BNY MELLON

The Bank of New York Mellon (International) Limited

Pillar 3 Disclosure

December 31, 2021

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Risk

Human resources

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1 Article 431 CRR - Scope of disclosure requirements

1.1 Disclosure policy

This document comprises The Bank of New York Mellon (International) Limited's (the 'Company') Pillar 3 disclosures on capital and risk management at 31 December 2021. These Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), referred to together as CRD IV, which came into effect on 1 January 2014. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union ('EU'). The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455.

Effective as of 1 January 2022 the Company will publish its periodic Pillar 3 disclosures in accordance with the requirements of the revised Capital Requirements Regulation framework ('CRR II') issued by the Prudential Regulatory Authority ('PRA'). The first reporting date under this framework will be 30 June 2022.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD IV. When assessing the appropriateness of these disclosures in the application of Article 431(3) of the CRR, the Company has ensured adherence to the following principles of:

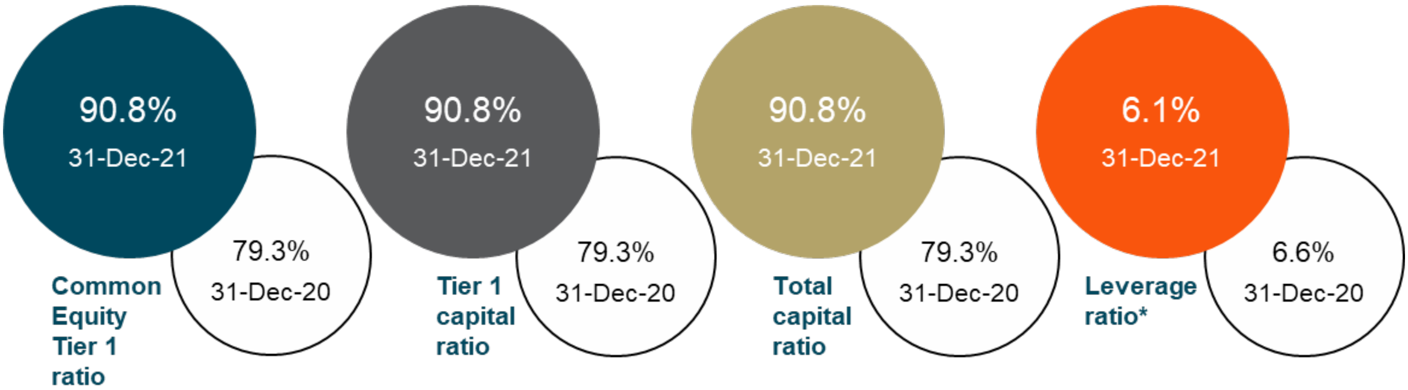
- clarity;
- meaningfulness;
- consistency over time; and,
- comparability across institutions.

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. The Company has adopted this approach with information presented at a fully consolidated level. Selected information is also presented where appropriate on a solo-consolidated ('Solo') basis, under which the Company's investment in associate – a 10% participating interest in an 'Investment and Cooperation Agreement' with another Group entity – is measured at cost less impairment. The Company's audited financial statements are prepared on a separate financial statements basis, under which the Company's investments in subsidiaries and associate are measured at cost less impairment.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital, risk, details about the management of those risks, 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.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

In line with Article 13(1) CRR, the Company is required to disclose information to the extent applicable in respect of Own Funds, Capital Requirements, Capital Buffers, Credit Risk Adjustments, Remuneration Policy and Leverage at a consolidated and solo level. There is no material difference in the risk profile between consolidated and solo basis therefore information is presented at a consolidated level with the exception of Own Funds which includes selected elements at solo level for comparison. The following key metrics are presented on a consolidated basis:



* This ratio is for information only. The Company is currently not subject to a binding leverage requirement.

CET1 ratio	= CET1 capital / Pillar 1 RWAs
Tier 1 ratio	= Tier 1 capital / Pillar 1 RWAs
Total capital ratio	= Total capital / Pillar 1 RWAs
Leverage ratio	= Tier 1 capital / Leverage exposure measure

1.2 The Basel III framework

Basel III is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel III framework was transposed in the EU regulations through CRR and has established a more risk-sensitive approach to capital management. It is comprised of three pillars:

Pillar 1 - Minimum capital requirement:

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk, operational risk and capital resources requirements.

Pillar 2 - Supervisory review process:

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.

Pillar 3 - Market discipline:

Complements the other two pillars and effects market discipline through public disclosure showing an institution's risk management policies, approach to capital management, capital resources and an analysis of its credit risk exposures.

Wherever possible and relevant, the Company's Board of Directors (the 'Board') will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and ICAAP content.

1.3 Purpose of Pillar 3

Pillar 3 requires the external publication of exposures and, where applicable, the associated risk-weighted assets and the Pillar 1 capital requirements for the following:

Credit risk	Counterparty credit risk	Asset encumbrance	Operational risk
Market risk	Interest rate risk	Securitisation risk*	Leverage

* Securitisation risk became applicable to the Company as at the reporting date and is being presented for the first time.

These Pillar 3 disclosures focus only on those risk and exposure types required for disclosure by the Company 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 an analysis of its credit risk exposures. 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.

1.4 Article 432 CRR - Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that the Company will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Furthermore, the Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine the competitive position of a company. It may include information on products or systems which, if shared with competitors, would render an institution's investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition it will publish more general information about the subject matter of the disclosure requirement except where this is classified as confidential.

The Company undertakes no obligation to revise or to update any forward-looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Article 433/434 CRR - Frequency and means of disclosure

Effective as of 1 January 2022 the Company will publish its Pillar 3 disclosures on a semi-annual basis, in accordance with the requirements of CRR II. Annual disclosures will be made based on calendar year-end and will be published on the same date on which the Annual Report and Financial Statements are made public. Semi-annual disclosures will be published on the same date as the date on which the financial reports for the corresponding period are published where applicable or as soon as possible thereafter. The Company will reassess the need to publish some or all of the disclosures more frequently in light of any significant change to the relevant characteristics of its business, including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

This policy will be reassessed periodically and updated in light of market developments associated with Pillar 3.

Disclosures are published on The Bank of New York Mellon Corporation group website which can be accessed using the link below:

BNY Mellon Investor Relations - Pillar 3.

See the Additional Country Disclosures section.

1.6 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure policy, these disclosures were approved for publication by the Board on 06 April 2022. The Board approved the adequacy of the Company's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to the Company's profile and strategy.

1.7 Key 2021 and subsequent events

The Board periodically reviews the strategy of the Company and the associated products and services it provides to clients. This generally takes place during the first quarter of each year.

During 2021, on a solo basis, the Company reported a pre-tax profit of £55.0 million for the year ended 31 December 2021 (2020: £63.1 million). Current and previous years benefited from income from investments in affiliates, with 2021 including a total of £28.5 million in payments from the Company's 10% share in the Investment and Cooperation Agreement ("ICA") (2020: £29.3 million). The Company's total operating profit before taxation was down £7.3 million year on year, largely reflecting the low interest rate environment during the COVID-19 pandemic, and increased operating expenses, partly offset by higher fee income due to increased assets under management and organic business growth. The Company's financial statements are prepared on a solo basis.

Impact of Coronavirus ("COVID-19")

Since the start of January 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company's clients, suppliers and employees supporting the Company, and has put in place procedures to monitor and mitigate those risks.

The directors considered the long-term impact that COVID-19 could have on the Company and its strategy, and the financial impact that related economic and social uncertainty could have on the Company's balance sheet and capital position. The impact from this disruption resulted in the directors, in 2020 and on multiple occasions since, reviewing the Company's Internal Capital Adequacy Assessment forecast considering updated financial forecasts and more adverse economic stress. It also prompted the directors to review its internal capital stress tests. The conclusions drawn demonstrated that the Company would remain within the Capital Risk Appetite limit under both baseline and stressed conditions. The revised financial forecast concluded that the Company was expected to remain profitable and has continued to do so in 2021.

Brexit

The withdrawal of the UK from the European Union ("EU") on 31 January 2020 has had limited impact on the Company during the year, given that most of its Brexit preparation activities had already concluded in 2019. The Company continues to monitor other risks that may arise as a result of changes to the UK's legal and regulatory landscape.

Geopolitical and other macro-environmental risks

The Company is exposed to geopolitical risks associated with political instability, terrorists acts, military conflicts, civil unrest and tensions between countries, which could impact its clients, investment portfolios and cause disruption to business operations. In addition, epidemic and pandemic outbreaks are becoming more frequent and severe, and these could cause severe economic impacts on business sectors, economies and societies.

The COVID-19 pandemic continues to remain dynamic and has led to a continued level of uncertainty. To ensure the health and wellbeing of its people and continuing ability to service its clients, the wider BNY Mellon Group moved to a largely working-from-home model during 2020 and 2021, during which period the Company and the Group implemented enhanced monitoring and oversight controls. A conservative and measured approach continues to be adopted whilst the Group's employees return to office as the COVID-19 pandemic subsides. Additionally, the US, the UK and the EU have imposed sanctions and threatened to expand them significantly against Russia in response to increasing risk associated with Russia's conflict with Ukraine which, together with any military conflict, could impact global markets as well as the Company and its customers. Management continues to monitor developments and seeks to manage any associated impacts on customers, service delivery and business operations.

Interbank Offered Rates ("IBOR") reform

The International Accounting Standards Board's ("IASB") Interest Rate Benchmark Reform — Phase 1 amendments "IBOR Reform and its Effects on Financial Reporting", which temporarily enabled hedge accounting to continue during the period of uncertainty, has had no impact on the Company because there is currently no hedge accounting applied.

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures. These disclosures allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendment has had no material impact on the Company's accounting policies. Comparative amounts have not been restated, and there was no impact on the current period opening reserves on adoption.

Financial instruments and lease receivables

Phase 2 of the amendments requires that, for financial instruments classified as amortised cost and debt financial assets classified as FVOCI, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

As part of the transition, the Company replaced all GBP LIBOR financial instruments exposed to GBP London Interbank Offered Rate ("LIBOR") with Sterling Overnight Index Average ("SONIA") and ensured that the rate change is economically equivalent with no value transfer having occurred. Accordingly, the Company applied the practical expedients offered under 'phase 2' of the amendments, i.e., no gain or loss was triggered upon the change. The Company has no leases.

As at 31 December 2021, the Company held one bond indexed to GBP LIBOR with a carrying value of £49,943,600 and a maturity date of 31 July 2023. The bond is currently indexed to Sterling LIBOR and has contractual language to transition from this rate post-cessation.

Effect of IBOR reform

The Financial Stability Board ("FSB") has conducted a review of major interest rate benchmarks in use across the world's financial markets, including Interbank Offered Rates, and subsequently made recommendations to review and reform benchmarks, and to transition to alternative reference rates.

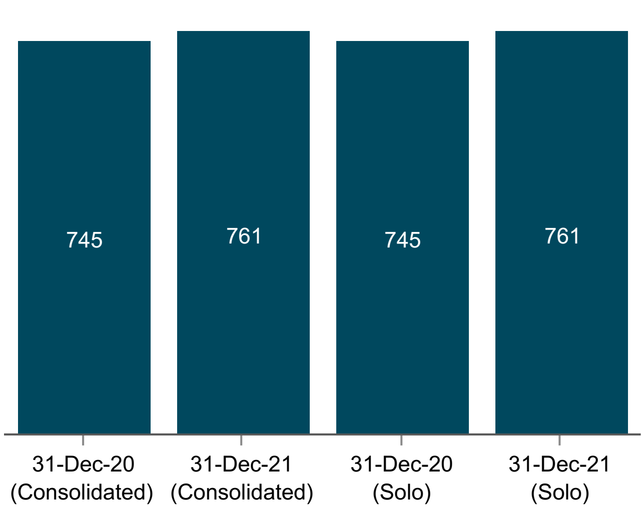
The BNY Mellon Global IBOR Transition Programme ("the Programme") has been set up to manage the IBOR transition. As part of the Programme, the Company assessed the impact of the planned phasing out of IBORs and tracked its progress against the planned transition to alternative reference rates as required by UK regulators by the end of 2021. Certain operational risks existed in relation to the transition to IBOR regarding the Company's business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody ("AUC"), legal risk arising from legal claims and contract frustration, in particular where acting in its agent, trustee and/or fiduciary role, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

Working with the Programme, the Company took steps to manage its principal exposure to IBOR based instruments via explicit investment decisions and focussing on mitigating the risks identified. This included monitoring market developments through industry groups and consultations, regularly engaging with clients to monitor expected client impacts and ensuring transition awareness and remediating or restructuring operational areas where updates were deemed to be required in relation to expected changes. The Company also continuously engaged with regulatory authorities such as the PRA and the FCA to adequately respond to regulatory guidance relating to the transition.

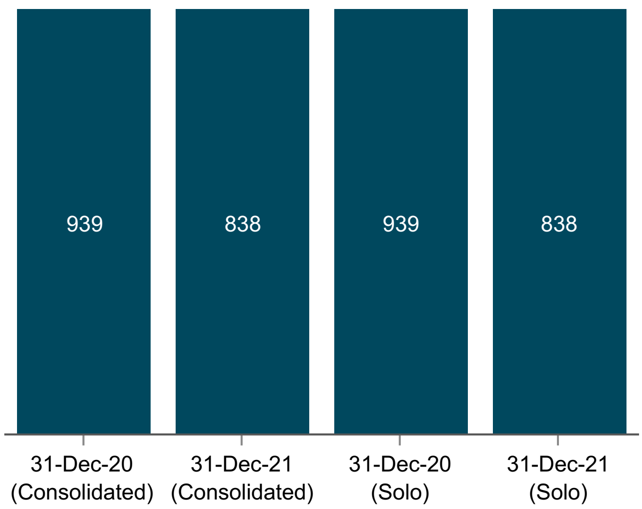
1.8 Key metrics

The following risk metrics reflect the Company's risk profile:

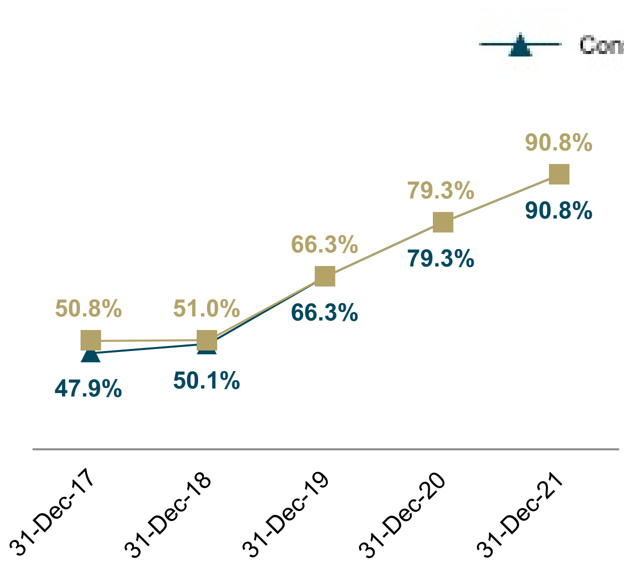
Regulatory capital (£m)



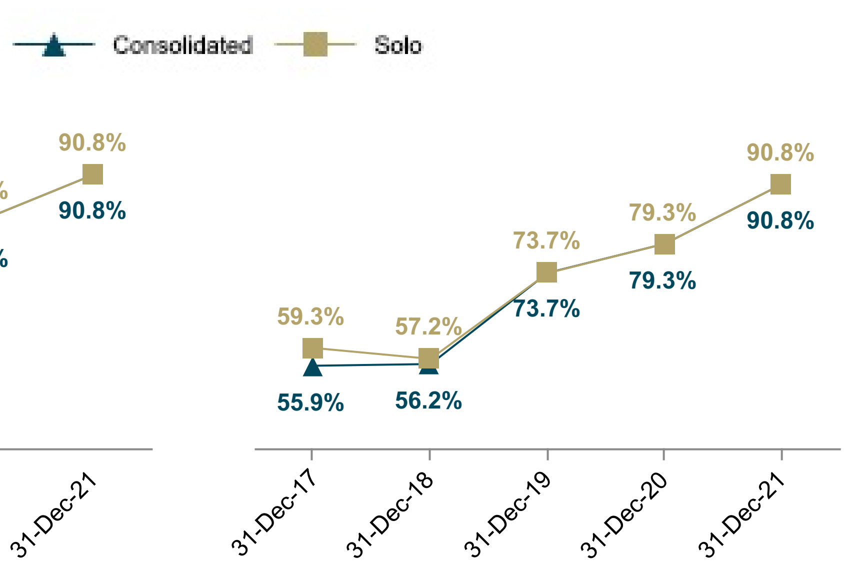
Risk-weighted assets (£m)



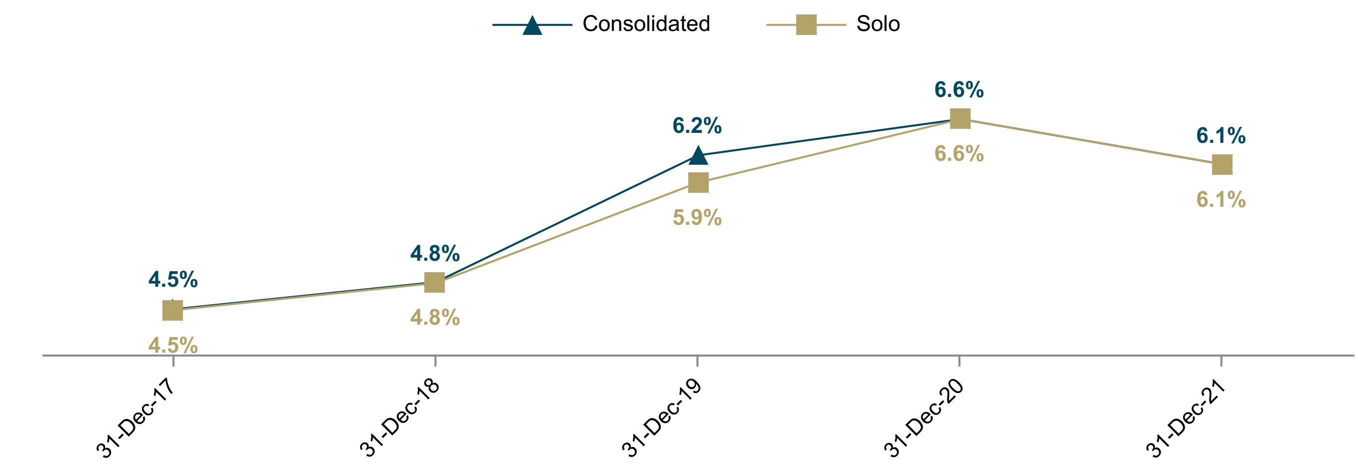
CET1 ratio



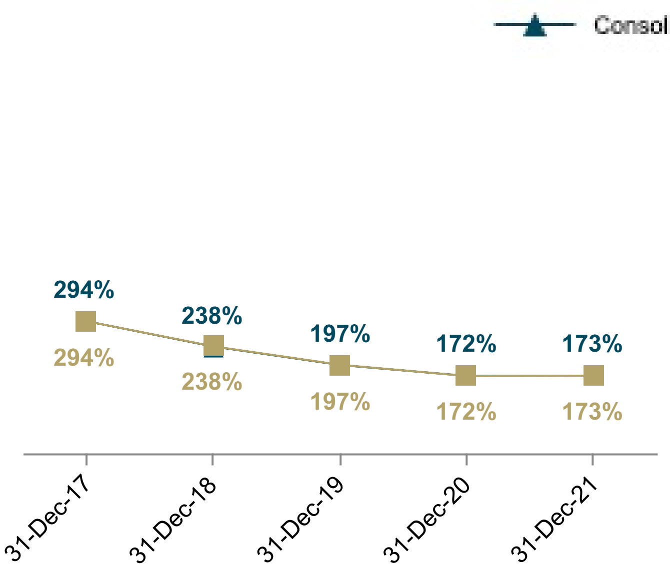
Total capital ratio



Leverage ratio



Liquidity coverage ratio



Net stable funding ratio

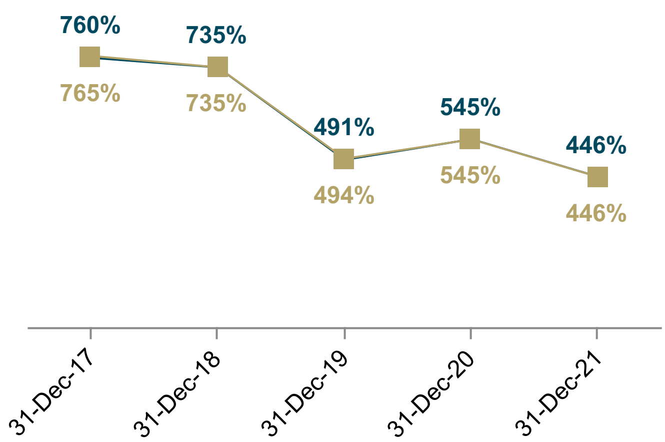


Table 1:KM1 - Key metrics

	Consolidated		Solo	
Own Funds	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Available capital (£m)[1]				
Common Equity Tier 1 ('CET1') capital	**761**	745	**761**	745
Tier 1 capital	**761**	745	**761**	745
Total capital	**761**	745	**761**	745
Risk-weighted assets (£m)[2]				
Total risk-weighted assets ('RWA')	**838**	939	**838**	939
Risk-based capital ratios as a percentage of RWA				
CET1 ratio	**90.8 %**	79.3 %	**90.8 %**	79.3 %
Tier 1 ratio	**90.8 %**	79.3 %	**90.8 %**	79.3 %
Total capital ratio	**90.8 %**	79.3 %	**90.8 %**	79.3 %

Own Funds	Consolidated 31-Dec-21	Consolidated 31-Dec-20	Solo 31-Dec-21	Solo 31-Dec-20
Additional CET1 buffers requirements as a percentage of RWA				
Capital conservation buffer requirement	**2.5 %**	2.5 %	**2.5 %**	2.5 %
Countercyclical buffer requirement	**— %**	— %	**— %**	— %
Leverage ratio[3]				
Total leverage ratio exposure measure (£m)	**12,381**	11,315	**12,381**	11,315
Leverage ratio	**6.1 %**	6.6 %	**6.1 %**	6.6 %
Liquidity Coverage Ratio ('LCR')				
Total High Quality Liquid Assets (£m)	**9,057**	8,863	**9,057**	8,863
Total Net Cash Outflow (£m)	**5,238**	5,147	**5,238**	5,147
LCR	**173 %**	172 %	**173 %**	172 %
Net Stable Funding Ratio ('NSFR')[4]				
Total Available Stable Funding (£m)	**3,257**	3,158	**3,257**	3,158
Total Required Stable Funding (£m)	**730**	579	**730**	579
NSFR	**446 %**	545 %	**446 %**	545 %

[1] Capital as stated is after the inclusion of audited profits for the year.

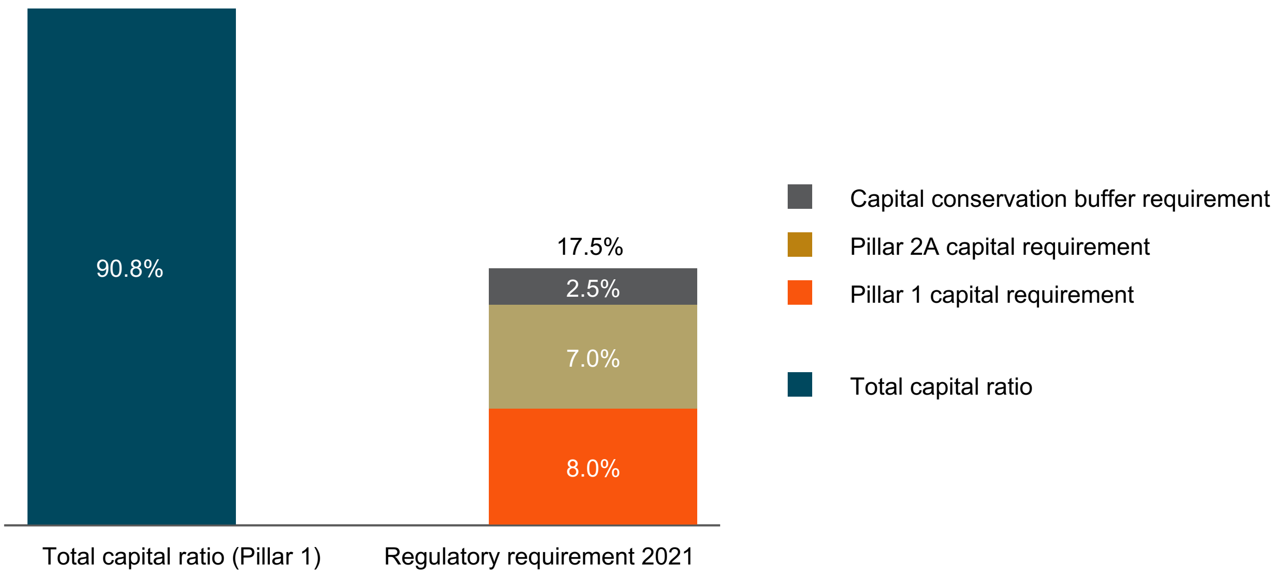
[2] RWAs include the latest operational risk RWAs, updated in line with the audited results for the year.

[3] The Company is not subject to a binding leverage ratio.

[4] A minimum 100% NSFR ratio became binding on the Company as at 1 January 2022.

The increase in capital ratios on both a solo and consolidated basis is largely driven by a reduction in RWAs over the period. Credit Risk RWAs reduced by £74m as compared to prior year. Of this, exposures to Corporates reduced by £91m, which was offset by smaller movements totaling £17m across other exposures classes. In addition, Operational Risk RWAs reduced by £31m. Capital resources increased, largely driven by profit for the year.

2021 consolidated total capital ratio versus regulatory requirements



The total capital ratio remains in excess of pillar 1 capital, pillar 2A capital, and the combined buffer requirements of 8.0%, 7.0% and 2.5% respectively. The Company is subject to a countercyclical buffer requirement, however this equated to 0.0% at 31 December 2021. In combination with the combined buffer, the Company is also subject to the PRA buffer which is set by the PRA and is not subject to disclosure. The Company's total capital equals its CET1.

1.9 Article 436 CRR - Scope of application

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 2021, BNY Mellon had $46.7 trillion in assets under custody and/or administration, and $2.4 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.

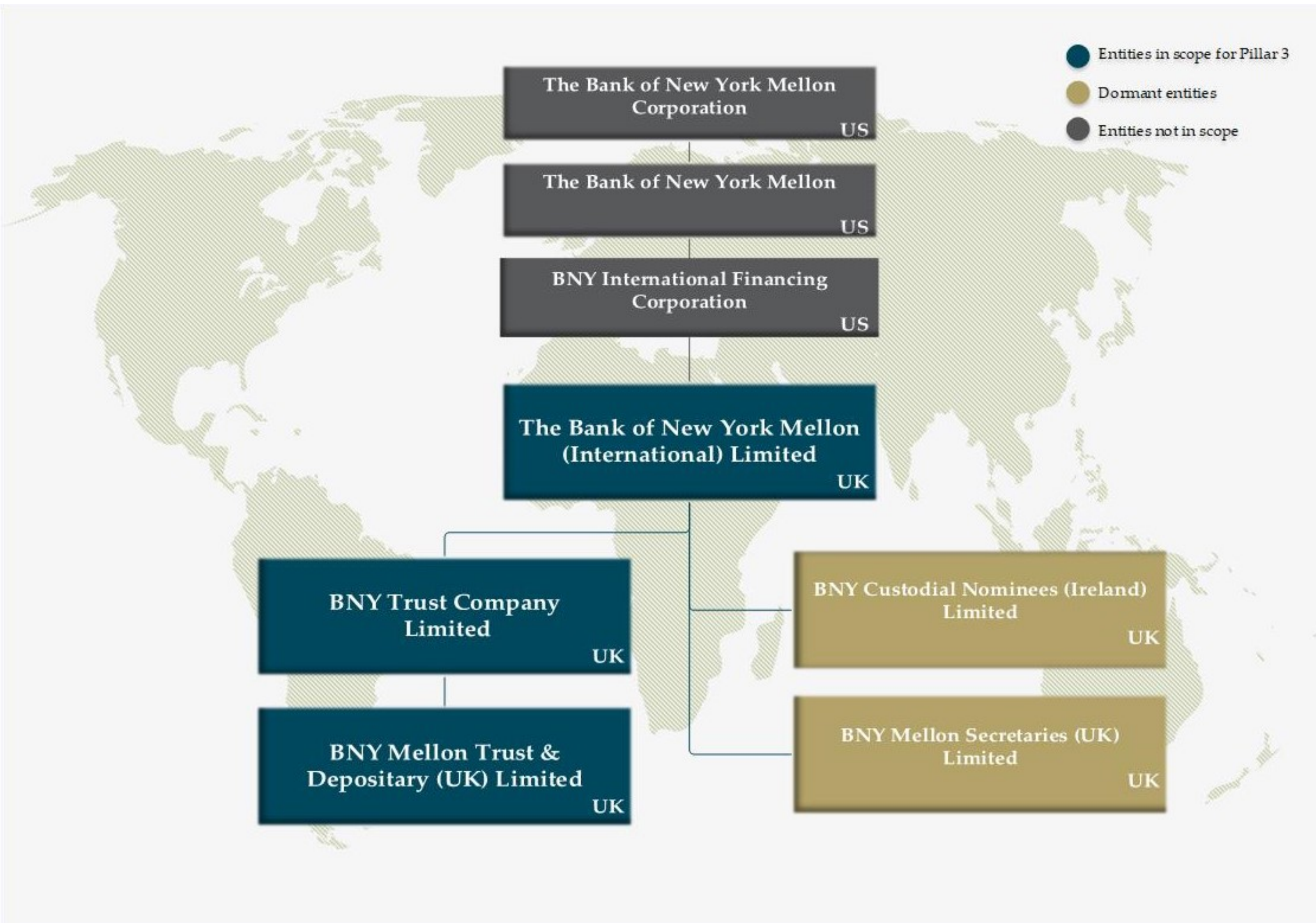
The Company is a private limited company incorporated in the UK with a Banking Licence issued by the PRA. As at 31 December 2021, the Company had £461bn in assets under custody. It is a wholly-owned subsidiary of BNY International Financing Corporation ('BNYIFC'), a holding company with investments in 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 BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are both authorised and regulated by the FCA, but regulatory permissions for BNY Trust Company Limited were cancelled effective 31 October 2019. The Company, BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are incorporated in the UK.

The Board is not aware of any material impediments to the transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.

The legal entity and ownership structure of the Company is illustrated in Figure 1 below.

Figure 1: Legal entity structure at 31 December 2021



Basis of consolidation

Entity name	Consolidation basis	Services provided
The Bank of New York Mellon (International) Limited	Fully consolidated	Reporting entity - The Bank of New York Mellon (International) Limited provides asset servicing to clients, particularly custody and investment administration services.
BNY Trust Company Limited	Fully consolidated	Subsidiary - BNY Trust Company Limited, through its 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 and Depositary (UK) Limited	Fully consolidated	Subsidiary - BNY Mellon Trust and Depositary (UK) Limited's primary activity was to perform trustee and depositary services for CISs. BNY Mellon Trust and Depositary (UK) Limited also performed limited custody services. BNY Mellon Trust and Depositary (UK) Limited is no longer active and is not providing these services.
BNY Custodial Nominees (Ireland) Limited	N/A	Dormant subsidiary.
BNY Mellon Secretaries (UK) Limited	N/A	Dormant subsidiary.

The Company's purpose and mission

The Company is a sustainable and profitable entity and an integral part of the BNY Mellon EMEA business as one of the material entities in region, providing a full-suite of products and services predominantly for Asset Servicing and Digital to UK-domiciled fund managers and UK funds. As an established and well-governed entity, the Company ensures alignment of thought with BNY Mellon for strategic decision making, commercial considerations and intelligent risk-taking in line with risk appetite.

The mission for 2022 and beyond is to maintain, defend and grow the business with new and existing client relationships. The Company proactively looks for opportunities to support, influence and satisfy clients' needs, including beyond Asset Servicing and Digital where it makes sense to do so. With a high-performance conduct and culture ethos, the Company offers a value proposition to attract and retain clients whilst becoming embedded in the clients' business model.

A key element of the Company's growth will be achieved through enabling Asset Servicing and Digital to develop industry-leading talent and brand, build next generation solutions for clients, optimise Asset Servicing and Digital's core and achieve superior outcomes across clients' investment lifecycles. This will include those products and services emerging in the digital asset space. As the principal entity in the BNY Mellon organisation supporting the UK market, the Company provides the opportunity and expertise to facilitate client's product and service propositions through a complete front-to-back operating model.

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.

1.10 Core business lines

The Company offers a number of products including Custody Services, Transfer Agency, and Fund Accounting to predominantly UK clients as well as providing Trustee and Depositary services in the UK to both authorised and unauthorised collective investment schemes and investment trusts. Corporate Trust (Fiduciary) and Segregation Services are also provided. These products are outlined in more detail below.

1.10.1 Custody Services

Custody Services are provided to customers (or their advisors) to assist with holding and monitoring of their securities. Specifically, the Company's custody services include the following functions:

- safekeeping instruments either in physical form or within a securities settlement system or central securities depository;
- maintaining records of the securities being held and the securities being bought and sold;
- presenting securities either electronically, or on occasion, physically to, and receiving securities from a clearing and settlement platform;
- collecting income earned on the securities such as dividends and interest;
- delivering issuer communications to the investor;
- preparing reports for the investor, such as settlement reports and income collection reports;
- Client Service Delivery ('CSD') provides operational support to Core Custody, including maintenance and administration of clients' assets; and,
- Custody Oversight: mainly consisting of monitoring failed trades, overdrafts, review of exceptions from sub-custodian reconciliations, security and cash reconciliations; and,
- Transfer Agency oversight: mainly consisting of monitoring subscriptions, redemptions and dividend distributions.

1.10.2 Transfer Agency

Transfer Agency is contracted by clients, primarily asset managers, pension funds and mutual funds, to maintain records of investors (share or unit holders), account balances and transactions, as well as cancelling and issuing shares/units, and processing investor mailings. Other client services provided include Anti-Money Laundering ('AML'), Know Your Customer ('KYC') verification, contract and statement reporting, and static data maintenance.

1.10.3 Fund Accounting

Fund Accounting provides fund accounting and administration services to asset managers, fund distributors, and life companies. Clients of Fund Accounting Services include Unit Trusts (authorised and unauthorised), Open-Ended Investment Companies, Authorised Contractual Schemes, Common Investment Funds, Unitised Life and Pension Funds, and Investment Trusts. The asset types of the funds include Equity, Fixed Income, Money Market, Derivative, and Collective Investment Scheme holdings with country, region and global geographical exposure. Share class net asset values ('NAV') are calculated at each fund valuation point, usually daily. Fund distribution rates are calculated and disseminated in line with relevant frequencies and semi-annual financial statements are prepared for publication to fund investors.

1.10.4 Trustee and Depositary Services

Trustee services are performed directly by the Company. Trustee services are provided to UK clients, predominantly UK-domiciled funds.

Trustee Services' role is one of oversight and effectively represents the interests of the unit holders of the funds. In fulfilling its fiduciary responsibilities, Trustee Services performs a number of functions:

- safekeeping (financial instruments held in custody) and ownership verification and record keeping (Other assets);
- monitoring of the fund's cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the fund's administration;
- NAV monitoring: ensuring that the valuation of units or shares of the fund are carried out in accordance with the applicable national law and the fund documentation;
- Income distribution: ensuring that the fund's income is applied in accordance with the applicable national law and the fund documents; and,
- Fund Compliance oversight: mainly ensuring that the investment limits set by law, the implementing decrees and management rules are respected and that funds adhere to regulatory and prospectus rules.

1.10.5 Corporate Trust

Corporate Trust help investors, bondholders and lenders navigate the debt capital markets, from traditional to the most specialized asset classes and complex financing structures, at all stages of the deal lifecycle - from issuance to maturity.

Corporate Trust does not expect to be contracting new business with the UK Bank, however there are a limited number of existing deals that contract for one or more of the below roles:

- Custodian – party that holds/safekeeps collateral, cash or other form of security for the benefit of a client or lender, as per underlying documentation;
- Fiduciary – the Fiduciary acts as the issuer of the notes on behalf of the arranger. The proceeds of the issued notes are used to purchase assets as prescribed by the arranger and these are held by the Fiduciary with the Custodian. The Fiduciary acts as the representative of the noteholders, which requires minimal activity unless enforcement against the assets is required; and,
- Trustee – party that has a responsibility to protect the interests of the investors/security holders under a trust indenture, agreement, deed, bond obligation or trust arrangement particularly in the event of default. Party ensures that the Obligor adheres to specific covenants of the underlying agreement(s). If so required, Party will act upon the written direction of majority investors/lenders.

1.10.6 Segregation Services

Margin Direct delivers custodial services in support of initial margin segregation for both cash and non-cash collateral. Historically, this solution was sought after by buy-side clients (largely hedge funds) required to post initial margin/ independent amount to their broker-dealer counterparties as a voluntary risk mitigation measure. Since 2016 the service has also been used by a variety of clients to help meet their obligations under the global Uncleared Margin Rules. The collateral account is governed by a collateral account control agreement and executed by the pledging party, secured party and BNY Mellon, acting as a securities intermediary. The account is maintained in the name of the pledging party and the assets are pledged by the pledging party to the secured party.

The platform provides many benefits to assist clients in the collateral and segregation process, including:

- transparency and automation through portal access;
- electronic default notification functionality;
- flexible reporting and formats;
- integration with BNY Mellon cash investment technology; and,
- electronic instruction capability including SWIFT.

1.11 Legal entities

The Company’s core business lines and critical economic functions are conducted through several legal entities organised in various jurisdictions.

1.11.1 The Bank of New York Mellon (International) Limited

The Company provides asset servicing to clients, particularly custody and investment administration services. Although the Company has a banking licence, it does not actively seek deposits, provide credit facilities or provide retail banking services, only doing so as a result of its core activity. These activities are exempt from a credit consumer licence and do not form part of the core activities of the Company.

The Company also has permissions for the following activities:

- accepting deposits;
- advising on investments (except on pension transfers and pension opt-outs);
- agreeing to carry on a regulated activity;
- arranging deals in investment;
- arranging safeguarding and administration of assets;
- causing dematerialised instructions to be sent;
- dealing in investments as both agent and principal;
- making arrangements with a view to transactions in investments;
- safeguarding and administration of assets (without arranging); and,
- depositary services.

1.11.2 BNY Mellon Trust and Depositary (UK) Limited

The Company is the parent of BNY Mellon Trust and Depositary (UK) Limited ('BNY Mellon TDUKL') via BNY Trust Company Limited. As of 31 December 2021, the entity had no live clients, and plans are underway to have its regulatory permissions removed with a subsequent objective of having it liquidated.

'BNY Mellon TDUKL is a private limited company incorporated in the UK and authorised by the FCA to carry on business as a depositary. The primary activity for UK Trust and Depositary was to perform trustee and depositary services for collective investment schemes. It also performed limited custody services. UK Trust and Depositary had a fiduciary responsibility for arranging safekeeping of assets and for facilitating the creation and cancellation of units / shares. The trustee was not responsible for appointing the fund accountant or transfer agent.

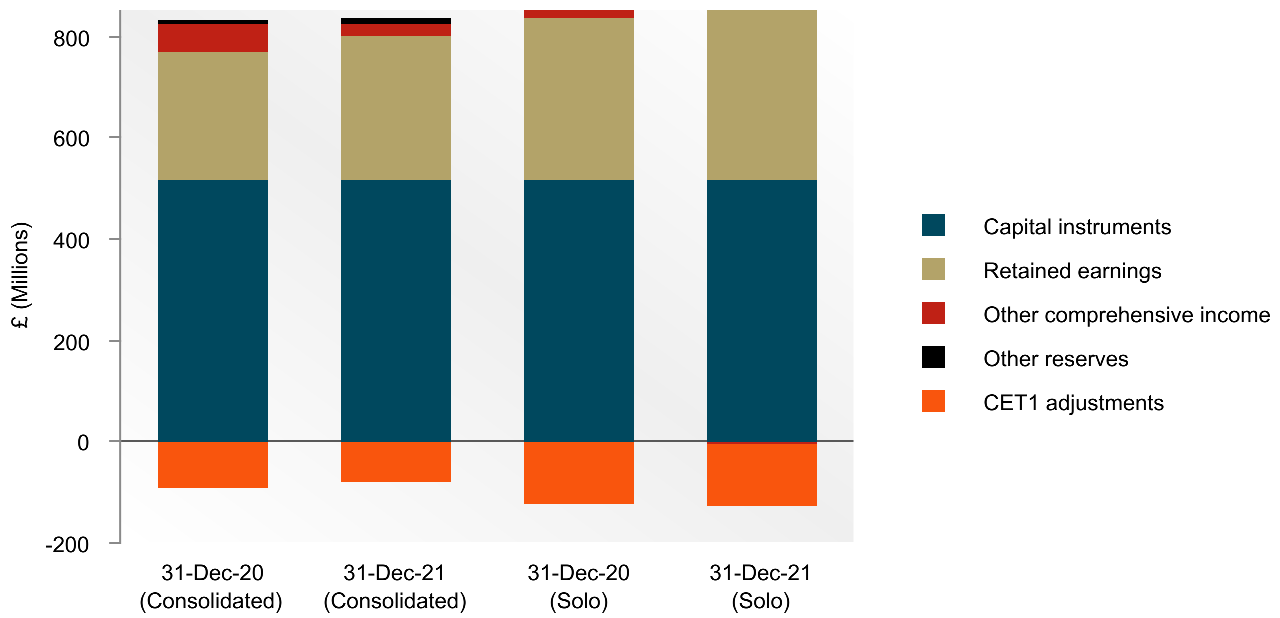
Capital

2 Article 437 CRR - Own funds

	31-Dec-21	31-Dec-20
Total assets	£11,138m	£10,240m
Common Equity Tier 1 capital	£761m	£745m
Total own funds	£761m	£745m

Composition of regulatory capital (£m)

This graph shows the composition of regulatory capital including all regulatory adjustments at 31 December 2021 (see Table 5:CC1 - Composition of regulatory capital).



This section provides an overview of the regulatory balance sheet and composition of the Company's regulatory capital. 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 Company's regulatory capital is defined by CRD IV and includes 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.

Table 2:CC2 - Reconciliation of regulatory capital

These tables show a reconciliation of the Company's balance sheets on a consolidated and solo basis prepared in accordance with FRS 101 and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

Consolidated at 31 December 2021 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash and cash balances with central banks	4,899	—	4,899
Derivative financial instruments	—	11	11
Loans and advances to banks / customers	1,743	1,400	3,143
Investment securities	4,363	—	4,363
Other assets	45	—	45
Investments in subsidiaries, joint ventures and associates	74	(74)	—
Current tax assets	12	—	12
Deferred tax assets	2	—	2
Total assets	**11,138**	**1,337**	**12,475**

Consolidated at 31 December 2021 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Liabilities			
Derivative financial instruments	22	—	22
Customer accounts	10,236	1,400	11,636
Current tax liabilities	5	—	5
Deferred tax liabilities	—	—	—
Other liabilities	34	—	34
Total liabilities	**10,297**	**1,400**	**11,697**
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings, reserves and other comprehensive income	321	(1)	320
Deductions from capital	—	(79)	(79)
Capital and reserves	**841**	**(80)**	**761**
Other items	—	17	17
Total equity and liabilities	**11,138**	**1,337**	**12,475**

Solo at 31 December 2021 (£m)	Solo balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash and cash balances with central banks	4,899	—	4,899
Derivative financial instruments	—	11	11
Loans and advances to banks / customers	1,743	1,400	3,143
Investment securities	4,363	—	4,363
Other assets	45	—	45
Investment in subsidiaries, joint ventures and associates	117	(117)	—
Current tax assets	12	—	12
Deferred tax assets	2	—	2
Total assets	**11,181**	**1,294**	**12,475**
Liabilities			
Derivative financial instruments	22	—	22
Customer accounts	10,236	1,400	11,636
Current tax liabilities	5	—	5
Deferred tax liabilities	—	—	—
Other liabilities	34	—	34
Total liabilities	**10,297**	**1,400**	**11,697**
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings, reserves and other comprehensive income	364	(1)	363
Deductions from capital	—	(122)	(122)
Capital and reserves	**884**	**(123)**	**761**
Other items	**—**	**17**	**17**
Total equity and liabilities	**11,181**	**1,294**	**12,475**

Other items relate to regulatory adjustments impacting regulatory exposure values only and the prudent valuation adjustment which is excluded from capital in the regulatory balance sheet. 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.

Table 3:EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Consolidated at 31 December 2021 (£m)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework [1]	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances with central banks	4,899	4,899	4,899	—	—	4,899	—
Derivative financial instruments	—	11	—	11	—	—	—
Loans and advances to customers	1,743	3,143	3,143	—	—	3,143	—
Investment securities	4,363	4,363	4,363	—	—	4,363	5
Other assets	45	45	45	—	—	45	—
Investments in subsidiaries, joint ventures and associates	74	—	—	—	—	—	74
Current tax assets	12	12	12	—	—	12	—
Deferred tax assets	2	2	2	—	—	2	—
Total assets	**11,138**	**12,475**	**12,464**	**11**	**—**	**12,464**	**79**
Liabilities							
Derivative financial instruments	22	22	—	—	—	22	—
Deposits by credit and other financial institutions	—	1,400	—	—	—	1,400	—
Customer accounts	10,236	10,236	—	—	—	10,236	—
Current tax liabilities	5	5	—	—	—	5	—
Other liabilities	34	34	—	—	—	34	—
Total liabilities	**10,297**	**11,697**	**—**	**—**	**—**	**11,697**	**—**

[1] The Company's securitisation portfolio is immaterial at the disclosure date.

Table 4:EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Items subject to			
Consolidated at 31 December 2021 (£m)	Total	Credit risk framework	CCR framework	Securitisation framework [1]	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation	24,939	12,464	11	—	12,464
Liabilities carrying value amount under the regulatory scope of consolidation	(11,697)	—	—	—	(11,697)
Total net amount under the regulatory scope of consolidation	13,242	**12,464**	**11**	**—**	**767**
Off-balance sheet amounts	104	—	—	—	104
Differences due to consideration of reporting currencies	(857)	—	—	—	(857)
Other adjustments	2	—	—	—	2
Exposure amounts considered for regulatory purposes	12,491	**12,464**	**11**	**—**	**16**

[1] The Company's securitisation portfolio is immaterial at the disclosure date.

Table 5:CC1 - Composition of regulatory capital

This table shows the composition of regulatory capital including all regulatory adjustments.

	Consolidated		Solo	
Own Funds (£m)	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Common Equity Tier 1 ('CET1') capital				
Capital instruments	520	520	520	520
Retained earnings	283	252	361	317
Other comprehensive income	24	53	(3)	23
Other reserves	13	11	5	5
CET1 adjustments	(79)	(91)	(122)	(120)
Total CET1 capital	761	**745**	761	**745**
Additional Tier 1 ('AT1') capital				
Total AT1 capital	—	**—**	—	**—**
Total T1 capital	761	**745**	761	**745**
Tier 2 ('T2') capital				
Capital instruments and subordinated loans	—	—	—	—
Total T2 capital	—	**—**	—	**—**
Total Own Funds	761	**745**	761	**745**

Capital resource differences between consolidated and solo arise from the differences in accounting treatment of the Company's investment in associate.

Table 6:CCA - Main features of regulatory capital instruments

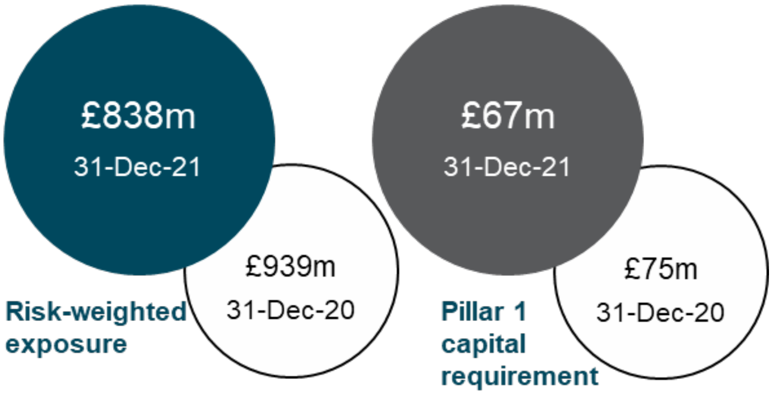
This table provides a description of the main features of the regulatory capital instruments issued by BNY Mellon (International) Limited as at 31 December 2021.

The capital instrument listed below is included as Tier 1 capital in Table 2 of this disclosure.

Capital instruments main features [1]	Ordinary Shares
Issuer	The Bank of New York Mellon (International) Limited
Governing law(s) of the instrument	Law of England and Wales
Regulatory treatment	
Transitional CRR rules	Not applicable
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo
Instrument type	Ordinary Shares
Amount recognised in regulatory capital	£520 million
Nominal amount of instrument	£520 million
Issue price	£1
Redemption price	Not applicable
Accounting classification	Shareholders' equity
Original date of issuance	9-August-1996
Perpetual or dated	Perpetual
Maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
Fixed or floating dividend/coupon	Not applicable
Existence of a dividend stopper	No
Existence of step up or other incentive to redeem	No
Non-cumulative or cumulative	Not applicable
Convertible or non-convertible	Non-convertible
Write-down features	No
Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Not applicable
Non-compliant transitioned features	Not applicable

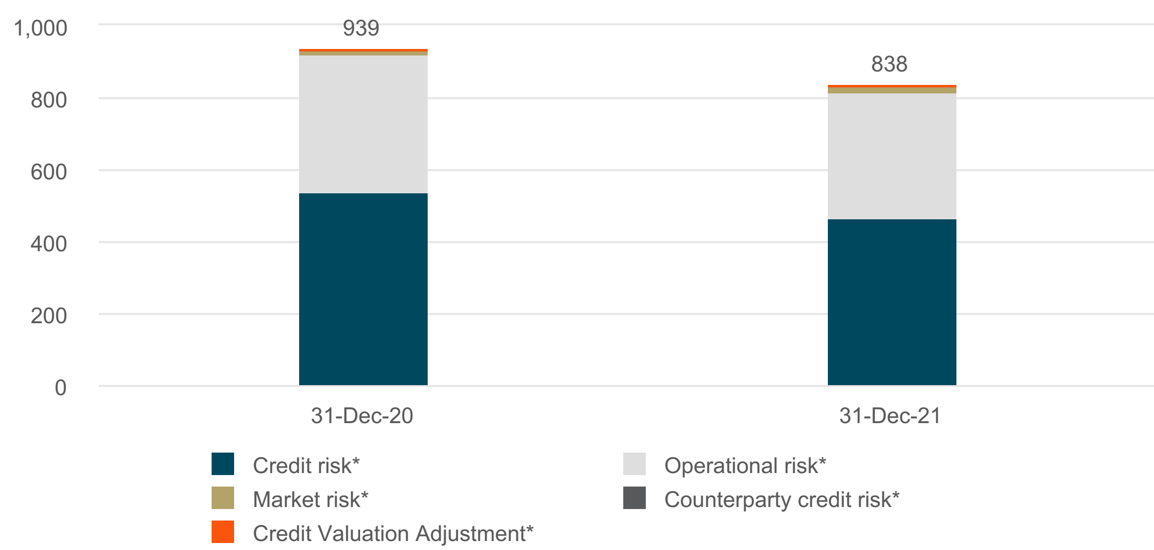
[1] This table is based on Annex II of ITS Regulation (EU) No. 1423/2013. Selected 'not applicable' lines have been omitted.

3 Article 438 CRR - Capital requirements

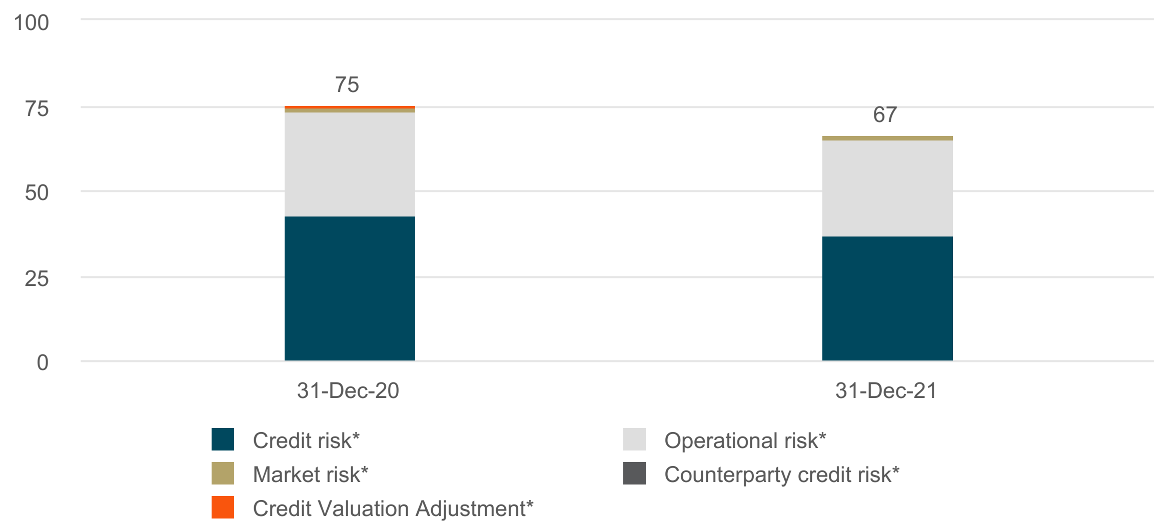


All figures relating to capital requirements and credit risk adjustments from this point forward are disclosed on a consolidated basis only. The solo requirements are materially consistent with the consolidated.

Risk weighted exposure by risk type (£m)



Capital requirements by risk type (£m)



* Standardised approach

The Company’s capital plan 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. Potential capital shortfalls are identified over a three year period and capital plans adjusted accordingly. The plan is reflective of the Company’s risk appetite, which details 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.

The plan is developed with input from Finance, Risk, Treasury and the business lines.

Incorporating the 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.

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

3.1 Calculating capital requirements

CRR allows for different approaches for calculating capital requirements. The standardised approach is used for calculating the risk weights assigned to each risk component including credit risk, counterparty credit risk, market risk and operational risk.

Table 7:EU OV1 - Overview of RWAs

This table shows the risk-weighted assets for the Company (Consolidated), using the standardised approach, with their respective pillar 1 capital requirements.

	Risk weighted exposure amounts		Capital requirements	
Type of risk (£m)	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Credit risk*	**466**	538	**37**	43
Counterparty credit risk*	**2**	4	**—**	—
Market risk*	**16**	10	**2**	1
of which: foreign exchange position risk	**16**	10	**2**	1
Operational risk*	**352**	383	**28**	31
of which: standardised approach	**352**	383	**28**	31
Credit Valuation Adjustment*	**2**	4	**—**	—
Securitisation risk**	**—**	—	**—**	—
Total	**838**	**939**	**67**	**75**
Total capital			**761**	**745**
Surplus capital			**694**	670

* Standardised approach.
** SEC-ERBA approach. At the reporting date the Company's securitisation portfolio was immaterial.

The Company met or 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 reflects 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 - 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 High Level Assessment ('HLA'). The legal entity HLA is a management tool designed to provide a high level view of an entity's risk landscape, across risk types. The HLA, alongside the entity's Risk Appetite Statement, are key components within the strategy of the entity. Applied to the Company, the legal entity HLA enables management to focus on the key risks to which the entity is exposed. The materiality and significance of risks in the legal entity HLA 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 its 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 significantly 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 and to support its goal of having a superior credit rating, with a current rating of AA assigned by Fitch.

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 (Internal Capital Assessment). Both concepts are subject to Board approved risk appetite limits.

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 Prudential Regulatory Authority's Supervisory Review and Evaluation Process ('SREP'), the CRD IV buffers and Board defined risk appetite limits.

The Internal Capital Assessment ('ICA') 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 Capital and Stress Testing Committee; a committee focused on ICA Assessment related subjects. Capital is assessed for all material risks identified within the Company.

The ICA 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 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 1.9). 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 quarterly and the directors who served during the year were:

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
H Kablawi	Head of International and EMEA Chairman						
K Damsell	Chief Executive Officer, Head of Legal Entity and Client Governance						
J Jack	Chief Financial Officer, International						
S Revell	Deputy Chair and General Counsel	Sweetwater Training LLP	United Kingdom	Limited Liability Partnership	N	LLP Designated Member	N
J M Johnston	Non-Executive Director, Chair Nomination Committee						
P Bergamaschi Broyd	Independent Non-Executive Director, Chair Risk Committee, Member of Audit and Nomination Committees	Arrow Global Plc	United Kingdom	European Investor and Asset Manager	Y	Non-Executive Director	N
		ARCA Fondi SGR	Italy	Asset Manager	N	Non-Executive Director	N
		Quantexa	United Kingdom	Technology Company	N	Advisory Role	Y
		SAMTI Foundation (non-regulated)	Netherlands	Administer one single equity participation	N	Treasurer	N
		Wells Fargo Securities International Limited	United Kingdom	Financial intermediation	N	Non-Executive Director	N
Melanie Jill Dodds	Independent Non-Executive Director, Chair Depositary Advisory Council	Mattioli Woods Plc	United Kingdom	Wealth Management	Y	Director	N

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
		Embark Group Limited			N		
		HBOS Investment Fund Managers Limited			N		
		Lloyds Bank General Insurance Holdings Limited			N		
		Lloyds Bank General Insurance Limited			N		
		Scottish Widows Administration Services (Nominees) Limited			N		
		Scottish Widows Administration Services Limited	United Kingdom	Insurance (life and non-life) and financial services	N	Non-Executive Director	N
S O'Connor	Independent Non-Executive Director, Chair Audit Committee, Member of Risk and Nomination Committees	Scottish Widows Financial Services Holdings			N		
		Scottish Widows Group			N		
		Scottish Widows Limited			N		
		Scottish Widows Unit Trust Managers Limited			N		
		St Andrews Insurance PLC			Y		
		BUPA Insurance Services Limited	United Kingdom	Non-life insurance	Y	Non-Executive Director	N
		BUPA Insurance Limited					
		Sanne Group PLC	United Kingdom	Financial services	Y	Non-Executive Director	N

Note: K J Gregory resigned as a director in April 2021. G Efthimiou has been appointed to the Board as an independent non-executive director effective 18 March 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. Aligned with our HM Treasury Women in Finance Charter goal, the Company Board met its target of 33% female representation. The Committee will continue to review all relevant diversity targets on a regular basis.

4.2 Risk governance

A formal governance hierarchy is in place to ensure effective escalation of issues through the regional and global structure. The main governing body of the Company is the Board. The Board meets on a quarterly basis, and receives reports from its delegated committees on Risk Management, Compliance and Internal Audit related matters to assist it in evaluating the effectiveness of the existing control environment.

The Board delegates certain responsibilities to a number of dedicated committees as follows:

- The Bank of New York Mellon (International) Limited Risk Committee of the Board ('RCoB');
- The Bank of New York Mellon (International) Limited Audit Committee ('AC');
- The Bank of New York Mellon (International) Limited Executive Committee ('ExCo');
- The Bank of New York Mellon (International) Limited Nomination Committee ('NomCo');
- The Bank of New York Mellon (International) Limited Depositary Advisory Council ('DAC').
- The Bank of New York Mellon (International) Limited Risk Management Committee ('RMC');
- The Bank of New York Mellon (International) Limited Capital and Stress Testing Committee ('CSTC');
- Client Asset Sourcebook ('CASS') Governance Body ('CGB'); and,
- CASS Operational Oversight Committee ('COOC');

Further detail on the key Committees for BNYMIL's Risk Management are listed below:

The **RCoB** assists the Board in fulfilling its oversight responsibilities concerning the risk appetite and risk management of the Company, as well as compliance with legal and regulatory requirements and controls to prevent, deter and detect fraud. The RCoB meets at least four times a year and is chaired by an Independent Non-Executive Director ('INED').

The **AC** assists the Board in its oversight responsibilities in respect of the Company's financial reporting process; its compliance with legal and regulatory requirements; the efficiency of the internal controls and risk management systems; the performance of the internal audit function; and the statutory auditor's qualifications, independence, provision of additional services and performance. The AC meets at least four times a year and is chaired by an INED.

The **ExCo** is responsible for the executive management of the Company. Responsibilities include but are not limited to:

- the day-to-day execution of the Company's business strategy, performance and governance within the strategy as approved by the Board, as well as ensuring that the culture across the Company facilitates the performance of business activities with integrity, efficiency and effectiveness
- the review of corporate initiatives including strategic, new business, financial performance, policy changes, controls and organisational development. The ExCo has responsibility across all lines of business conducted by or impacting the Company. The ExCo is chaired by the Chief Executive Officer ('CEO').

The **NomCo** was established to review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of Board members) and to make recommendations to the Board with respect to any appointment. The NomCo meets at least twice a year and is chaired by an INED.

The purpose of the **DAC** is to provide guidance and advice to the management of the Company's Trust and Depositary business on a range of matters relevant to the business. The DAC is an advisory only council and does not have any decision making authority. The DAC meets at least four times a year and is chaired by an INED.

The **RMC** has delegated authority from the RCoB to oversee the management of risk on a day-to-day basis. The RMC meets at least ten times per year and is chaired by the Deputy Chair of the ExCo. The UK Legal Entity Risk Officer ('UK LERO') is the Deputy Chair.

The **CGB** provides oversight of the organisational arrangements in place within the Company to comply with the Financial Conduct Authority's ('FCA') Client Asset ('CASS') requirements.

The **COOC** assists the senior manager performing the CASS Operational Oversight function to ensure that the appropriate client assets and client money protections are actively being achieved in the Company during the course of its business.

The **CSTC** has delegated authority from the RCoB to ensure governance and ownership of the processes pertaining to the Company's Internal Capital Adequacy Assessment Process ('ICAAP'). The CSTC is responsible for reviewing the capital requirements, ICAAP risk model methodologies and stress testing in accordance with the relevant capital and stress testing policies. The CSTC is chaired by a senior manager.

4.2.1 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entity risk. Oversight and escalation is provided through the following key committee:

EMEA Senior Risk and Control Committee ('ESRCC') - The purpose of the Europe, Middle East and Africa ('EMEA') Senior Risk and Control Committee is to provide regional risk management oversight and to act as a point of convergence for the co-ordination, transparency and communication of material pan-EMEA issues (live or emerging) within the region. The Committee escalates any material issues to the Senior Risk and Control Committee ('SRCC'). There are a number of committees reporting into the ESRCC:

- EMEA Asset Liability Committee ('EALCO')[1];
- EMEA Anti-Money Laundering Oversight Committee ('EAMLOC');
- EMEA European Portfolio Committee ('EPC');
- EMEA Resilience and Resolvability Steering Committee ('ERRSC').

The ESRCC is empowered under the authority delegated to it by the BNY Mellon SRCC but subject to the constraints of both corporate policy, legislation and regulation as appropriate.

4.2.2 Business Unit Risk Governance

In addition to the entity specific and regional governance bodies, the business conducted through the Company is also subject to oversight by the following key committees:

Business Acceptance Committees ('BACs')

The BACs are responsible for and authorised to evaluate, accept and reject standard and non-standard business events. The committees evaluate all business events for the level and type of risk they pose and approve those aligned with the Company's risk appetite. BACs are also responsible to review off-boarding events.

The Company utilises the following BACs:

- EMEA Asset Servicing Business Acceptance Committee;
- Corporate Trust Business Acceptance Committee;
- Markets Business Acceptance Committee.

Business Risk Committees ('BRCs')

The BRCs provide a forum to regularly review and assess risk and control issues observed from existing business practices or activities, or arising from new business practices or activities in the Lines of Business ('LoB') and supporting operations, to assist business management and corporate staff in managing and monitoring risk and control issues.

Any material issues that are identified by the BRC are escalated, as appropriate, to the Operational Risk Committee ('ORC'), Technology and Information Risk Committee, Strategic Risk Committee ('SRC'), Entity Governance Committee, Legal Entity Risk Management Committees, Senior Risk and Control Committee ('SRCC'), or other Senior Management Committees.

Product Approval and Review Committee ('PARC')

The PARC is the management committee responsible for reviewing and approving proposals to introduce new or modify or retire existing Products. The PARC is BNYM's primary product governance body and executes the specific responsibilities outlined in the Products Governance Policy.

[1] The EMEA Treasury Risk Committee ('TRC') was formally retired on 1 April 2021 due to its Terms of Reference and membership entirely overlapping with those of EALCO

The PARC escalates directly to the SRCC. The PARC, may at times, be presented with proposals that could introduce BNYM to significant or systemic risks that deviate materially from BNY Mellon's strategic plan or risk appetite. The PARC Chair shall, in consultation with PARC members, and the Policy, identify such proposals and escalate them to the SRCC for further consideration prior to the PARC issuing an approval decision.

4.3 Risk management framework

In line with global policy, the Company has adopted the 'Three Lines of Defence' model in deploying its risk management framework. The first line of defence ('1LOD') is the business or, in some cases, Corporate Function level. The business owns the risk associated with activities and manages the risks and related control processes and procedures. The Risk Management and Compliance functions are the second line of defence ('2LOD') and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and risk management practices are challenged. The third line of defence ('3LOD') is Internal Audit which independently provides the Company Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

BNY Mellon Risk and Compliance policies, guidelines and frameworks provide the structure to enable the Company to appropriately manage risk identification, implement internal controls, monitoring, reporting and escalation. The Company is supported and challenged by specialist 2nd line functional risk teams (e.g. market, credit, liquidity, operational), legal entity and line of business risk teams.

Three Lines of Defence

The Company has adopted a 'Three Lines of Defence model' as a simple and effective way to enhance risk management by clarifying essential roles and responsibilities. The Three Lines of Defence can be summarized as follows:

1. **The First Line of Defence** - Lines of Business ('LoB') and Legal Entites that provide products or services to meet the Firm's business needs and those of its customers. It also includes the associated Corporate Functions (excluding Audit, Risk & Compliance) that support the LoBs. The First Line of Defence owns the risk for their respective area of responsibility.
2. **The Second Line of Defence** - The Risk & Compliance function; responsible for establishing policies, expectations and guidance for managing risk at BNY Mellon while also independently monitoring, reviewing and challenging the First Line.
3. **The Third Line of Defence** - The Internal Audit function; an independent, objective assurance function that reports directly to the Audit Committee of the Firm's Board.

4.4 Enterprise risk framework

As a global and diverse financial institution, risk is fundamentally inherent in BNY Mellon's business model. BNY Mellon operates under one Enterprise Risk Framework ('ERF'), the foundation of BNY Mellon's risk management approach that establishes common risk management practices which can be clearly understood and consistently applied across BNY Mellon.

ERF promotes BNY Mellon's goals of long-term resiliency, safety and soundness to withstand the impact of financial market and other stresses and to maintain compliance with laws and regulations.

The four key elements of the ERF are as follows:

- **Holistic Risk Management Principles** - promotes a strong risk culture, clear risk ownership, consistent and complete risk challenge;
- **Enterprise Risk Framework** - drives effective management of risks corresponding to the execution of the business strategy and BNY Mellon's day-to-day operations;
- **Risk Reporting Standards** - delivers a consistent and aggregated measurement and monitoring of risk that help with decision making;
- **Continuous Improvement** - for monitoring the effectiveness of ERF.

Providing a transparent and consistent approach to risk management is a core component of ensuring an appropriate risk culture within BNY Mellon, where all individuals recognise the role they are expected to play in ensuring the safety and soundness of the operations and ensuring that risk is considered in all aspects of what BNY Mellon does and the decisions made.

The ERF is established to effectively manage risks corresponding to the execution of the business strategy and BNY Mellon's day-to-day operations.

This framework is grounded on the risk management principles outlined below:

- identify, assess and document current and emerging risks;
- establish, implement and maintain an internal control environment;
- establish risk appetite and manage risk according to risk appetite;
- embed risk considerations into decisions and actions.

These are illustrated as follows:

In order to promote consistency in the identification and aggregation of risks across BNY Mellon, the common risk taxonomy, which is a comprehensive list of risk categories, is used. These include Operational Risk, Market Risk, Credit Risk, Liquidity Risk, Model Risk, and Strategic Risk.

4.4.1 Risk Appetite Statement (RAS)

The Company's Risk Appetite Statement 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 uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. In addition, the legal entity High Level Assessment 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 the monthly risk management committees to ensure alignment with the entity's risk appetite.

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 Risk Appetite Statement 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.

4.4.2 High-level assessment (HLA)

Material risk identification for the legal entity is performed through the High-level Assessment ('HLA') process. The HLA is a quantitative and qualitative assessment performed separately for the Company and utilises the applicable business level HLA as a key input to the assessment. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks as well as internal and external factors impacting the business. The HLA process is designed to ensure that the first line of defence within the entity, with oversight and challenge from Risk Management, formally identify, review and discuss the identified risks as appropriate. As such, the HLA process involves a review and assessment of all Enterprise Risk categories, enabling current and emerging risks to be identified, discussed, addressed and elevated as appropriate.

4.5 Escalation of risks and issues

A robust framework exists for the monitoring and escalation of issues and risks within each Line of Business and legal entity, including:

- identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business and legal entity that conform to the principles and guidelines established by Risk;
- designing a limit hierarchy and governance guidelines to manage both financial and non-financial risks. This incorporates risk appetite limits as well as key risk indicators and early warning indicators;
- establishment of key frameworks to govern our financial risks including specific governance committees, policies and stress testing;
- elevating, reporting and investigating operating errors, losses and near misses, identifying root causes and implementing corrective actions;
- reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions;
- approving the process to accept new business, including ‘Request for Proposal’ preparation, contract acceptance and compliance, and challenging whether the Company is being compensated appropriately for the assumption of risk;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.;
- ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness.

Management information is used to monitor the performance of the transaction processing and support services including specific risk exposures (e.g. cash and securities reconciliation breaks) including red/amber/green ratings in respect of the health of the operational functions.

4.6 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.

4.7 Internal capital adequacy assessment process

An Internal Capital Adequacy Assessment Process ('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 Firm'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 BAU and stressed conditions. The Company's ICAAP document considers a separate climate change stress test, further details of which can be found in section 4.9.

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

4.8 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.

4.9 Climate-related disclosures

Our climate ambition and strategy

At BNY Mellon we're 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; this is also true of the Company. Delivering on our environmental, social and governance ('ESG') strategy, we Consider Everything^{SM}, starting with our own enterprise-wide practices. We are committed to the development of programs that help us reduce the carbon footprint of our operations and manage the risks that arise from climate change. As part of a global financial services provider, we recognise the important role we play in transitioning to a climate-stable world. To that end, we endeavour to provide best-in-class, climate-friendly client solutions to the global community. We are also acutely aware that climate change represents a key risk driver to the Bank and the global economy at large. As such, we will continue to recognise and consider climate-related risks in the execution of our business objectives and risk taking, including the development of new products and services, strategy formulation and steering the future of our organisation.

The Company enables BNY Mellon's Asset Servicing & Digital sales strategy and as such the financial forecasts set out in the strategy document reflect the Asset Servicing & Digital strategy and incorporate entity-specific factors where those can be identified with a level of certainty. This does not prevent the entity from articulating its strategic ambition through various enterprise initiatives and projects underway within the organisation.

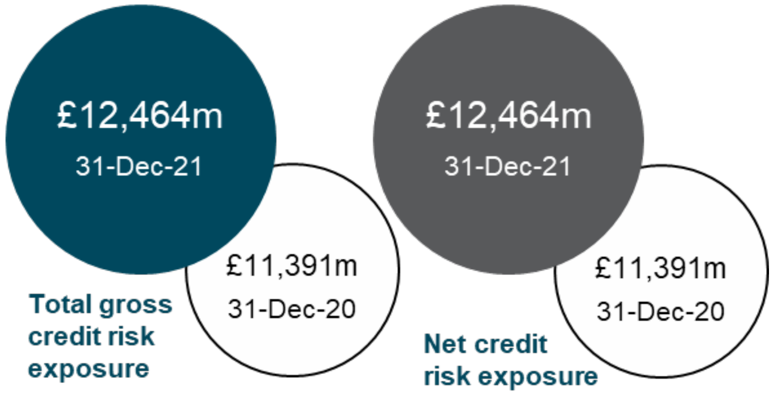
In this iteration of reporting against the recommendations of the Task Force on Climate-Related Financial Disclosure ('TCFD'), we aim to illustrate the progress we have made in this space as well as openly acknowledging the progress we need to make to enhance our efforts and impact in the fight against climate change. However, where enhancements need to be made to align with the Task Force's recommendations, we have highlighted this clearly in table below in the future developments' column.

<table>
<tr><th>The Company's TCFD Achievements: 2021</th><th>The Company's Opportunities & Developments 2022</th></tr>
<tr><td colspan="2">Governance</td></tr>
<tr><td colspan="2">The Company's Board oversight of climate-related risks and opportunities:</td></tr>
<tr><td>The Board recognises the importance of climate risk and its relevance. As such, steps have been taken to enhance the Board's oversight of climate risk. The Board operates on a model whereby it delegates certain responsibilities to dedicated committees. To ensure the effective embeddedness of climate risk amongst the forums to which responsibilities have been delegated, climate risk has been included in the Terms of Reference of the specific bodies below:
• RCoB;
• RMC; and,
• CSTC.
The Board meets on a quarterly basis and receives updates from the above-mentioned committees, who have considered climate risk as part of the responsibilities, ensuring effective oversight from the Board.
The Board has adopted a climate and environmental strategy, which proposes solutions to the following:
• a Global Footprint Approach;
• a Global Climate Risk Approach; and,
• a Global Approach to Clients and Products.
The CEO of the Company has been assigned the Senior Management Function (SMF) responsibility for climate risk.
The Board has undertaken climate-risk training to ensure that all Board members are sufficiently and appropriately trained and informed to have effective oversight of climate-related risks and opportunities.</td><td>The Group Climate Strategy is to be finalised in 2022 and then presented for consideration at the Board with the objective of enhancing the current climate and environmental commitments made in the Company's strategy.
Continued development of climate-specific Key Risk Indicators ('KRI's) to enable the Board to enhance their monitoring of climate-related risks, as well as any associated opportunities.</td></tr>
<tr><td colspan="2">The Company management's role in assessing and managing climate-related risks and opportunities:</td></tr>
<tr><td>Management has adopted the Three Lines of Defence model in deploying its risk management framework in line with BNY Mellon's organisational structure. The roles across each of the Lines of Defence is allocated as follows:
• the 1LOD 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 2LOD and own the Group-wide risk management and compliance frameworks and provide independent oversight of the 1LOD, ensuring that the 1LOD understand and manage their risks through application of all elements of the frameworks and policies; and,
• the 3LOD is Internal Audit, which independently provides the Board and senior management with the assurance that the governance structures, risk management and internal controls are effective.
To support these risk frameworks, dedicated 1LOD and 2LOD management are in place to provide support in developing strategy as well as support to assess and manage climate risks and identifying opportunities where relevant. In particular, the 2LOD is supported by a Global ESG Chief Risk & Compliance Officer ("ESG CRCO") who is responsible across the enterprise for the design and implementation of the climate risk requirements relating to the global risk frameworks. 1LOD management are responsible for the embedding of these climate risk requirements and work in partnership with 2LOD to achieve this.
The ExCo has established a Climate Change Council chaired by the CEO and comprising a broad cross-section of 1LOD, 2LOD and 3LOD teams. The Climate Change Council has been tasked with developing the Company'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 the Company's annually refreshed Strategy and Risk Appetite Statements, which are subject to approval by the Board, as well as more generally across the Risk Framework. Further work of this group includes, and is not limited to training, client and vendor engagements, stress testing and financial disclosures.</td><td>In 2022 the remuneration policy will be enhanced to take into consideration climate risk & opportunities based on an agreed climate-related goal.</td></tr>
</table>

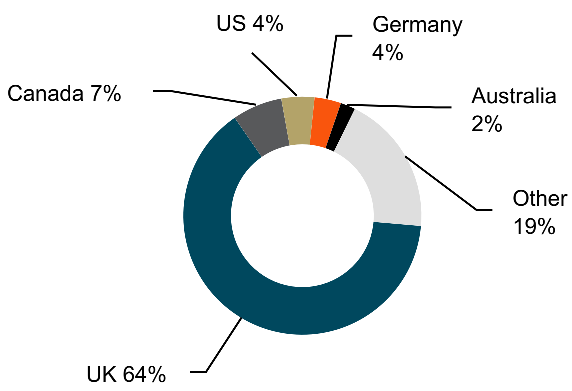
Strategy	
Climate-related risks and opportunities identified over the short, medium, and long term:	
The Company has performed an initial assessment through the 2LOD and incorporated analysis performed at the Group level with external advisors. Identified risks resulting from this analysis have been reported to senior management with internal KRIs developed to monitor. This assessment considered both physical and transitional risks across time horizons. As a provider of custody banking services, the Company recognises that we have a role to play by ensuring the products and services we develop help clients integrate climate change into their asset management activities. We leverage our insights on portfolio exposures and construction with our clients and this service is one that can support client education and awareness. This is an on-going opportunity where we will leverage our unique position to the advantage of our clients and the climate, as we currently do through our ESG Data Analytics application[1], a cloud-based application that mass-customises investment portfolios to clients' individual ESG factor (including climate) preferences. We have made this as well as other tools available to our clients to support them on their climate journeys. [1] https://www.bnymellon.com/us/en/insights/all-insights/a-data-driven-approach-to-responsible-investment.html	The Company will explore the possibility of expanding its scenario testing to clearly identify the physical and transitional risks it is monitoring, as well as the associated opportunities related to those areas across short-, medium- and long-term horizons. The Company will further explore the possibility of developing climate-friendly products that will enable the Company and its clients to have a positive impact in the fight against climate change. Ongoing measurement and reporting will be used by the Company to support management discussion and support the development of risk strategy with respect to climate change. Aggregate reporting across all KRIs (which incorporate climate risk) will be implemented in 2022 for reporting to the Global ESG CRCO and to those governance committees that hold broad risk management responsibilities.
Impact of climate-related risks and opportunities on BNYMIL's businesses, strategy, and financial planning:	
The Company has considered climate risk across all its risk categories and processes to support ongoing monitoring and decision making, including decisions relating to ongoing strategy, either within specific decision-making processes or for strategic planning purposes. The impact of climate change risk on business strategy is therefore predominantly focused on changes to strategy at the micro level – understanding of climate change risks support individual decision making as part of the development of clients, products, and services. Given the low impact of climate risk on the Company at present, there are currently no material changes required to the strategy. The Company has considered a business model scenario analysis utilising scenarios from the Network for Greening the Financial System ('NGFS') to assess the impact of climate risk across the business; the same pathways / scenarios will be utilised in the 2022 ICAAP and Internal Liquidity Assessment Process ("ILAAP").The analysis considered the impact 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. This approach will continue to be enhanced and run periodically to inform any strategic decision making.	The Company will consider appropriate opportunities to pursue 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. The Company will disclose further details about climate-related risks and opportunities identified and associated decisions and actions as we further mature our approach. Climate change pathways / scenarios (NGFS) will be agreed for the 2023 ICAAP and utilised in the business model scenario analysis for the Company's 2023 strategy.
Resilience of BNYMIL's strategy taking into consideration climate-related scenario analysis:	
The analysis undertaken in the Company's 2021 ICAAP illustrated an immaterial risk from climate-related risks and therefore the overall business strategy remains unchanged. The Company continues to monitor climate change 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 risks as part of the strategy setting process. Stress testing considers longer term strategic implications directly associated with climate change and consider explicitly the impact to, and response of, BNY Mellon's Group corporate strategy consistent with the NGFS carbon transition pathway.	The full extent of climate-related risk requires a longer timeframe consideration than used in our current stress tests. Therefore, the Company is currently in the process of developing more comprehensive qualitative and quantitative tests to support in the identification of relevant climate risks.

Risk Management	
Processes for identifying and assessing climate related risks:	
Climate risk has been incorporated into the existing processes that are used to identify risk at the Company. Climate risk has been identified as a risk driver (see further details on this below), and the approach for identifying any associated risks follows the process outlined below: • when taking on risk through the adoption of a new client, process, product or third-party relationship, a series of risk assessments are performed that focus on all potential sources of risk, and these include dedicated climate considerations defined to identify any material risk that may require mitigation and/or escalation through the decision-making process; and, • when considering existing risks (which includes climate risk) the Group runs defined processes coordinated by the 1LOD and overseen by 2LOD which include several risk identification processes across enterprise risk categories. These processes are used to identify and classify risks from all sources and are used to determine where mitigating activities may be required. KRIs have been developed covering Credit, Market, Operational (including Third Party and Resiliency) risks. As climate risk is a risk driver of the above listed risk types, climate risk is inherently considered as part of this process. An initial assessment has been performed to identify those areas of the business to which physical or transitional effects of climate change may impact the business across a short-, medium- and long-term horizon. The capital stress testing has also integrated consideration of the impacts of climate change, which were included in the 2021 ICAAP. Additionally, to further enhance this effort an agreement on climate change pathway / scenarios (NGFS) has been made for the 2022 ICAAP and ILAAP.	Further enhancements on the integration of climate risk across key processes. Capital stress testing considering impacts of climate change utilising NGFS scenarios and macro-economic transition pathway variables, to be included 2022 ICAAP & ILAAP.
Processes for managing climate-related risks:	
The management of climate risk has been integrated into the Company's processes for all risks through its integration into the existing risk frameworks used for all taxonomy risks. The management of climate risk follows standard BNY Mellon risk management practices, which follows a process of risk identification, materiality assessment and quantification (where possible and relevant). The entirety of this process is supported by inclusion in risk management policy and governance. Several key business processes formally incorporate the consideration of climate risk to ensure that potential climate impacts are considered within business decision making. These processes are governed by overarching BNY Mellon global policies and implemented as applicable to all lines of business and legal entities. The key processes which will directly and explicitly incorporate climate risk assessment are: • client due diligence and underwriting processes; • new product approvals; • business process changes; • location strategy; • third-party vendor assessment; and, • sub-custodian onboarding.	Further enhancements on the integration of climate risk across key processes.
Integrating climate-related risk processes into overall risk management:	
Climate-related risk has been incorporated into Financial and Operational risks through reporting and processes used to identify risks within new products, processes and for clients. As a risk driver, processes across the Group include assessment of potential climate risks and these are used alongside the assessment of other risks to manage risk at both an individual exposure level as well as in aggregate. All processes used cover all risk types and climate is treated equivalently.	
Metrics and Targets	
The Company as an outsourcing recipient leverages the Group's structure of BNY Mellon to deliver products and services to their client base and at a Group level we have released ESG disclosures, please refer to these documents[2]. To provide context the total revenue for the year ended 31 December 2021 for the Company was £182 million compared to $15.9 billion for BNY Mellon as per 2021 published annual financial statements. [2] https://www.bnymellon.com/us/en/about-us/esg-and-responsible-investment.html	The Company will continue to develop more meaningful metrics that are appropriate and aligned to the business model operated, taking into account the outsourcing recipient status, with a target of disclosing in financial reporting for year ending 31 December 2022.

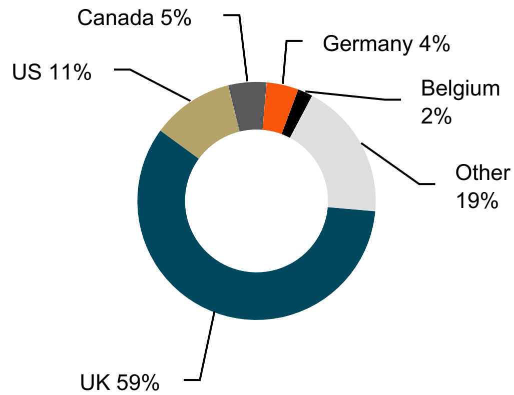
5 Article 442 CRR - Credit risk adjustments



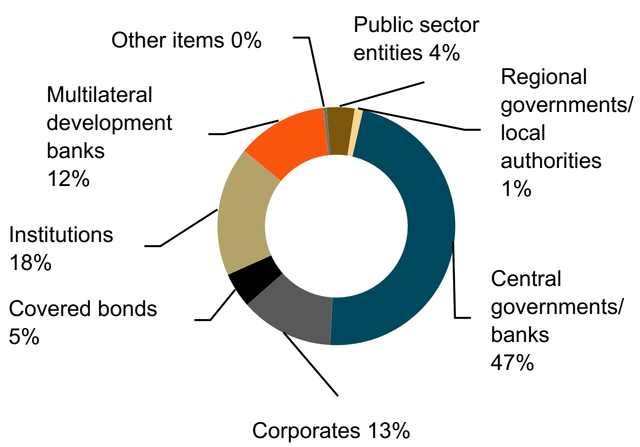
Standardised net credit exposure by geographical area at 31 December 2020



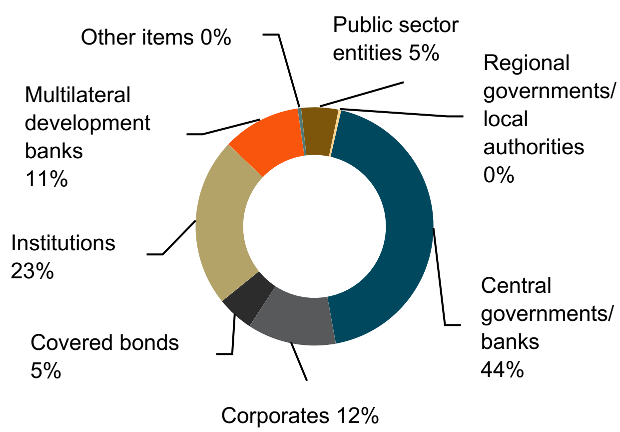
Standardised net credit exposure by geographical area at 31 December 2021



Standardised net credit exposure by counterparty type at 31 December 2020



Standardised net credit exposure by counterparty type at 31 December 2021



5.1 Definition and identification

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 the 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. It is noted that 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 the 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;
- 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.

5.2 Credit risk management framework

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 Risk Appetite Statement and a Legal Entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.3 Management of credit risk

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 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 as well as the London Branch of the Bank of New York Mellon;
- 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.

Metrics supporting the management of credit risk are reviewed and reported to the Company's senior management on a monthly basis.

5.4 Monitoring and reporting

Credit risk is monitored and controlled in real time through the Global Funds Control Platform and its interaction with both the Global Securities Processing ('GSP') system for securities settlement activity and the International Money Management System ('IMMS'), which is the bank's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by the Client Service area with secondary oversight from the Credit Risk Management function.

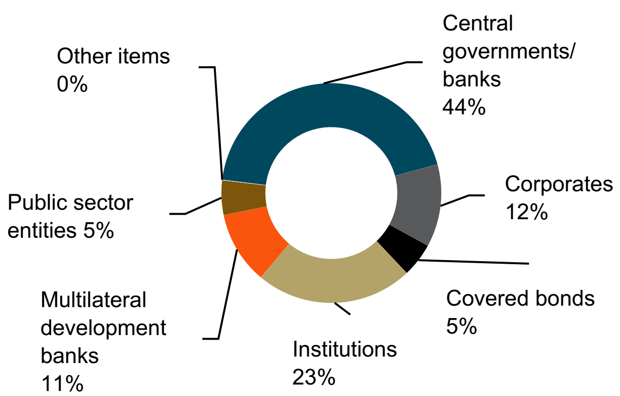
5.5 Governance

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:

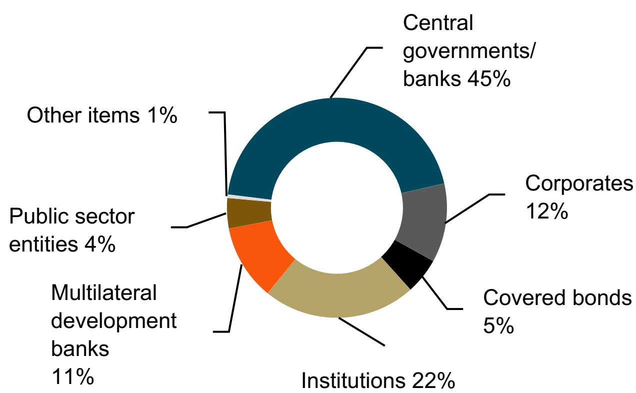
- the credit risk policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or 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.

5.6 Analysis of credit risk

Total net exposures at 31 December 2021



Average net exposures over 2021



The Company's minimum credit risk capital requirement is calculated using the standardised approach and is expressed as 8% of risk-weighted exposures. Where available, issuer ratings from External Credit Assessment Institutions ('ECAI') are used in the determination of the relevant risk-weighting across all exposure classes. Where ECAI ratings differ, the more conservative rating is applied.

A breakdown of the Company's credit risk exposures as at 31 December 2021 is provided below.

The definitions below are used in the following tables:

- **Exposure at Default ('EAD')** is defined as the amount expected to be outstanding after any credit risk mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory FRS 101 accounting balance sheet carrying values;
- **Exposures in Default (past due) -** The Company has no exposures in default which are defined as accounts receivable balances in excess of agreed limits for more than 90 days. This definition only applies to regulatory computations and is disclosed under the exposure class, 'Exposures in Default'. In the case of the Company this carries no impairment;
- **Credit Conversion Factor ('CCF')** converts the amount of a free credit line and other off-balance sheet transactions, with the exception of derivatives, to an EAD amount;
- **Credit Risk Mitigation ('CRM')** is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection;
- **geographic area** is based on the country location of the counterparty;

- **residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

Table 8:EU CRB-B - Total and average net amount of exposures

The following tables show the total and average credit risk exposure pre conversion factors by class for the Company (Consolidated) using the standardised approach.

At 31 December 2021 (£m)	Net value at the end of the period	Average net value over the period
Central governments/ banks	5,425	5,554
Corporates	1,504	1,444
Covered bonds	623	663
Institutions	2,854	2,803
Multilateral development banks	1,326	1,388
Other items	57	53
Public sector entities	630	558
Regional governments/local authorities	45	11
Total	**12,464**	**12,474**

Table 9:EU CRB-C - Geographical breakdown of exposures

This table shows the Company's (Consolidated) credit risk exposure pre conversion factors by (top five) geographical area.

At 31 December 2021 (£m)	UK	US	Canada	Germany	Belgium	Other	Total
Central governments/ banks	5,425	—	—	—	—	—	**5,425**
Corporates	1,504	—	—	—	—	—	**1,504**
Covered bonds	420	—	—	185	—	18	**623**
Institutions	2	1,386	412	—	255	799	**2,854**
Multilateral development banks	—	—	—	—	—	1,326	**1,326**
Other items	45	12	—	—	—	—	**57**
Public sector entities	—	—	195	364	—	71	**630**
Regional governments/ local authorities	—	—	45	—	—	—	**45**
Total	**7,396**	**1,398**	**652**	**549**	**255**	**2,214**	**12,464**

Table 10:EU CRB-D - Concentration of exposures by counterparty types

This table shows the Company's (Consolidated) credit risk exposure pre conversion factors classified by class and by counterparty type.

At 31 December 2021 (£m)	General governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Central governments/ banks	5,425	—	—	—	**5,425**
Corporates	—	—	1,504	—	**1,504**
Covered bonds	—	623	—	—	**623**
Institutions	—	2,854	—	—	**2,854**
Multilateral development banks	—	1,326	—	—	**1,326**
Other items	—	—	—	57	**57**
Public sector entities	630	—	—	—	**630**
Regional governments/ local authorities	45	—	—	—	**45**
Total	**6,100**	**4,803**	**1,504**	**57**	**12,464**

Table 11:EU CRB-E - Maturity of exposures

This table shows the Company's (Consolidated) **on-balance sheet** credit risk exposure pre conversion factors classified by exposure class and residual maturity.

At 31 December 2021 (£m)	On demand	Less than 1 year	Less than 5 years	More then 5 years	No stated maturity	Total
Central governments/ banks	31	—	476	47	4,871	**5,425**
Corporates	1,400	—	—	—	—	**1,400**
Covered bonds	—	44	521	58	—	**623**
Institutions	537	458	813	—	1,046	**2,854**
Multilateral development banks	—	195	1,044	87	—	**1,326**
Other items	57	—	—	—	—	**57**
Public sector entities	—	121	509	—	—	**630**
Regional governments/ local authorities	—	—	45	—	—	**45**
Total	**2,025**	**818**	**3,408**	**192**	**5,917**	**12,360**

5.7 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and retrieval of cash where there is no realistic potential for recovery.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

- **past due** exposure is when a counterparty has failed to make a payment when contractually due;
- **impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2021, the Company had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. The Company did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 12:EU CR1-A - Credit quality of exposures by exposure class and instrument

This table provides a comprehensive picture of the Company's (Consolidated) credit quality of on- and off-balance sheet exposures.

	Exposures		Credit risk adjustments				
At 31 December 2021 (£m)	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments/ banks	—	5,425	—	—	—	—	**5,425**
Corporates	—	1,504	—	—	—	—	**1,504**
Covered bonds	—	623	—	—	—	—	**623**
Institutions	—	2,854	—	—	—	—	**2,854**
Multilateral development banks	—	1,326	—	—	—	—	**1,326**
Other items	—	57	—	—	—	—	**57**
Public sector entities	—	630	—	—	—	—	**630**
Regional governments/ local authorities	—	45	—	—	—	—	**45**
Total	**—**	**12,464**	**—**	**—**	**—**	**—**	**12,464**

At 31 December 2020 (£m)	Exposures Defaulted	Non-defaulted	Credit risk adjustments Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments/ banks	—	5,381	—	—	—	—	**5,381**
Corporates	—	1,441	—	—	—	—	**1,441**
Covered bonds	—	548	—	—	—	—	**548**
Institutions	—	2,002	—	—	—	—	**2,002**
Multilateral development banks	—	1,411	—	—	—	—	**1,411**
Other items	—	44	—	—	—	—	**44**
Public sector entities	—	436	—	—	—	—	**436**
Regional governments/ local authorities	—	128	—	—	—	—	**128**
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

Table 13:EU CR1-B - Credit quality of exposures by industry

This table shows the credit quality of the Company's (Consolidated) on- and off-balance sheet credit risk exposures by industry type.

At 31 December 2021 (£m)	Exposures Defaulted	Non-defaulted	Credit risk adjustments Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	11,732	—	—	—	—	**11,732**
Other services	—	732	—	—	—	—	**732**
Total	**—**	**12,464**	**—**	**—**	**—**	**—**	**12,464**
Of which: On-balance sheet exposures	—	12,360	—	—	—	—	**12,360**
Of which: Off-balance sheet exposures	—	104	—	—	—	—	**104**
Total	**—**	**12,464**	**—**	**—**	**—**	**—**	**12,464**

At 31 December 2020 (£m)	Exposures Defaulted	Non-defaulted	Credit risk adjustments Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	10,783	—	—	—	—	**10,783**
Other services	—	608	—	—	—	—	**608**
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**
Of which: On-balance sheet exposures	—	11,283	—	—	—	—	**11,283**
Of which: Off-balance sheet exposures	—	108	—	—	—	—	**108**
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

Note: The comparative table for 2020 has been re-stated following a review of the underlying data.

Table 14:EU CR1-C - Credit quality of exposures by geography

This table shows an analysis of the Company's (Consolidated) credit risk exposures past due, impaired and allowances by (top five) country using the IFRS methodology.

At 31 December 2021 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,396	—	—	—	—	7,396
US	—	1,398	—	—	—	—	1,398
Canada	—	652	—	—	—	—	652
Germany	—	549	—	—	—	—	549
Belgium	—	255	—	—	—	—	255
Other	—	2,214	—	—	—	—	2,214
Total	**—**	**12,464**	**—**	**—**	**—**	**—**	**12,464**

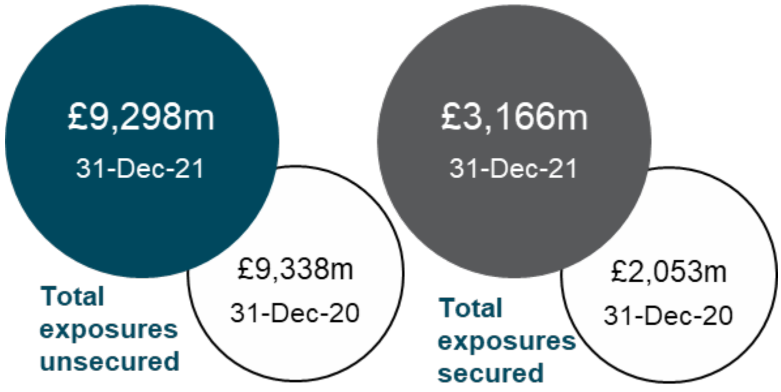
At 31 December 2020 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,287	—	—	—	—	7,287
Canada	—	773	—	—	—	—	773
US	—	513	—	—	—	—	513
Germany	—	412	—	—	—	—	412
Australia	—	230	—	—	—	—	230
Other	—	2,176	—	—	—	—	2,176
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

Non-performing and forborne exposures: The Company did not incur any material non-performing or forborne exposures during the year to 31 December 2021.

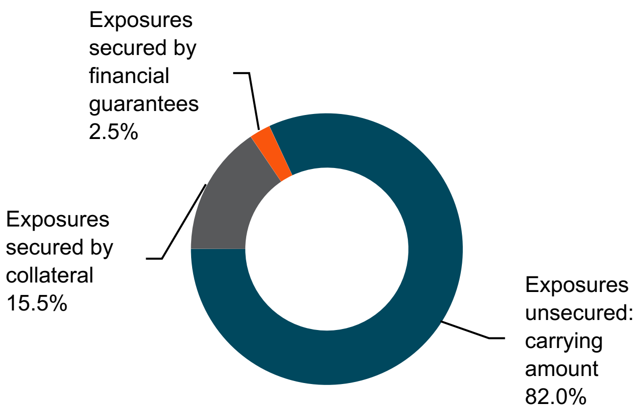
Changes in the stock of general and specific credit risk adjustments: The Company did not incur any material impaired exposures during the year to 31 December 2021 and, therefore, no general or specific credit risk adjustments were noted.

Changes in the stock of defaulted and impaired loans and debt securities: The Company did not incur any defaulted loans or debt securities during the year to 31 December 2021.

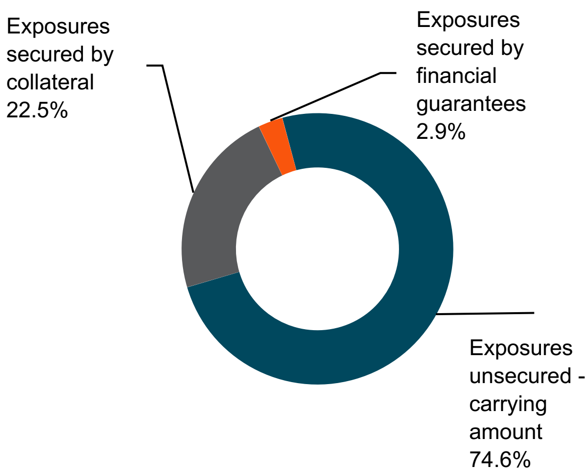
6 Article 453 CRR - Credit risk mitigation



Credit risk mitigation at 31 December 2020



Credit risk mitigation at 31 December 2021



The Company manages credit risk through a variety of credit risk mitigation strategies including netting agreements, master netting agreements ('MNAs') and guarantees.

6.1 Netting

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 Company also has MNAs with other BNY Mellon entities that allow it to net intercompany balances on a single currency basis. The agreements meet the requirements of the CRR for credit risk mitigation purposes.

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. However, the Company had limited derivative positions as at 31 December 2021 but did make use of ISDA master netting agreements.

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.

6.2 Collateral valuation and management

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.

6.3 Wrong-way risk

The Company takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates.

6.4 Credit concentration risk

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

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.

Table 15:EU CR3 - Credit risk mitigation techniques - overview

This table shows the extent of credit risk mitigation techniques of all exposures utilised by the Company (Consolidated).

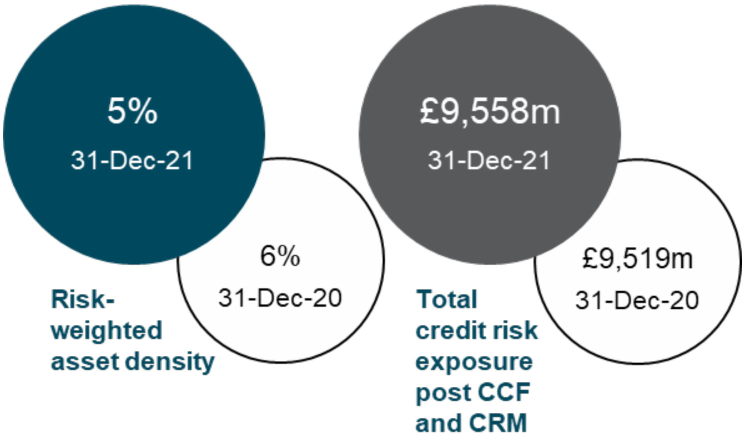
At 31 December 2021 (£m)	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans and debt securities	9,298	3,166	2,801	365	—
Total exposures	**9,298**	**3,166**	**2,801**	**365**	**—**
Of which defaulted	—	—	—	—	—

Note: Total loans and debt securities includes on- and off-balance sheets exposures pre CRM and CCF subject to credit and counterparty credit risk.

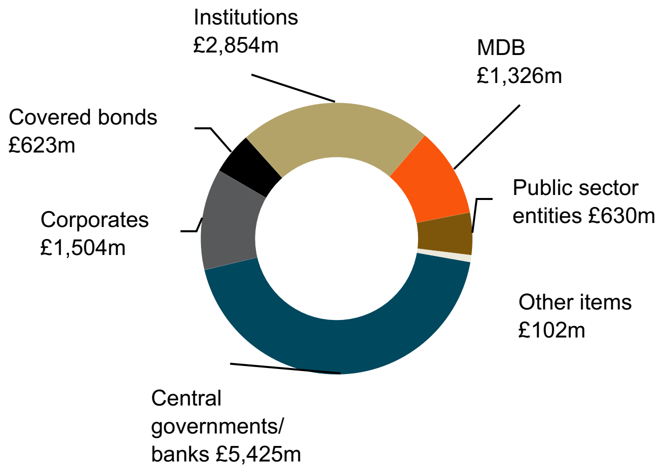
Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

There are no exposures covered by credit derivatives at 31 December 2021. Using guarantees has the effect of replacing the risk weight of the underling exposure with that of the entity providing the credit protection. Guarantors are primarily rated as investment grade.

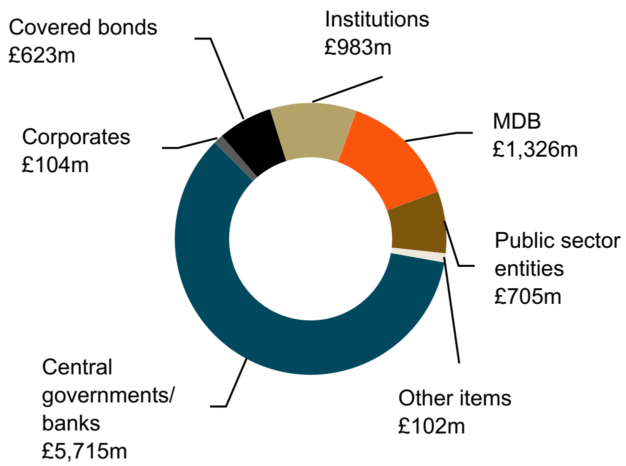
7 Article 444 CRR - External credit rating assessment institutions



Total exposures before CCF and CRM at 31 December 2021



Total exposures post CCF and CRM at 31 December 2021



MDB: Multilateral development banks

The standardised approach requires the Company to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to determine the risk-weightings applied to rated counterparties. The Company uses a combination of S&P Global Ratings, Fitch and Moody's as its chosen ECAIs for securities, loans and deposits.

Table 16:Mapping of ECAIs credit assessments to credit quality steps

The Company uses Credit Quality Steps ('CQS') to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of the Company's nominated ECAIs' credit assessments to the credit quality steps.

Credit quality steps	S&P Global Ratings	Moody's	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB-+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Table 17:Credit quality steps and risk-weights

ECAI risk assessments are used for each exposure class. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk-weight different to institutions with a risk-weight of more than three months. This distinction is shown in the table below.

This table shows the prescribed risk-weights associated with the credit quality steps by exposure class.

	Risk-weight by credit quality step					
Exposure class	**CQS 1**	**CQS 2**	**CQS 3**	**CQS 4**	**CQS 5**	**CQS 6**
Central governments/banks	0%	20%	50%	100 %	100%	150%
Institutions maturity <= 3 months	20%	20%	20%	50 %	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100 %	100%	150%
Corporates	20%	50%	100%	100 %	150%	150%
Collective investment undertakings	20%	50%	100%	100 %	150%	150%
Unrated institutions	20%	50%	100%	100 %	100%	150%

The risk systems maintain the credit quality step mappings to customers in their database. When calculating the risk-weighted value of an exposure using the ECAI risk assessments, the system will identify the customer, the maturity of the transaction and the relevant credit quality step to determine the risk-weight percentage.

Table 18:EU CR4 - Credit risk exposure and credit risk mitigation ('CRM') effects

This table shows the effect of the standardised approach on the calculation of capital requirements for the Company's (Consolidated) credit risk exposures. Risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM			
	balance sheet amount		balance sheet amount			
At 31 December 2021 (£m)	**On-**	**Off-**	**On-**	**Off-**	**RWA**	**RWA density**
Central governments/ banks	5,425	—	5,715	—	10	0 %
Corporates	1,400	104	104	—	104	100 %
Covered bonds	623	—	623	—	62	10 %
Institutions	2,854	—	983	—	204	21 %
Multilateral development banks	1,326	—	1,326	—	—	0 %
Other items	57	—	57	—	60	105 %
Public sector entities	630	—	705	—	26	4 %
Regional governments/ local authorities	45	—	45	—	—	0 %
Exposures in default	—	—	—	—	—	0 %
Total	**12,360**	**104**	**9,558**	**—**	**466**	**5 %**

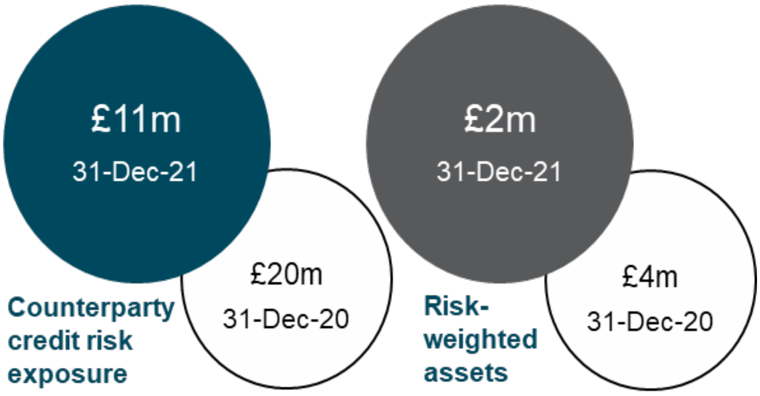
Table 19:EU CR5 - Credit risk exposure by risk weight post CCF and CRM

This table shows the breakdown of credit risk exposures for the Company (Consolidated) after the application of both conversion factors and risk mitigation techniques.

At 31 December 2021 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/ banks	5,668	—	47	—	—	—	—	—	5,715
Corporates	—	—	—	—	104	—	—	—	104
Covered bonds	—	623	—	—	—	—	—	—	623
Institutions	—	—	977	—	—	6	—	—	983
Multilateral development banks	1,326	—	—	—	—	—	—	—	1,326
Other items	—	—	—	—	55	—	2	—	57
Public sector entities	576	—	129	—	—	—	—	—	705
Regional governments/ local authorities	45	—	—	—	—	—	—	—	45
Exposures in Default	—	—	—	—	—	—	—	—	—
Total	**7,615**	**623**	**1,153**	**—**	**159**	**6**	**2**	**—**	**9,558**

At 31 December 2020 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/ banks	5,582	—	34	—	—	—	—	—	5,616
Corporates	—	—	—	—	196	—	—	—	196
Covered bonds	—	548	—	—	—	—	—	—	548
Institutions	—	—	1,083	6	—	—	—	—	1,089
Multilateral development banks	1,411	—	—	—	—	—	—	—	1,411
Other items	—	—	—	—	44	—	—	—	44
Public sector entities	397	—	90	—	—	—	—	—	487
Regional governments/ local authorities	128	—	—	—	—	—	—	—	128
Exposures in Default	—	—	—	—	—	—	—	—	—
Total	**7,518**	**548**	**1,207**	**6**	**240**	**—**	**—**	**—**	**9,519**

8 Article 439 CRR - Exposure to 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.

Table 20:EU CCR1 - Analysis of the counterparty credit risk ('CCR') exposure by approach

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method for the Company (Consolidated).

Counterparty credit risk (£m)		
Derivatives - Mark to Market method	**31-Dec-21**	**31-Dec-20**
Gross positive fair value of contracts	—	—
Potential future credit exposure	11	20
Netting benefits	—	—
Net current credit exposure	11	20
Net derivatives credit exposure	**11**	**20**
Risk-weighted Assets	**2**	**4**
SFT - under financial collateral comprehensive method	**31-Dec-21**	**31-Dec-20**
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted Assets	**—**	**—**
Counterparty credit risk exposure	**11**	**20**

Note: SFT (Securities Financing Transactions).

8.1 Credit valuation adjustment

The credit valuation adjustment is the capital charge for potential mark-to-market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

Table 21:EU CCR2 - Credit valuation adjustment capital charge

This table shows the Company (Consolidated) credit valuation adjustment using the standardised approach.

At 31 December 2021 (£m)	Exposure value	RWA
All portfolios subject to the standardised method	11	2
Total subject to the CVA capital charge	**11**	**2**

Table 22:EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of the Company's (Consolidated) counterparty credit risk exposures by exposure class and risk-weight attributed according to the standardised approach.

At 31 December 2021 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Institutions	—	11	—	—	—	—	11
Total	**—**	**11**	**—**	**—**	**—**	**—**	**11**

At 31 December 2020 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Institutions	—	20	—	—	—	—	20
Total	**—**	**20**	**—**	**—**	**—**	**—**	**20**

Table 23:EU CCR5-A - Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on counterparty credit risk exposures for the Company (Consolidated).

At 31 December 2021 (£m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	11	—	11	—	11
Total	**11**	**—**	**11**	**—**	**11**

9 Article 443 CRR - Asset encumbrance

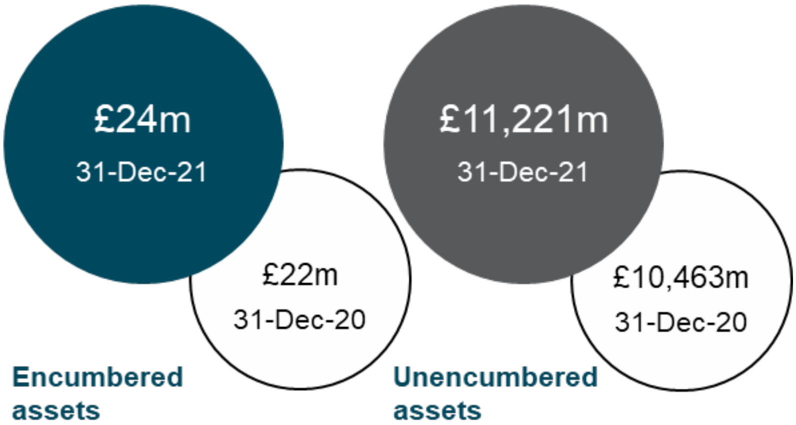


Table 24:AE-A - Encumbered assets

The carrying and fair value of encumbered assets by type, based on median values in 2021, are as follows:

	Encumbered assets		Unencumbered assets	
At 31 December 2021 (£m)	Carrying amount	Fair value	Carrying amount	Fair value
Assets of the reporting institution	**24**		**11,221**	
Equity instruments	—		—	
Debt securities	**—**	**—**	**4,170**	**4,170**
of which: covered bonds	—	—	669	669
of which: issued by general governments	—	—	229	229
of which: issued by financial corporations	—	—	3,154	3,154
Other assets	**24**		**7,167**	
of which: loans on demand	24		6,852	
of which: loans and advances other than loans on demand	—		105	
Other assets	—		147	

Table 25:AE-B - Collateral

The reportable encumbered collateral received, or available for encumbrance, based on median values in 2021, are presented below:

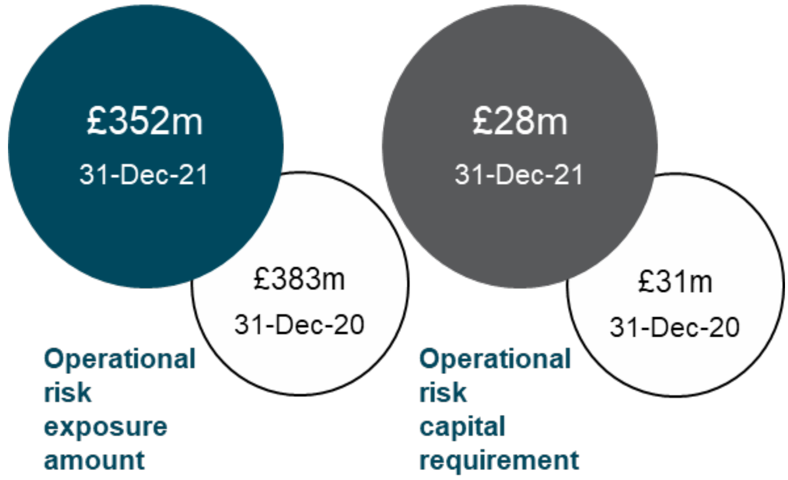
		Unencumbered
At 31 December 2021 (£m)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other collateral received	**—**	**13**
Total assets, collateral received and own debt securities issued	**24**	**—**

Encumbered assets for the Company relate to cash collateral placed on derivative swaps, and its ‘cash ratio deposit’ requirement to hold a minimum level of reserves at the Bank of England. This represents a relatively small proportion of the Company’s total reserves held at the Bank of England. Fair value of collateral received relates to cash collateral received on derivative swaps.

Table 26:AE-C - Sources of encumbrance

At 31 December 2021 (£m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Other sources of encumbrance	**—**	**24**
Other	—	24
Total sources of encumbrance	**—**	**24**

10 Article 446 CRR - Operational risk

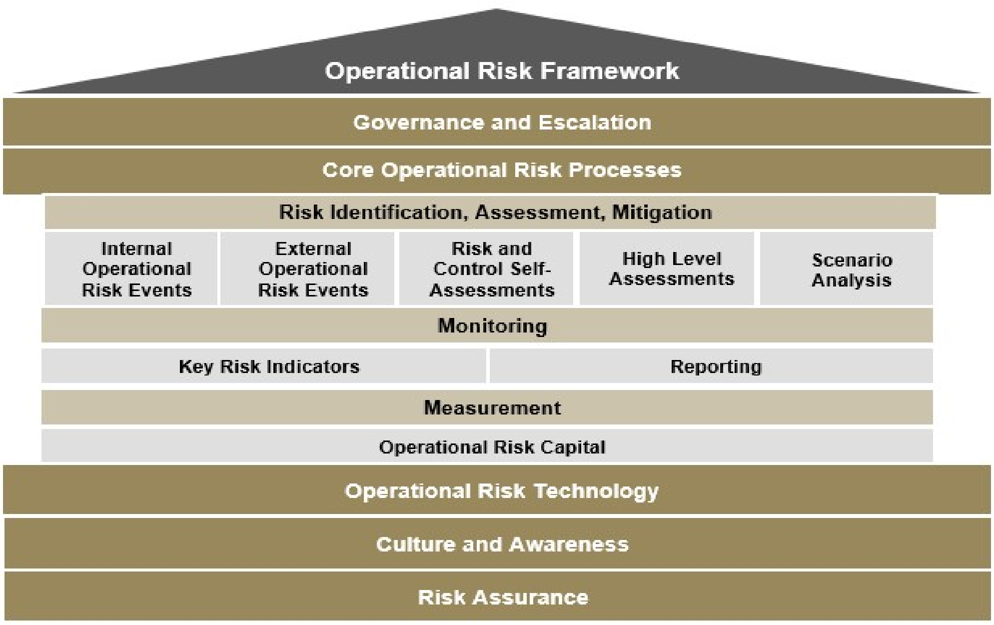


Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events (including legal risk but excluding strategic and reputation risk).

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.

10.1 Operational risk management framework

BNY Mellon's Operational Risk Management Framework 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 Operational Risk Management Framework (‘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 EMEA-region risk oversight functions as well as decision-making forums, such as business risk committees and the Company’s Risk Management Committee ('RMC').

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 Firm’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 II 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.

Note: The High-Level Assessment (HLA) & Risk Appetite Statement (RAS) are discussed under section 4.4 Enterprise Risk Framework.

Operational Risk Scenario Analysis ('ORSA')

Scenario Analysis is a core element of the Firm’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.

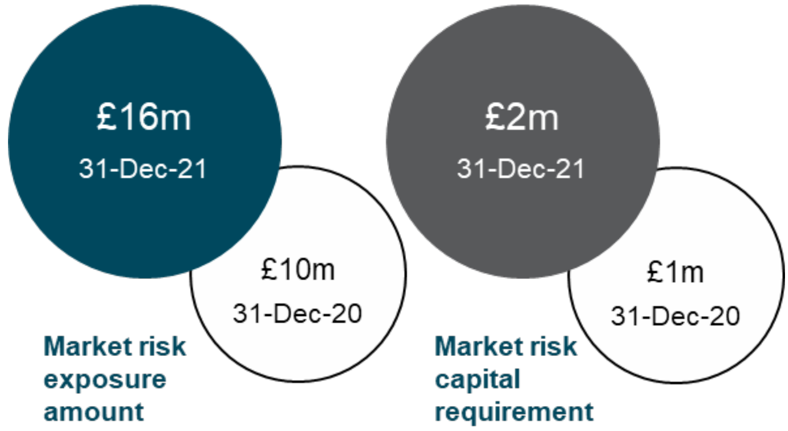
Monitoring and Reporting

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

10.2 Capital resource requirement

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. During 2021 the Company's operational risk exposure amount decreased to £352m (2020: £383m) with the capital requirement calculated to be £28m (2020: £31m).

11 Article 445 CRR - Exposure to 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.

The Company assumes market risk within the boundaries of its risk appetite as approved by the Board.

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 Risk Appetite Statement 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 RCoB, ALCO, or to Senior Risk Management and Business Management.

Market risk 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 balance sheet and impact on revenues and profitability.

The Company is currently exposed to two types of market risk: (a) foreign exchange risk and (b) interest rate risk:

a) 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.

b) 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.

Table 27:EU MR1 - Market risk

This table shows the components of the Company's (Consolidated) capital requirements and risk-weighted assets for market risk using the standardised approach.

The Company's market risk capital requirement consists solely of foreign exchange risk. (See section 12 Article 448 CRR - Interest rate risk in the banking book).

At 31 December 2021 (£m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	16	2
Total	**16**	**2**

12 Article 448 CRR - Interest rate risk in the banking book

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.

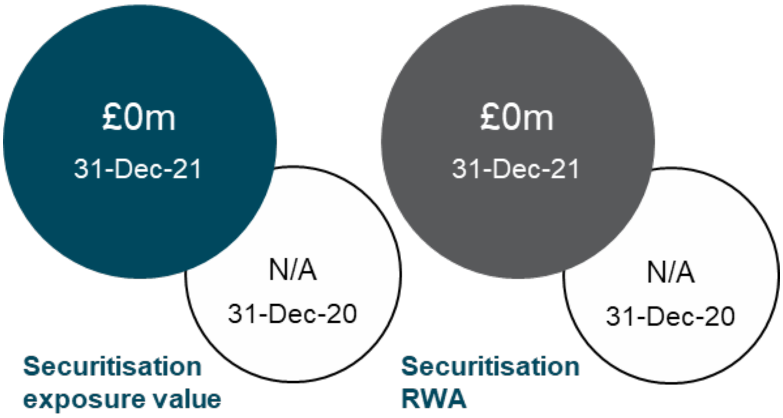
Additional commentary is included under section 11 - Article 455 CRR Exposure to market risk of these disclosures.

Table 28:Net interest income sensitivity by currency

This table shows the net interest income sensitivity by the Company's major transactional currencies.

Currency (000s)	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	31-Dec-21	31-Dec-21	31-Dec-20	31-Dec-20
GBP	19,270	(19,270)	28,096	(28,096)
USD	(12,240)	12,240	(15,737)	15,737
EUR	(23)	23	(2,193)	2,193
Other currencies	—	—	(3,088)	3,088
Total	**7,007**	**(7,007)**	**7,078**	**(7,078)**
As percentage of net interest income	24 %	(24)%	19 %	(19)%

13 Article 449 CRR - 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.

During the 2021 the Company approved investments 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 non-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 and the Netherlands. 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.

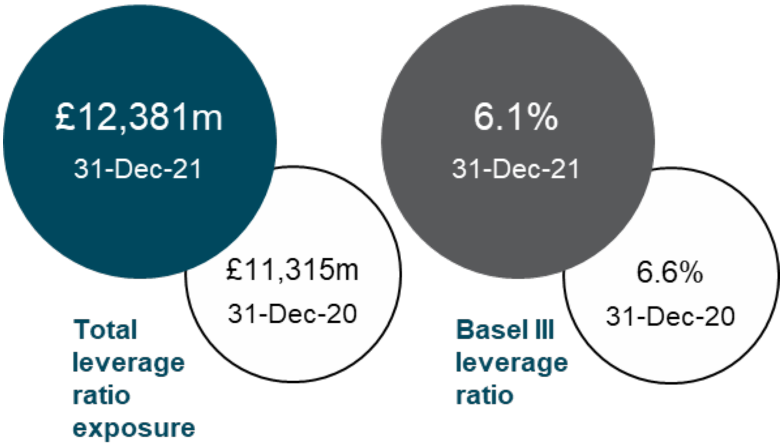
The Company has pre-trade risk management controls in place covering all financial risk domains: credit, treasury, market risk. Investments are checked against a limit framework taking into account a set of conservative criteria, including minimum ratings (currently AAA), low concentration within an issue, preference for non-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.

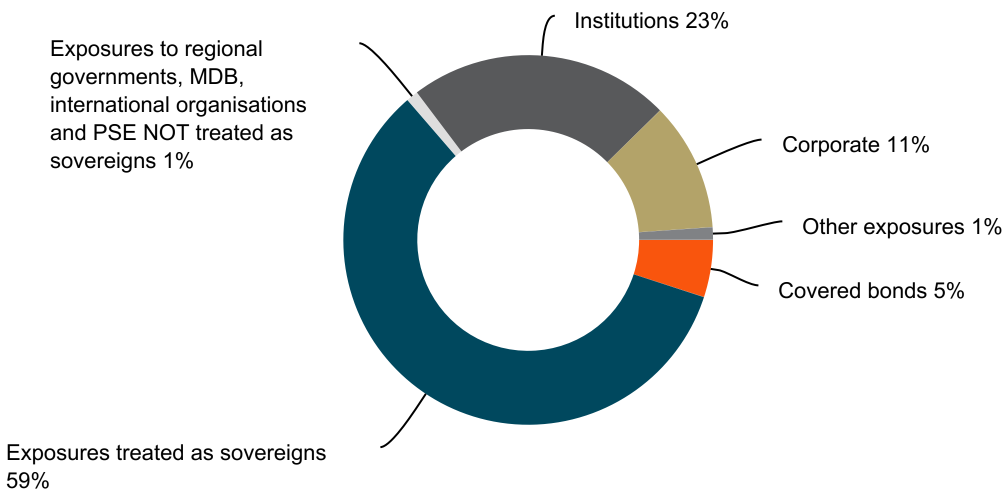
The Company accounts for securitisation investments in accordance with recognition, measurement and impairment standards set in IFRS 7 and IFRS 9. The major difference between a securitisation compared to a medium term loan note ('MTN') - which is an example of the Company's current investment portfolio - 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.

The Company held an immaterial portfolio of securitised assets at the disclosure date.

14 Article 451 CRR - Leverage



CRR banking book leverage ratio exposures



The leverage ratio is defined as the capital measure (the numerator) divided by the total exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital}}{\text{Leverage exposure measure}}$$

The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. The leverage exposure measure is the sum of the following exposures:

- on-balance sheet exposures;
- derivative exposures;
- security financing transaction ('SFT') exposures;
- off-balance sheet items.

Although the BNY Mellon Corporation manages its leverage ratio in line with US regulatory limits, the Company itself is not subject to a leverage ratio requirement in the UK at the reporting date.

Nevertheless the Company monitors its leverage position and reports accordingly. The table below is reflective of the standard EBA reporting format but the Company is mindful of the exclusion of Bank of England reserves from the leverage exposure value that has been prescribed by the PRA, which would dramatically reduce this value and hence increase the leverage ratio itself.

Table 29:LR1 - Leverage ratio summary

This table shows the Company's (Consolidated) summary reconciliation of accounting assets and leverage ratio exposures.

At 31 December 2021 (£m)	
Total assets as per published financial statements	11,138
Adjustments for derivative financial instruments	11
Adjustments for securities financing transactions ('SFTs')	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	10
Other adjustments	1,222
Total leverage ratio exposure	**12,381**

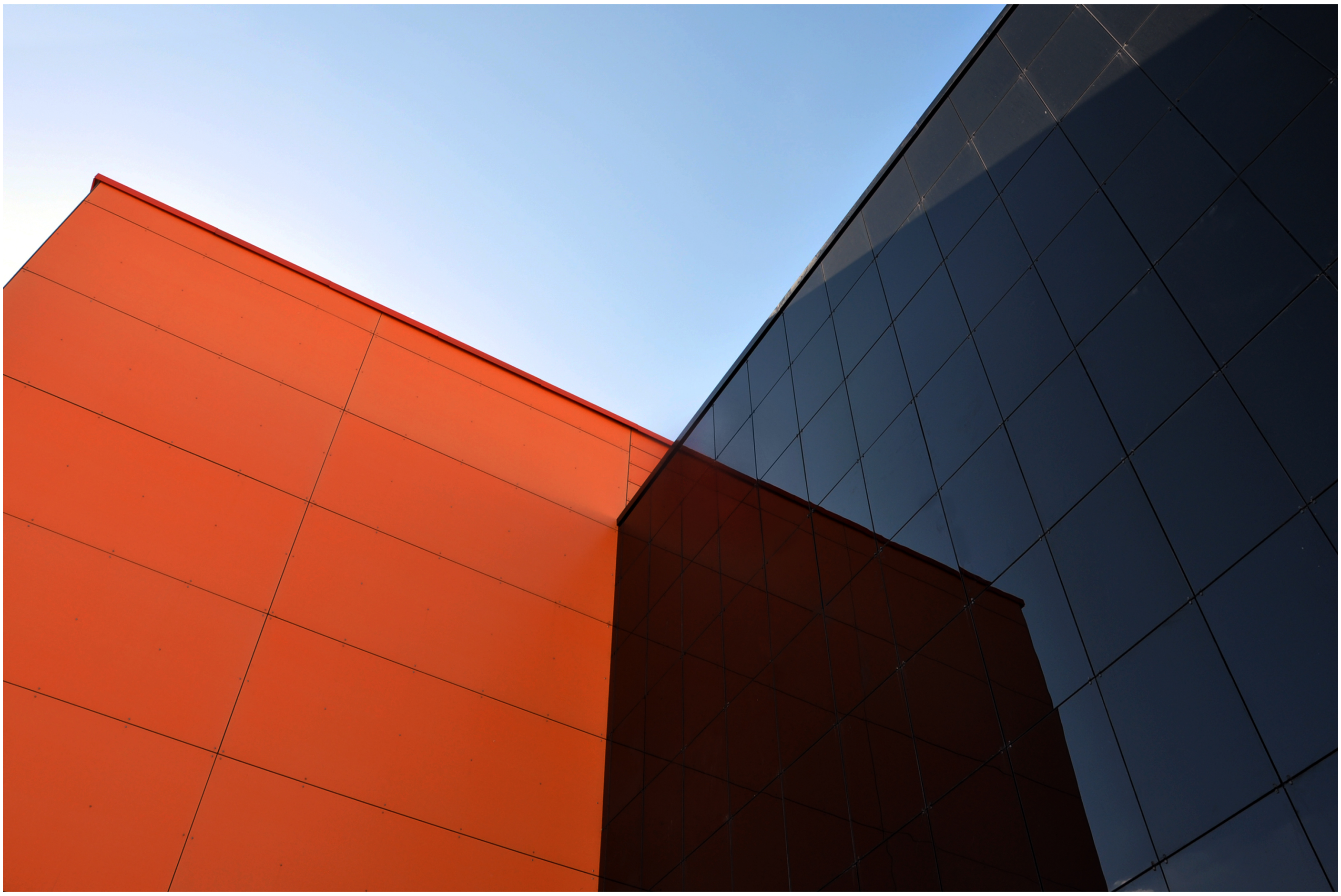
Table 30:LR2 - Leverage ratio common disclosure

At 31 December 2021 (£m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	12,439
Asset amounts deducted in determining Tier 1 capital	(79)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**12,360**
Derivative exposures	
Add-on amounts for potential future exposure associated with derivatives transactions	11
Total derivative exposures	**11**
Securities financing transaction exposures	
Total securities financing transaction exposures	**—**
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	104
Adjustments for conversion to credit equivalent amounts	(94)
Total off-balance sheet exposures	**10**
Capital and Total Exposures	
Tier 1 capital	761
Leverage Ratios	
Total Exposures	12,381
End of year leverage ratio	6.1 %
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

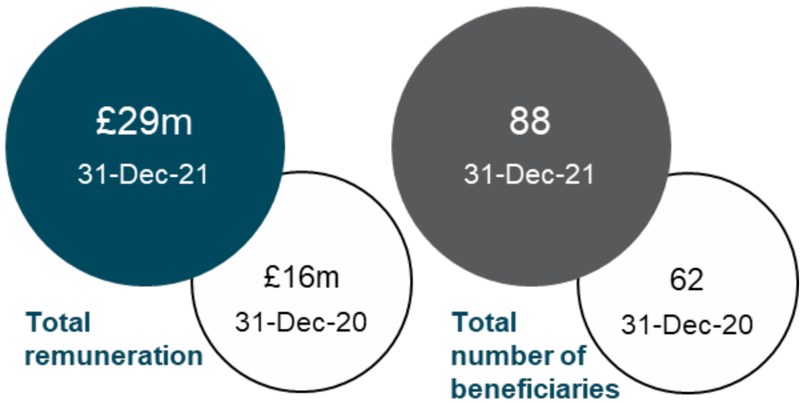
Table 31:LR3 - Composition of on-balance sheet exposures

This table shows the composition of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures.

At 31 December 2021 (£m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**12,439**
Trading book exposures	—
Banking book exposures, of which:	12,439
Covered bonds	623
Exposures treated as sovereigns	7,297
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	129
Institutions	2,854
Corporate	1,400
Exposures in default	—
Other exposures	136



15 Article 450 CRR - 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.

15.1 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.

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.

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.

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 Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

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.

15.2 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.

15.3 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.

15.4 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.

15.5 Variable compensation funding and risk adjustment

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 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 and soliciting employees or clients. 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 or a material failure of risk management.

15.6 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 total remuneration of £500,000 or more, and variable remuneration greater than 33% 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%	20.0%
Equity	30.0%	20.0%

60% Deferral Table	Upfront	Deferred
Cash	20.0%	30.0%
Equity	20.0%	30.0%

15.7 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.

15.8 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 2021.

The figures illustrate the data for The Bank of New York Mellon (International) Limited (Solo) - which includes MRTs under BNY Mellon (International) Limited.

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 32:REM1 - Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs in 2021 by business.

	Solo		
Expenditure (£m)	**Investment Services**	**Other [2]**	**Total**
Total remuneration [1]	6	23	**29**

[1] Includes base salary and other cash allowances, plus any incentive awarded for full year 2021. Pension contribution is not included.

[2] Includes all support functions and general management positions.

Table 33:REM2 - Aggregate remuneration expenditure by remuneration type

This table shows the aggregate remuneration expenditure for MRTs by remuneration type.

	Solo		
	Senior management[3]	**Other MRTs**	**Total**
Number of beneficiaries	20	68	88
Fixed remuneration (£000s) [4]	6,614	11,653	18,267
Total variable remuneration (£000s)	**4,269**	**6,949**	**11,218**
Variable cash (£000s)	1,488	3,723	5,211
Variable shares (£000s)	2,781	3,226	6,007
Total deferred remuneration awarded during the financial year (£000s)	2,603	2,735	5,338
Total deferred remuneration paid out during the financial year (£000s)	1,203	2,286	3,489
Total deferred remuneration reduced through performance adjustments (£000s)	—	—	—

[3] Senior management is comprised of MRTs categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

[4] Fixed remuneration includes base salary and any cash allowances. Pension contribution is not included.

Table 34:REM3 - Deferred variable remuneration

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

	Solo		
	Senior management	**Other MRTs**	**Total**
Number of beneficiaries	20	52	72
Total deferred variable remuneration outstanding from previous years (£000s)	**10,321**	**8,778**	**19,099**
Total vested (£000s) [5]	1,203	2,286	3,489
Total unvested (£000s) [6]	9,118	6,492	15,610

[5] Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

[6] Total unvested equity is valued as at 1st February, 2022.

Table 35:New sign-on and severance payments

This table shows the number and value of severance payments made during 2021.

	Solo		
	Senior management	Other MRTs	Total
Number of severance payments awarded	2	2	4
Value of severance payments awarded (£000's)	**260**	**397**	**657**
Highest individual severance payment awarded (£000's)	200	231	231

In regards 2021 awards, the Company did not award any sign-on payments.

Table 36:Number of individuals being remunerated GBP 1 million or more

	Solo		
	Senior management	Other MRTs	Total
£2m - £2.5m	—	—	—
£2.5m - £3m	1	—	—

Appendix 1 - Other risks

Liquidity risk

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.

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 implementing CRD IV (including the Individual Liquidity Guidance ('ILG') or a Pillar 2 add-on);
- liquidity stress testing; and,
- asset encumbrance.

The NSFR is not currently a minimum binding requirement and has been included as part of the Capital Requirement Regulation (CRR) II, which will become applicable from January 2022.

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').

Restitution risk

Restitution risk relates to the obligation imposed by fund regulation on the depositary. The Company may also opt to take on restitution liability electively for clients for whom restitution liability is not mandated. Restitution liability obliges the depositary/custodian to make good the client for the cost of loss of financial instruments, (the 'assets') held in custody by the depositary/custodian itself or its delegates, subject to certain external event clauses. Cash is deemed to be excluded from the obligation of restitution.

The risks are managed through exclusion of some sub-custodians and markets, full discharge of liability to Prime Brokers appointed as delegate, in the case of AIFMD funds and limiting the appetite to act as depositary with restitution liability to instances where BNY Mellon alone is also the custodian.

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.

Appendix 2 - Glossary of terms

The following acronyms are a range of terms which may be used in BNY Mellon EMEA Pillar 3 disclosures:

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust and Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon	BNY Mellon Service
KG	Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function
CET1	Common Equity Tier 1
CGB	CASS Governance Body
CIS	Collective Investment Scheme

Acronym	Description
CMA	Capital Market Authority
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee

Acronym	Description
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II
MNA	Master Netting Agreements
MRMG	Model Risk Management Group

Acronym	Description
MRT	Material Risk Taker
NAV	Net Asset Value
NBB	National Bank of Belgium
NGFS	Network for the Greening of Financial Services
NomCo	Nomination Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RAS	Risk Appetite Statement
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMC	Risk Management Committee
RMP	Risk Management Platform
RRP	Recovery and Resolution Planning
RW	Risk-weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Security Financing Transaction
SLD	Service Level Description
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer
T&D	Trust & Depositary
T1 / T2	Tier 1 / Tier 2
TCR	Total Capital Requirements
TRC	Technology Risk Committee
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
VaR	Value-at-Risk

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for, [according] to the value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2010

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

CRD IV: On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive ('CRD') and Capital Requirements Regulation ('CRR'), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in

Capital Requirements Directive ('CRD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states

Capital Requirements Regulation ('CRR'): Regulation that is directly applicable to anyone in the UK until the implementation of the Capital Requirements Regulation II ('CRR2'), effective 1 January 2022

Common Equity Tier 1 capital: The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments

Core Tier 1 capital: Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions

Credit risk mitigation ('CRM'): A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Derivatives: A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies

Exposure: A claim, contingent claim or position which carries a risk of financial loss

Exposure at default ('EAD'): The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon

Financial Conduct Authority ('FCA'): The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well

High-level Assessment ('HLA'): An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

Institutions: Under the Standardised Approach, institutions are classified as credit institutions or investment firms

Internal Capital Adequacy Assessment Process ('ICAAP'): The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints

ISDA Master Agreement: A document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties have agreed to the standard terms, they do not have to renegotiate each time a new transaction is entered into

Key Risk Indicator ('KRI'): Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

Master Netting Agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract

Pillar 3: The part of Basel III that sets out information banks must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

Prudential Regulation Authority ('PRA'): The statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and major investment firms in the UK. The PRA is a subsidiary of the Bank of England

Residual maturity: The period outstanding from the reporting date to the maturity or end date of an exposure

Risk appetite: A definition of the types and quantum of risks to which the firm wishes to be exposed

Risk and Control Self-Assessment ('RCSA'): Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)
- A clear business as usual process for identification, management and control of risks
- Regular reporting of risk issues

Risk Management Committee ('RMC'): A committee which meets monthly to provide governance on risk related items arising from the business of the group

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

Tier 2 capital: A component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances

Value-at-Risk ('VaR'): A measure of the potential loss at a specified confidence level from adverse market movements in an ordinary market environment

Appendix 3 - CRD IV mapping reference

CRR ref.	Requirement summary	Compliance ref. applicable as at 31 December 2021	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements.	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information.	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements.	Pillar 3 is published in conjunction with the financial statements.	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively.	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (a)	Strategies and processes to manage those risks.	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (b)	Structure and organisation of the risk management. function	4.2 Risk governance	30
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	Section 4.2 - 4.10	28
435 (1) (d)	Policies for hedging and mitigating risk.	Section 4.2 - 4.9	28
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	4 Article 435 CRR - Risk management objectives and policies	26
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	4 Article 435 CRR - Risk management objectives and policies	26
435 (2) (a)	Number of directorships held by directors.	4.1 Board of Directors	28
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.1 Board of Directors	28
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.1 Board of Directors	28

435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4 Article 435 CRR - Risk management objectives and policies	26
435 (2) (e)	Description of information flow on risk to Board.	4 Article 435 CRR - Risk management objectives and policies	26
Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply.	1 Article 431 CRR - Scope of disclosure requirements	5
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; or neither consolidated nor deducted.	1 Article 431 CRR - Scope of disclosure requirements	5
436 (c)	Current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries.	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9.	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table.	2 Article 437 CRR - Own funds	18
437 (1) (a)	Full reconciliation of Common Equity Tier 1 ('CET1') items.	Table 2:CC2 - Reconciliation of regulatory capital	19
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 5:CC1 - Composition of regulatory capital	22
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Table 6:CCA - Main features of regulatory capital instruments	22
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2:CC2 - Reconciliation of regulatory capital	19
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios calculated on basis stipulated in the regulations	N/A
437 (2)	EBA to publish implementation standards for points above.	The Company follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	3 Article 438 CRR - Capital requirements	24
438 (b)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each standardised approach exposure class.	Table 7:EU OV1 - Overview of RWAs	25
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each internal ratings based approach exposure class.	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits.	Table 7:EU OV1 - Overview of RWAs	25

438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable.	Table 7:EU OV1 - Overview of RWAs	25
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Table 7:EU OV1 - Overview of RWAs	25
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	52
439 (b)	Discussion of process to secure collateral and establishing reserves.	8 Article 439 CRR - Exposure to counterparty credit risk	52
439 (c)	Discussion of management of wrong-way exposures.	6.3 Wrong-way risk	48
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure.	8 Article 439 CRR - Exposure to counterparty credit risk	52
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	8 Article 439 CRR - Exposure to counterparty credit risk	52
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A - The Company does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A - The Company does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable.	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures.	Table 9:EU CRB-C - Geographical breakdown of exposures	43
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1).	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance.	4 Article 435 CRR - Risk management objectives and policies	26
441 (2)	EBA will issue technical implementation standards related to 441 (1).	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	44
442 (b)	Approaches for calculating credit risk adjustments.	5.7 Analysis of past due and impaired exposures	44
442 (c)	Disclosure of pre-CRM EAD by exposure class.	Table 8:EU CRB-B - Total and average net amount of exposures	43
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class.	Table 9:EU CRB-C - Geographical breakdown of exposures	43
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class.	Table 10:EU CRB-D - Concentration of exposures by counterparty types	43
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class.	Table 11:EU CRB-E - Maturity of exposures	44

442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	Table 12:EU CR1-A - Credit quality of exposures by exposure class and instrument	44
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Table 14:EU CR1-C - Credit quality of exposures by geography	46
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments.	5.7 Analysis of past due and impaired exposures	44
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	5.7 Analysis of past due and impaired exposures	44
Unencumbered assets			
443	Disclosures on unencumbered assets.	9 Article 443 CRR - Asset encumbrance	54
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of standardised approach RWAs, and reasons for any changes.	7 Article 444 CRR - External credit rating assessment institutions	49
444 (b)	Exposure classes associated with each ECAI.	Table 17:Credit quality steps and risk-weights	49
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	Table 17:Credit quality steps and risk-weights	50
444 (d)	Mapping of external rating to credit quality steps.	7 Article 444 CRR - External credit rating assessment institutions	49
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	Table 19:EU CR5 - Credit risk exposure by risk weight post CCF and CRM	51
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	11 Article 445 CRR - Exposure to market risk	58
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	10 Article 446 CRR - Operational risk	56
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives.	N/A	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value.	N/A	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A	N/A
447 (d)	Realised cumulative gains and losses on sales over the period.	N/A	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital.	N/A	N/A
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models.	12 Article 448 CRR - Interest rate risk in the banking book. The Bank has no significant balance sheet interest rate risk because no maturity mismatch exists between client cash deposits and Bank's cash holdings. In addition, interest rates applicable to clients' cash deposits are market driven	58
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency.	Table 28:Net interest income sensitivity by currency	60

Exposure to securitisation positions			
449	Exposure to securitisations positions.	N/A	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices.	15 Article 450 CRR - Remuneration policy	65
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	15.1 Governance	66
450 (1) (b)	Information on link between pay and performance.	15.2 Aligning pay with performance	66
450 (1) (c)	Important design characteristics of the remuneration system.	15 Article 450 CRR - Remuneration policy	65
450 (1) (d)	Ratios between fixed and variable remuneration.	15.4 Ratio between fixed and variable pay	67
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based.	15.6 Deferral policy and vesting criteria	68
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.	15.7 Variable remuneration of control function staff	68
450 (1) (g)	Aggregate quantitative information on remuneration by business area.	Table 32:REM1 - Aggregate remuneration expenditure by business	69
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile.	Table 33:REM2 - Aggregate remuneration expenditure by remuneration type	69
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year.	15.8 Quantitative disclosures	68
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority.	Available upon request	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution.	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio.	14 Article 451 CRR - Leverage	62
451 (1) (b)	Breakdown of total exposure measure.	Table 30:LR2 - Leverage ratio common disclosure	63
451 (1) (c)	Derecognised fiduciary items.	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	14 Article 451 CRR - Leverage	62
451 (2)	EBA to publish implementation standards for points above.	BNY Mellon follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach.	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting.	6.1 Netting	47
453 (b)	How collateral valuation is managed.	6.2 Collateral valuation and management	48

453 (c)	Description of types of collateral used.	6.2 Collateral valuation and management	48
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	6.4 Credit concentration risk	48
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral.	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives.	Table 15:EU CR3 - Credit risk mitigation techniques - overview	48
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure.	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements.	2 Article 437 CRR - Own funds	18
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III).	Table 6:CCA - Main features of regulatory capital instruments	22
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	N/A	N/A
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).	N/A	N/A
Article 6	Entry into force from 31 March 2014.	N/A	N/A

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