place to understand and mitigate specific risks as they arise. Further enhancements will continue to focus on extending metrics to support management decision making.

4.7 Liquidity risk



* Liquidity metrics are presented on an average basis in accordance with Article 447(f)(g) CRR II. Following the implementation of CRR II on 1 January 2022 the comparatives are not provided due to a change in the disclosure instructions from those reportable at 31 December 2021.

The Company defines liquidity risk as the inability to access funding, convert assets to cash quickly and efficiently, especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations.

The Company's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the financial condition of the Company.

4.7.1 Liquidity risk management

The Company seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs to maintain sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimising the balance sheet. The Company has a liquidity risk management framework consisting of a combination of regulatory and internal processes and controls allowing it to measure, monitor and manage liquidity risk.

The PRA has set out final rules with regards to the liquidity coverage requirement ('LCR') for credit institutions. In relation to the Company these regulatory liquidity requirements, primarily include:

- OLAR - Adhering to the Overall Liquidity Adequacy Rule;
- ILAAP - Individual Liquidity Adequacy Assessment Process;
- LCR - Implementation of the LCR and specific aspects of liquidity risk management (including the Individual Liquidity Guidance ('ILG') or a Pillar 2 add-on); and,
- liquidity stress testing and asset encumbrance.

The Net Stable Funding Ratio ('NSFR') measures the stability of the funding profile over a one-year time horizon by relating the Bank's Available Stable Funding (ASF) to its Required Stable Funding (RSF).

In addition to adhering to the regulatory requirements pertaining to liquidity risk management, the Company has internal controls and liquidity risk monitoring tools in place to measure, monitor and manage liquidity risk. These are as follows:

- early warning indicators ('EWI');
- internal liquidity metrics;
- internal Liquidity Stress Testing including internally assessed liquid asset buffer; and,
- live crisis simulations.

The Company aims to be self-sufficient for liquidity and seeks to maintain a very liquid balance sheet at all times. The Company's balance sheet is liability-driven primarily due to deposits generated through its asset servicing and custody business activities. Liabilities and sources of funds consist mainly of third-party client deposits and intercompany deposits.

The Company maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, the Company does not engage in extending loans to clients and therefore funding assets is not a significant use of liquidity. While sizeable overdrafts can periodically appear on the Company's balance sheet, large deposits offset these amounts. The Company is currently not a direct participant in a payment or settlement system and does not have obligations to maintain collateral at financial market utilities ('FMUs').

Currently the Company only receives collateral from other BNY Mellon entities on a title transfer basis as part of the group's liquidity management strategy. However, there are 'pledge' or 'lien' arrangements in place with some customers such that their assets under custody serve to support any credit exposures arising from loans granted to the customer.

With the approval of the Company's ILAAP, management formally declares adequacy of its liquidity risk management framework. The Company therefore considers itself to be compliant with its own and BNY Mellon Group policies.

4.8 Credit risk

	31-Dec-22	31-Dec-21
Total gross credit risk exposure	£12,449m	£12,464m
Total credit risk exposure post CCF and CRM	£9,012m	£9,558m
Risk weighted exposure	£569m	£466m
Credit risk capital requirement	£46m	£37m

Credit risk is the risk that an obligor/issuer is unable or unwilling to satisfy an obligation when it falls due. Credit risk can originate from on and off-balance sheet obligations such as deposits, loans, commitments, securities, OTC derivatives and other assets by failing to make the required repayments when due.

Understanding, identifying and managing credit risk is a central element of BNY Mellon's successful risk management approach. The Company's credit risk is managed in line with BNY Mellon's Risk Appetite Statement to minimise losses whilst identifying future potential risks. This section describes the effective management and governance of credit risks across the Company. The principles, methodologies, and processes outlined in this section relating to credit risk are reviewed and may be modified as part of the regular review of credit policy.

The Company has a liability-driven balance sheet and typically engages in the provision of custody services to its clients. The credit exposure of the Company is predominantly generated from the following:

Client Lending:

Credit facilities are provided on an advised but uncommitted basis to some Investment Trusts.

Unadvised, uncommitted intraday and overnight internal guidance facilities may be provided in support of asset servicing operational activity (trade settlement, cash wire activity, FX trading, etc.) subject to client credit quality and contractual documentation.

Nostros:

Whilst the Company does maintain a small number of direct nostro accounts, it largely utilises the sub-custody networks of other banks within the BNY Mellon group. The Company does maintain substantial cash balances on its nostro account with the Bank of England. Nostro balances mainly occur as a result of underlying client custody activity (trade settlements, securities maturing, etc) which are largely dependent upon client activity rather than the Company's own Treasury function, with the exception of Corporate Treasury's management of the balances with Bank of England.

Daylight/Intraday Credit Exposure:

Intraday credit exposure can be created from three sources:

- daylight (or intraday) limits that are authorised by Credit Risk Management to facilitate client activity for various businesses and products throughout BNY Mellon. These daylight limits permit straight through processing ('STP') of transactional activity and may generate intraday credit exposure up to the approved limit, with the expectation that the exposure will be cleared by the end of the same business day;
- intraday credit exposure is derived from timing differences arising from BNY Mellon operational processes and/ or settlement activity that results in the extension of credit, which is expected to be extinguished within the business day when the payment and/or settlement activity is completed. For example, a client's account may be credited based on the anticipated settlement of securities sales or a payment made on behalf of a client in the morning, whilst the covering funds may not be received until late in the afternoon; and,
- additional intraday credit exposure can arise from the credit approval of a transaction for which no approved limit exists or which exceeds the approved limits, if approved on an exceptional basis. The expectation remains that the exposure will be cleared by the end of the business day.

Any potential credit generated via these sources will be cleared by the end of the day (transaction value date) in most cases as funding will have been received. In a minority of cases the exposure will then become an overnight credit exposure if not cleared.

Cash Placements:

The Company deposits funds with, or purchases certificates of deposits issued by, other banks.

Securities:

The company maintains a highly rated securities portfolio that consists of high quality liquid assets (sovereign & sub-sovereign debt, supranational debt and covered bonds), corporate debt and securitised asset investments.

4.8.1 Credit risk management

Understanding, identifying and managing credit risk is a central element of BNY Mellon’s successful risk management approach. The Company’s credit risk is managed in line with BNY Mellon’s Risk Appetite Statement to minimise losses whilst identifying future potential risks.

At the outset of a new agent bank, trading counterpart or customer relationship a review is undertaken by the business in partnership with Credit Risk Management to determine the client’s suitability for the products offered and the Company’s risk appetite for the name. Once it is agreed that the relationship can be entered into and suitable credit limits made available to accommodate the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. As the First Line of Defence, the business has primary responsibility to identify the nature and quantum of credit risk that may be incurred as a result of any business relationship. The Credit Risk Management function assists in that assessment as the Second Line of Defence.

Credit risk management is an outsourced service provided under Service Level Descriptions ('SLDs') to the various global BNY Mellon legal entities. Each legal entity Board will approve both an appropriate RAS and a Legal Entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

Credit risk (including metrics, breaches and output) is effectively managed in a number of ways:

- nostros are maintained at minimum possible levels and within the large exposure limits, ensuring smooth operations and adherence to own fund requirements. The majority of nostro providers used are all major, well rated banks in their relevant countries;
- for custody clients, limits are calculated as a percentage of AUC. Most clients have, within their Global Custody Agreement ('GCA'), provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held with right of retention and sale if debts are not repaid;
- for legal reasons certain clients may not be able to provide a lien on their assets, or there may be some other inability to encumber the asset pool which may be held ultimately for the benefit of other parties (e.g. insurance companies, etc.). However, these clients are usually also highly rated financial institutions and therefore the risk is mitigated through their high credit quality;
- in some instances the provision of an overdraft to a client could result in a large exposure breach. To mitigate this risk, a Risk Participation Agreement is in place with The Bank of New York Mellon, whereby excess exposure can be legally transferred to the larger parent and thereby removed from the Company's balance sheet. This arrangement is fully collateralised where necessary, to offset the intragroup large exposure risk;
- Master Netting Agreements ('MNA') are in place to cover intragroup exposure between the Company and BNY Mellon SA/NV (31 December 2022: £0.1 billion) as well as the London Branch of the Bank of New York Mellon (31 December 2022: £2.4 billion). The agreements meet the requirements of the CRR for credit risk mitigation purposes; and,
- placement activity with third party banks is subject to credit approval and is only permitted after careful consideration of the quality of the counterparty bank, large exposure issues and exposure elsewhere within the BNY Mellon enterprise. Relationships with, and limits for, all banks are managed globally by BNY Mellon. The Company counterparty bank limits are managed as a subset within the overall limits approved by the parent.

The Company facilitates customer settlement activity which gives rise to receivables and payables across multiple accounts. On-balance sheet netting agreements have a similar effect to a ‘cash-pooling’ arrangement, insofar as the amounts due from customers can be recorded on a net basis across accounts.

The above arrangements provide for the ongoing ability for the Company to net credit exposure against liabilities it has to customers for the purposes of risk reduction and balance sheet management. This is separate from the ability to offset credit exposures against client cash and other assets in the event of default or where client contracts are terminated. Such provisions are standard in client documentation and very few exceptions are granted, especially where it comes to the offsetting of cash balances.

Currently the Company only receives collateral from other BNY Mellon entities on a title transfer basis as part of the group's liquidity management strategy. However, there are 'pledge' or 'lien' arrangements in place with some customers such that their assets under custody serve to support any credit exposures arising from loans granted to the customer.

Metrics supporting the management of credit risk, including significant overdrafts and exposures, are reviewed and reported to the Company's senior management on a monthly basis. Credit risk is monitored and controlled in real time through the Global Funds Control Platform and post-event monitoring is conducted by the Client Service area with secondary oversight from the Credit Risk Management function.

Credit concentration risk within the Company originates mostly through the Company's banking activities. The Company only has an appetite to place funds with, or invest in the debt of, institutions having an internal rating of 10 or better (equivalent to Moody's/S&P external rating of Baa3/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible counterparties for placements and investments purposes as well as the yield available, it also ensures that exposures are well controlled and attract a lower probability of default.

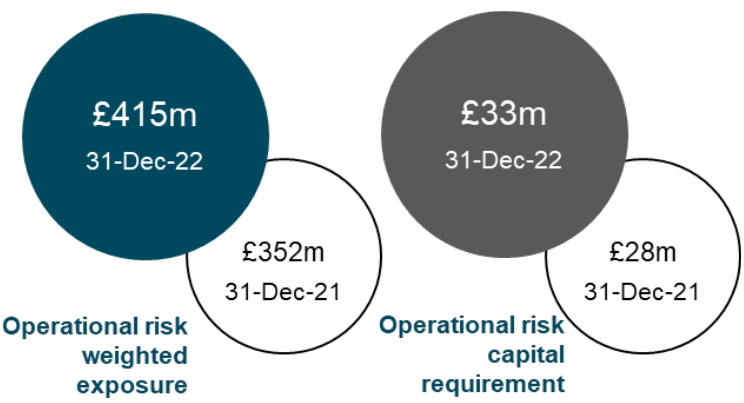
In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, Credit risk limits to non-intragroup entities, including shadow banking entities, are set below the threshold of 25% of regulatory capital, in line with CRR requirements.

Ongoing assessments of credit concentration risk are performed as part of the Pillar 2 risk assessment process.

Governance of credit risk oversight as a Second Line of Defence function is described and controlled through Credit Risk Policy and day-to-day procedures as follows:

- the credit risk policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;
- approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy. Each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. He/she must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit Risk Management is through the Board approved Credit Risk Policy;
- overdraft monitoring conducted within each legal entity - significant overdrafts are escalated in line with the Company's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management and risk committees.

4.9 Operational risk



Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events (including legal risk but excluding strategic and reputation risk).

Operational risk may arise from errors in transaction processing, breaches of internal control, systems and compliance requirements, internal or external fraud, damage to physical assets and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

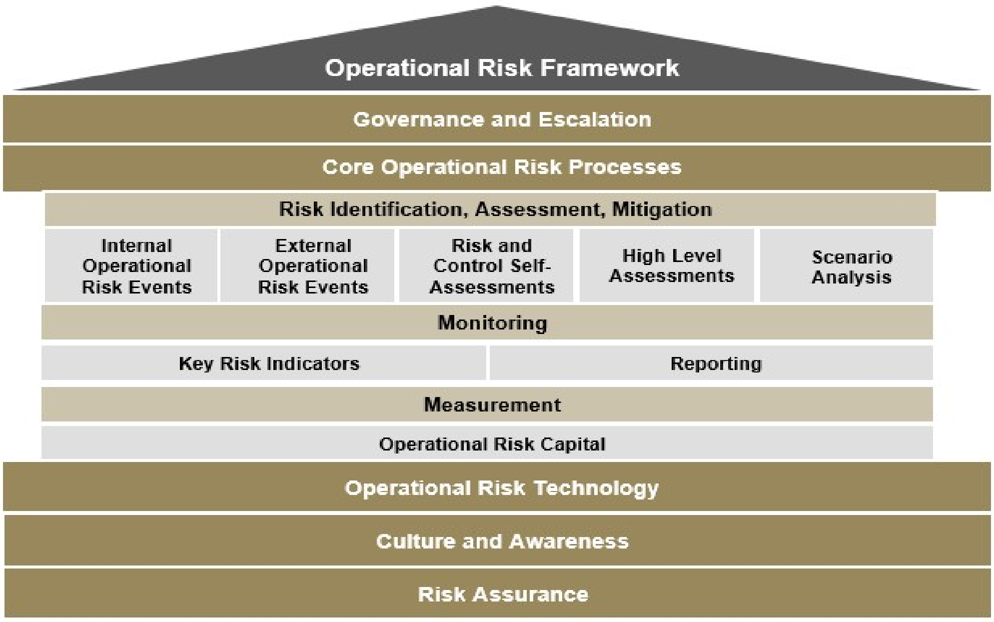
4.9.1 Operational risk management

BNY Mellon's Operational Risk Management Framework ('ORMF') provides the processes and tools necessary to fulfil a strategy of managing operational risk through a culture of risk awareness, a clear governance structure and well-defined policies and procedures. The framework ensures appropriate reporting and monitoring to allow effective identification, management and mitigation of risks within appropriate forums and governance bodies. To support this activity, a number of risk management activities are prescribed through both the Enterprise and Operational Risk Management programmes.

The Company uses the ORMF to effectively identify, manage, mitigate (where possible), monitor and report the risks in an organised way to the appropriate governance bodies. The ORMF defines roles and responsibilities through the global policy using the Three Lines of Defence model as a foundation. Thus, responsibility for the management of operational risk sits first and foremost with the business and functions.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and international risk oversight functions as well as decision-making forums, such as business risk committees and the Company's Risk Management Committee ('RMC').

The Company calculates the Pillar 1 operational risk capital resource requirement under the standardised approach. The Company's business mainly falls under the Agency Services business line which mandates a 15% beta factor to determine capital from gross income.



The tools utilised include but are not limited to:

Risk and Control Self Assessments ('RCSA')

Tool used by the Businesses and select Corporate Staff Departments to identify risks associated with their key business processes and to complete a detailed risk and control self-assessment.

Operational Risk Events ('ORE')

An ORE is the materialisation of an Operational Risk event. ORE data is the collection of internal losses, gains and near misses that provides meaningful information for assessing the Company's exposure to Operational Risk and the effectiveness of internal controls. Analysis of loss events provides insight into the root cause and information, such as trending, on whether a control weakness is isolated or potentially more systemic. OREs are mapped to Basel defined Operational Risk event categories and the impact to the Company is identified. Information on Operational Risk event losses or gains exceeding USD10,000 are analysed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. Furthermore, all OREs over USD10,000 are reviewed for root causes and possible mitigating actions are reported to the RMC monthly.

Key Risk Indicators ('KRI')

Key risk metrics are designed to monitor activities which could cause financial loss or reputational damage to the legal entity. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

Operational Risk Scenario Analysis ('ORSA')

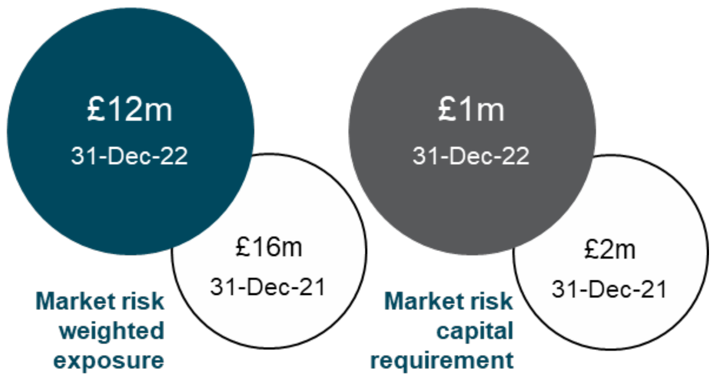
Scenario Analysis is a core element of the Company's Operational Risk management program as well as the stress testing and capital planning process. Operational Risk Scenario Analysis is used by the Company to identify and assess plausible, high impact, low probability operational risk loss events that could plausibly occur using a combination of the operational risk data and expert management judgement. Scenario analysis provides a broad perspective of risks faced globally based on the expertise of senior business and risk managers and supports an understanding of how significant operational losses could occur. Scenario analysis also supports, directly or indirectly, the calculation of operational risk capital by using the output of scenario analysis (frequencies and severities) as an input for Pillar 2A operational risk capital modelling.

Monitoring and Reporting

Monitoring and reporting of operational risks occur within the business, legal entity and international risk oversight functions, as well as decision-making forums such as the Business Risk Committee ('BRC') and the RMC. Regional committees such as the International Senior Risk and Controls Committee also monitor and incorporate the material risks of the Company in forming its regional risk assessment and facilitate the identification of common themes across international entities.

4.10 Market risk

Market risk is the risk to a firm’s financial condition arising as a result of adverse movements in markets, such as foreign currency exchange rates, interest rates and equity and commodity prices. It is a systemic risk; movements in markets are beyond the control of the Company. Market risk to the Company is reviewed in two contexts: impact on the balance sheet and impact on revenues and profitability.



The Company assumes market risk within the boundaries of its risk appetite as approved by the Board. The Company is currently exposed to two types of market risk: foreign exchange risk and interest rate risk:

- Foreign exchange risk in the Company arises from operational flows in foreign currencies as non-UK clients are predominantly billed in US dollars. FX translation risk is the risk that a change in foreign exchange rates will create adverse impacts to the financial performance of the Company. The Company is naturally exposed to this type of risk where there is a currency mismatch between income and costs. In order to mitigate this, open foreign exchange positions on the balance sheet are closed out on a regular basis as they arise and as a minimum at monthly intervals as set in the respective Corporate Accounting Policy. The Corporate Treasury FX swap activity is performed for risk mitigating hedging purposes but is classified as held-for-trading from an accounting perspective. There is no other trading activity in the Company.
- The Company's interest income is subject to the risk that as market interest rates change, the Company cannot pass all of the interest rate change to its clients. Interest rate risk in the banking book will also arise from maturity or repricing mismatches and from products that include embedded optionality. The risk could crystallise with changes in interest rate risk/the shape of the yield curve.

4.10.1 Market risk management

The Company manages market risk using a Three Lines of Defence approach (i.e. by each business unit, by Market Risk, and by Internal Audit).

Market risk limits are set consistent with the Company’s RAS and are jointly managed by the business units undertaking the risk and the Market Risk function (respectively, the First and Second Lines of Defence). Market risk exposure is measured, monitored and analysed using both quantitative and qualitative methods by the Market Risk function.

The Company measures, monitors, and analyses market risk in a manner consistent with applicable law, regulations, and supervisory guidance.

The control framework elements addressing market risk limits include the following actions by the Market Risk Management function:

- monitoring of utilisation of market risk limits on a daily basis;
- reporting of limit utilisation and limit breaches;
- periodic limit reviews;
- coordinating with business data providers to ensure the completeness and accuracy of data relating to market risk.

The current market risk mandate and limit schedule within this framework for the Company is simple and sets straightforward controls on the level of market risk exposure permitted in the Company's Treasury activities.

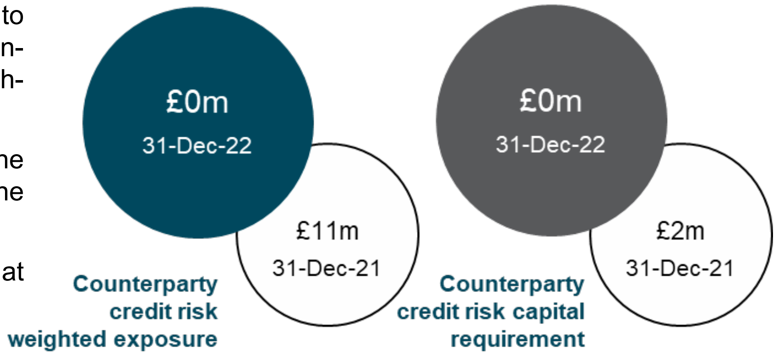
Market Risk Management independently monitors exposures against limits on a daily basis. Any breaches, depending on the level and type of limit that is breached, are escalated and notified to the Risk Committee of the Board ('RCoB'), ALCO, or to Senior Risk Management and Business Management.

4.11 Counterparty credit risk

Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non-trading book) defaulting before the fulfillment of cash-flow obligations.

The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

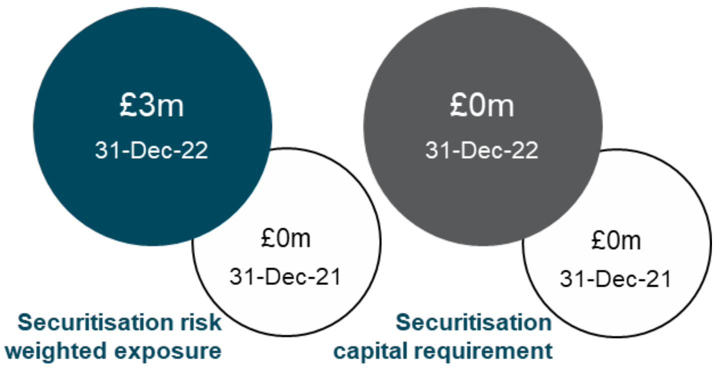
The Company had no derivative positions as at 31 December 2022.



4.11.1 Counterparty credit risk management

International Swaps and Derivatives Association ('ISDA') Master Agreements and netting can be used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

4.12 Securitisation risk



A securitisation is a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics:

- payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and,
- the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

The Company accounts for securitisation investments in accordance with recognition, measurement and impairment standards set in IFRS 7 and IFRS 9. The major difference between a securitisation compared to a medium term loan note ('MTN') is linked to the repayment structure. The daily amortisation is similar for both securities. However, for a securitisation the principal is amortised as well, while an MTN would see amortisation on the premium only. The principal of a securitisation would reduce on coupon date.

4.12.1 Securitisation risk management

The Company invests in highly rated securitised products, within tightly defined limits, to expand and diversify its securities portfolio. The use of securitised investments is also expected to have a beneficial influence on profitability. The Company acts only as investor in traditional STS securitisation instruments, which means a securitisation involving the economic transfer of the exposures being securitised, it did not invest in re-securitisation assets at the reporting date. For completeness, the Company does not securitise assets, it only invests in residential mortgages backed securities ('RMBS') originating in the UK. Further, there is no significant risk transfer in the Company's securitisation assets as investor. These investments are part of the investment guidelines and governed by a dedicated risk framework, which is applied when buying a securitised asset. Equally, the Company does not utilise any Securitisation Special Purpose Entities ('SSPE') in its investments.

The Company has pre-trade risk management controls in place covering all financial risk domains: credit, treasury, market risk. Investments are checked against a limit framework taking into account a set of conservative criteria, including minimum ratings (currently AAA), low concentration within an issue, preference for STS issuances, low issuer concentration, investments in countries with a perceived strong mortgage market and liquidity levels.

External credit agencies, Moody’s Investors Service, Fitch, and Standard & Poor’s are used to asses the credit ratings of all its securitised investments which in turn drive the risk-weighted exposure calculations.

4.13 Interest rate risk

Additional commentary is included under section 4.10 Market risk of these disclosures.

4.13.1 Interest rate risk management

The Company is committed to managing Interest Rate Risk in its Banking Book ('IRRBB'), inherent to its business strategy and model, within the Company's risk appetite. The Company recognises that its activities, in particular its investment portfolio and deposits, represents a source of market and interest rate risk. The approach to IRRBB management incorporates the risk appetite over both short-term and long-term time horizons, in order to maintain a balance between current income and long-term market value volatility.

4.14 Strategic risk

Strategic risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or Business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/ divestitures/joint ventures and major capital expenditures/investments.

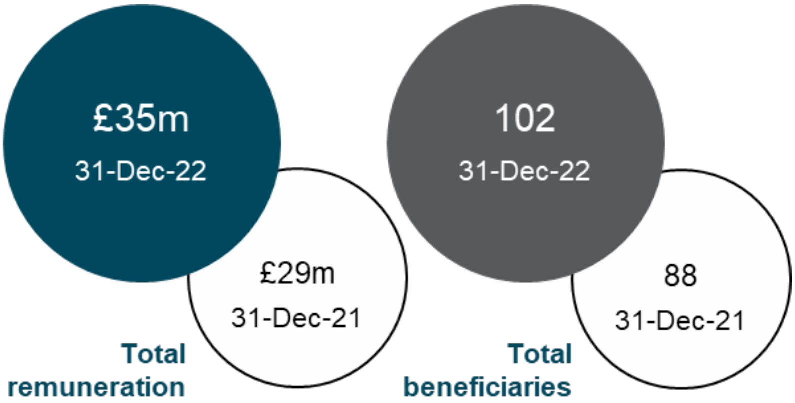
The Company seeks to minimise this risk by having a thorough understanding of the markets in which it participates, following a process of continuous improvement and that programs exist and direct investments are made that encourage and create innovative outcomes.

4.15 Model risk

Model risk relates to the potential loss that could be incurred as a consequence of decisions that could be principally based on the output of internal models which were incorrectly designed, implemented or used, or where stress conditions could invalidate the assumptions of such models.

The risks is deemed to be low given the relatively few models the Company operates which are all aligned with industry standards and fully vetted and approved by the 2nd line of defence Model Risk Management Group with those deemed material (e.g. ICAAP related) also being subject to ongoing internal audit reviews.

5 Article 450 CRR II - Disclosure of remuneration policy



Staff support to the Company is provided by employees contracted with the London Branch of the Bank of New York Mellon under an outsourced service arrangement. The Company is not an employing entity. The following information reflects the employment arrangements of the London Branch of the Bank of New York Mellon.

The increase in total beneficiaries is the result of natural attrition and replacements within MRT roles and the inclusion of Independent Non-Executive Directors ('INED') for the current year.

5.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including the Company, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of BNY Mellon's Board, acting on behalf of the BNY Mellon Board. In 2022, the committee met seven times.

Compensation Oversight Committee of BNY Mellon ('COC') is responsible for overseeing all incentive plans and regulatory matters related to company incentive plans and ensuring compensation plans are based on sound risk management. It provides governance and risk oversight and advises the HRCC on any compensation risk issues. The members of the COC are senior members of BNY Mellon management, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer ('CFO') and the Head of Compensation & Benefits. In 2022, the committee met three times.

EMEA Remuneration Advisory Council ('ERAC') is a regional governance body which oversees the development and implementation of remuneration policies and practices in line with specific regulatory provisions that apply to EMEA entities as well as ensuring consistency with BNY Mellon's principles and compliance with the laws and regulations issued by the relevant states and regulatory authorities. In 2022, the committee met three times.

Incentive Compensation Review Committee ('ICRC') is the coordinating body of senior executives responsible for the oversight of the process of evaluating and recommending compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or who has directly or indirectly contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex-ante adjustments are recommended by the employee's management for review and approval by the committee and ex-post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the CEO, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, CFO and General Counsel. In 2022, the committee met once.

The Company has delegated responsibility for overseeing the development and implementation of the Company's remuneration policies and practices in accordance with the relevant remuneration rules to the ERAC.

In accordance with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') regulatory remuneration requirements the responsibility for overseeing the development and implementation of the Company's remuneration policies and practices, in relation to prescribed PRA and FCA Senior Managers, is held by the Chairperson of International. This accountability is accomplished through oversight of policies and practices and delegation of key control processes to the Head of International Human Resources.

BNY Mellon undergoes an annual attestation process to ensure that its remuneration practices comply with all local laws and regulations as well as best market practice. The implementation of its remuneration policies is subject to an annual independent internal review by the Internal Audit function.

5.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values, client focus, integrity, teamwork and excellence, which pays for performance, both at the individual and corporate level. Individual and team contributions are valued and rewarded based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through the compensation philosophy and principles, the interests of employees and shareholders are aligned by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that incentive compensation arrangements do not encourage employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. The compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. The aim is to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

5.3 Fixed remuneration

Fixed remuneration is composed of (i) salary and (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of one or more BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the annual Proxy Statement to shareholders.

5.4 Variable compensation funding, risk adjustment and clawback

Employees of The Bank of New York Mellon group who provided services to the Company are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

The incentive pools for Investment Services and Corporate Staff functions are discretionary. The baseline pool is determined based on prior year actuals, taking into account growth and productivity savings. The final pool is determined by the CEO and CFO, taking into account a number of factors, including corporate performance, business performance, productivity and risk management. The pool is subject to adjustment based on overall corporate performance achievement, and awards are made from the pool based on individual performance.

The remuneration for key control functions is set independently of the businesses they oversee and is based primarily on their respective control functions' objectives.

Variable compensation may consist of both cash and equity and both upfront and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

For MRTs, the variable compensation portion of an award comprises four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

Variable compensation is determined by the business performance and an individual's performance as measured against feedback on results-based goals and behaviours (BNY Mellon's global competencies and values; risk & compliance obligations; and a diversity/inclusion goal). MRTs are subject to an additional layer of performance assessment, referred to as the Risk Culture Summary Scorecard ('RCSS'). The RCSS score for each individual is based on separate ratings of five risk factor areas.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to delay, forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business, soliciting employees or clients and failing to meet appropriate standards of fitness and propriety. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance, material failure of risk management, actions resulting in significant increase to the regulatory capital base or regulatory sanctions.

5.5 Ratio between fixed and variable pay

In respect of remuneration to material risk takers ('MRTs') as determined under the requirements of the PRA and FCA, the shareholder of the Company, The Bank of New York Mellon Corporation, approved an increase in the maximum ratio of variable to fixed pay from 100% to 200%. This increase was confirmed by the HRCC on 27 January 2014 on the grounds that the increased ratio would not affect the Company's ability to maintain a sound capital base, and allows for appropriate incentivisation and reward in accordance with our Pay for Performance philosophy.

5.6 Deferral policy and vesting criteria

Corporate Policy (General): Awards are delivered to employees entirely in cash (payable shortly after the date of award), except where the employee's total incentive award exceeds a particular threshold or where they are of a particular level of role (this is set out in the table below). In this case, a portion of the annual incentive award is deferred over a period of at least four years - this portion vests in equal portions on the first, second, third and fourth anniversary of the date of award (subject to the employee remaining in employment on each of these dates).

	Total incentive award (US $000)				
Level	< 50.0	50.0 to 149.9	150.0 to 249.9	250.0 too 499.9	>=500.0
J, K and L	-	15.0%	20.0%	25.0%	30.0%
M	-	25.0%	30.0%	35.0%	40.0%
S	-	32.5%	40.0%	45.0%	50.0%

Regulatory Policy: For identified MRTs, in receipt of variable remuneration above £44,000, and/ or variable remuneration greater than one-third of total remuneration, the Corporate Deferral Rules are superseded by the Regulatory Deferral Rules as follows:

a) At least 40% of variable remuneration is deferred unless the MRT is a Director of a significant entity or if their variable remuneration exceeds £500,000, in which case 60% of variable remuneration is deferred;

b) Variable remuneration is deferred for 4-7 years depending upon the MRT category; and,

c) At least 50% of variable remuneration (upfront and deferred) is delivered in shares or equivalent instruments.

Each tranche of deferred vested equity is subject to a retention period post vesting before it may be sold of six months - twelve months depending upon the MRT category.

	40% Deferral Table	
	Upfront	Deferred
Cash	30.0%	N/A
Equity	30.0%	40.0%

	60% Deferral Table	
	Upfront	Deferred
Cash	20.0%	N/A
Equity	20.0%	60.0%

5.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (e.g. audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

5.8 Quantitative disclosures

The tables below provide details of the aggregate remuneration of senior management and MRTs for the Company for the year ending 31 December 2022.

The data set includes staff who are contracted to other entities of the Bank of New York Mellon but have a material impact on the Company.

For completeness, this group of staff is limited to those identified as MRTs. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of the Company to reflect the full reporting period.

Table 5:UK REM1 - Remuneration awarded for the financial year

This table shows the aggregate remuneration expenditure for MRTs in 2022 by business.

	At 31 December 2022 (£m)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1		**Number of identified staff**	**15**	**16**	**55**	**16**
2		**Total fixed remuneration**	**3.9**	**3.3**	**9.8**	**4.0**
3		Of which: cash-based	3.9	3.3	9.8	4.0
UK-4a	**Fixed remuneration**	Of which: shares or equivalent ownership interests	—	—	—	—
5		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
UK-5x		Of which: other instruments	—	—	—	—
7		Of which: other forms	—	—	—	—
9		**Number of identified staff**	**7**	**16**	**54**	**16**
10		**Total variable remuneration**	**2.6**	**1.6**	**7.0**	**2.8**
11		Of which: cash-based	0.4	0.5	2.3	0.9
12		Of which: deferred	—	—	—	—
UK-13a		Of which: shares or equivalent ownership interests	2.2	1.1	4.7	1.9
UK-14a	**Variable remuneration**	Of which: deferred	1.9	0.6	3.0	1.1
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
UK-14b		Of which: deferred	—	—	—	—
UK-14x		Of which: other instruments	—	—	—	—
UK-14y		Of which: deferred	—	—	—	—
15		Of which: other forms	—	—	—	—
16		Of which: deferred	—	—	—	—
17	**Total remuneration**		**6.5**	**4.9**	**16.8**	**6.8**

Table 6:UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

This table shows any special payments made to MRTs for 2022.

	At 31 December 2022 (£m)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	—	1	—	—
2	Guaranteed variable remuneration awards -Total amount	—	0.1	—	—
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	0.1	—	—
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	—	—
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	—	—
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	1	—	—	—
7	Severance payments awarded during the financial year - Total amount	0.3	—	—	—
8	Of which paid during the financial year	0.3	—	—	—
9	Of which deferred	—	—	—	—
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
11	Of which highest payment that has been awarded to a single person	0.3	—	—	—

Table 7:UK REM3 - Deferred remuneration

This table shows the total deferred remuneration for MRTs outstanding from previous years.

	Deferred and retained remuneration At 31 December 2022 (€000s)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**9.3**	**1.7**	**7.6**	**—**	**—**	**—**	**9.3**	**7.6**
2	Cash-based	1.7	0.3	1.4	—	—	—	1.7	1.4
3	Shares or equivalent ownership interests	7.6	1.4	6.2	—	—	—	7.6	6.2
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
5	Other instruments	—	—	—	—	—	—	—	—
6	Other forms	—	—	—	—	—	—	—	—
7	**MB Management function**	**2.5**	**1.0**	**1.5**	**—**	**—**	**—**	**2.5**	**1.5**
8	Cash-based	0.6	0.1	0.5	—	—	—	0.6	0.5
9	Shares or equivalent ownership interests	1.9	0.9	1.0	—	—	—	1.9	1.0
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
11	Other instruments	—	—	—	—	—	—	—	—
12	Other forms	—	—	—	—	—	—	—	—
13	**Other senior management**	**9.9**	**3.3**	**6.6**	**—**	**—**	**—**	**9.9**	**6.6**
14	Cash-based	3.0	0.2	2.8	—	—	—	3.0	2.8
15	Shares or equivalent ownership interests	6.9	3.1	3.8	—	—	—	6.9	3.8
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
17	Other instruments	—	—	—	—	—	—	—	—
18	Other forms	—	—	—	—	—	—	—	—
19	**Other identified staff**	**5.0**	**2.3**	**2.7**	**—**	**—**	**—**	**5.0**	**2.7**
20	Cash-based	1.5	0.3	1.2	—	—	—	1.5	1.2
21	Shares or equivalent ownership interests	3.5	2.0	1.5	—	—	—	3.5	1.5
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
23	Other instruments	—	—	—	—	—	—	—	—
24	Other forms	—	—	—	—	—	—	—	—
25	**Total amount**	**26.7**	**8.3**	**18.4**	**—**	**—**	**—**	**26.7**	**18.4**

Table 8:UK REM4 - Remuneration of 1 million EUR or more per year

	At 31 December 2022 €s	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	—
3	2 000 000 to below 2 500 000	—
4	2 500 000 to below 3 000 000	1
5	3 000 000 to below 3 500 000	—
6	3 500 000 to below 4 000 000	—
7	4 000 000 to below 4 500 000	—
8	4 500 000 to below 5 000 000	—
9	5 000 000 to below 6 000 000	—
10	6 000 000 to below 7 000 000	—
11	7 000 000 to below 8 000 000	—

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