Northern Trust Securities LLP

Pillar 3 Regulatory Disclosures

As of and for the year ended December 31, 2021

NORTHERN TRUST

1 Overview

1.1 Capital Requirements Directive IV (CRD IV)

The Capital Requirements Directive (CRD) came into effect on 1 January 2007 and implemented provisions of the Basel II Accord in the EU, establishing consistent capital adequacy standards and an associated supervisory framework for banks and investments firms. On 1 January 2014, the Capital Requirements Regulation (CRR) and the fourth iteration of the Directive (collectively known as CRD IV) implemented the Basel III Accord. From that date, Pillar 3 disclosure requirements are contained in Part Eight of the CRR, supplemented by various Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS). Under these requirements Northern Trust Securities LLP must disclose specific quantitative and qualitative information on capital adequacy and risks.

1.2 Brexit and the UK Investment Firm Prudential Regime (IFPR)

Following expiry of the Brexit transitional period on 31 December 2020, the CRR continues to form part of UK law pursuant to the European Union (Withdrawal) Act 2018 and subject to the temporary transitional powers (TTP) available to the UK regulators until 31 March 2022. The UK implemented the European prudential regime into UK legislation, referred to as the Capital Requirements Directive (UK CRD IV) and the Capital Requirements Regulation (575/2013) as amended by the Capital Requirements (Amendment) (EU Exit) Regulations 2018 (UK CRR). UK CRD IV/CRR applies to NTS LLP until the introduction of the Investment Firms Prudential Regime (IFPR) on 1 January 2022.

This disclosure document has been prepared in accordance with the CRR provisions and the FCA Rulebook as they applied as at 31 December 2021. Prior year comparatives are provided for ease of comparison.

On 5 December 2019, the final text of the Investment Firm Regulation (IFR) and the Investment Firm Directive (IFD) was published in the Official Journal of the European Union, coming into force on 26 June 2021. In the UK, the FCA has implemented a similar regime referred to as the Investment Firm Prudential Regime (IFPR) which applies to UK Firms from 1 January 2022. IFPR aims to streamline and simplify the prudential requirements for MiFID investment firms and replaces CRR based rules. In preparation for the new regime, Northern Trust has performed a detailed analysis of IFPR (as contained in the FCA's MIFIDPRU Rulebook and related guidance) to ensure readiness to adhere to the new regime, under which Northern Trust Securities LLP's classification will change from IFPRU €50k firm to MIFIDPRU £750k firm.

This document has taken into account regulatory disclosure provisions allowing firms to omit one or more disclosures if the relevant information is considered immaterial, or where it is regarded as proprietary or confidential. Materiality constitutes omissions or misstatements of information likely to change or influence decisions of users relying on that information for making economic decisions. The disclosures provided herein are unaudited and do not constitute any form of financial statements and should not be relied upon in making investment decisions in relation to NTC.

1.3 Location and frequency of disclosure

The disclosure is updated at least annually as at the Group's accounting year end date of 31 December and published in the Investor Relations section of NTC's website (www.northerntrust.com) in conjunction with the completion of Northern Trust Securities LLP's audited annual financial statements.

2 Scope of application

2.1 Northern Trust Securities Limited Liability Partnership (NTS LLP)

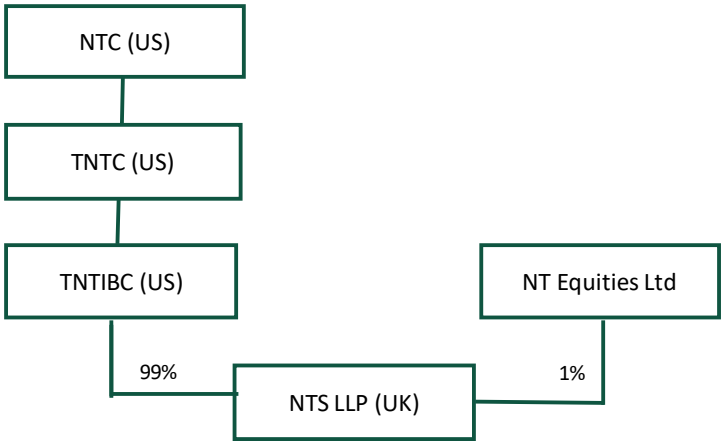
NTS LLP is an institutional equity broker trading as a limited liability partnership in the United Kingdom with a branch in Australia. The Partnership is authorised to control but not hold client money and does not currently deal with private client investors. NTS LLP was acquired by Northern Trust affiliated entities on 1 May 2016. The Pillar 3 disclosures provided in this document are as at 31 December 2021 in accordance with Part Eight of the CRR. The disclosures are reported in GBP, the reporting currency of the entity. NTS LLP's ultimate group holding company, Northern Trust Corporation (NTC), publishes quarterly Pillar 3 disclosures at a consolidated level on the Northern Trust website.

NTS LLP is a UK entity authorised and regulated by the Financial Conduct Authority (FCA) as a limited licence firm. NTS LLP comprises two equity members with The Northern Trust International Banking Corporation (TNTCIBC) holding a 99% equity interest. TNTIBC is in turn wholly owned by TNTC which is the principal banking subsidiary of Northern Trust Corporation (NTC), a financial holding company based in Chicago.

NTC, through its UK entities, is a significant financial services provider in the UK marketplace. Its business activities in the UK comprise global custody, FX trading, securities lending, asset management, fund administration services, and institutional equity brokerage.

The ownership structure of NTS LLP is depicted in the diagram below. NTS LLP is funded through Partner capital contribution.

Figure 1 - NTS organisation chart



NTS LLP has undertaken the following to comply with the three pillars of Basel II framework as it applies under the CRR and FCA Rule Book:

- Pillar 1: Minimum Capital Requirements - provides the framework for calculating minimum capital requirements for credit, operational and market risk. NTS LLP has adopted the standardised approach to calculating credit and market risk requirements for comparison against the Fixed Overhead Requirement to determine its Pillar 1 capital requirements.
- Pillar 2: The Supervisory Review Process - addresses the need for assessing whether additional capital is required over and above Pillar 1 risk calculations in line with the firm's risk profile. The Group completes an Internal Capital Adequacy Assessment Process (ICAAP) at least

annually. The results are reviewed and approved by its management committee and the relevant ICAAP documentation is available to the FCA, and

- Pillar 3: Risk Disclosure and Market Discipline - requires qualitative and quantitative public disclosures regarding regulatory capital and risk management practices and process to promote transparency. This Pillar 3 disclosure document provides information on the entity's risk management objectives and policies, its capital position, approach to assessing adequacy of its capital and exposure to material risks.

4 Risk management

4.1 Overview

Risk management is the responsibility of the NTS LLP Management Committee. In discharging this responsibility, the Committee utilises the global and regional risk frameworks, detailed in the below diagram as required. Policies and practices are validated and locally approved and the local risk organisation is structured to provide the Committee with the necessary risk reporting and oversight to satisfy their responsibilities.

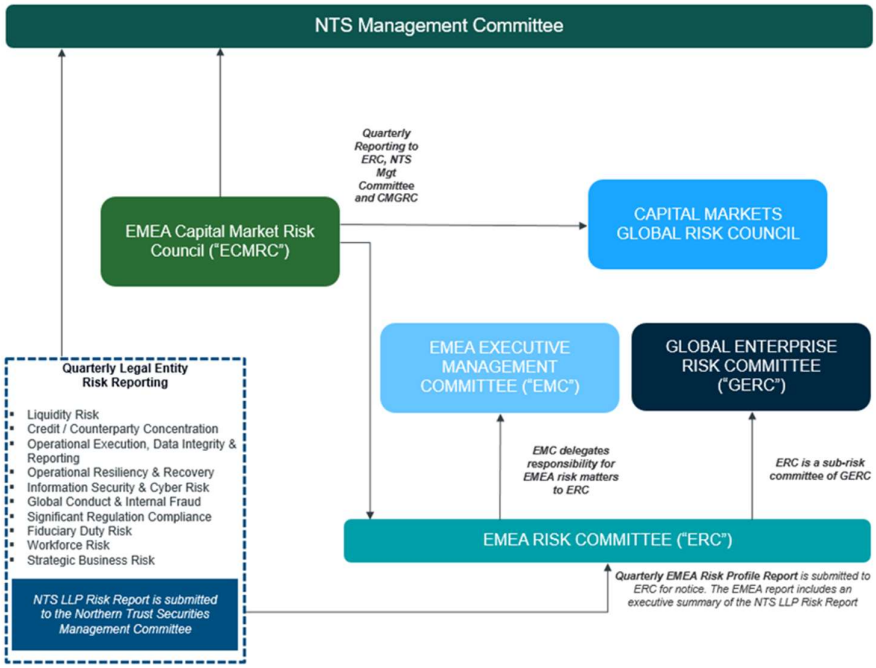
The EMEA Executive Management Committee (EMC) has responsibility for risk oversight across all entities within the EMEA region, including NTS LLP. The EMC oversees the daily management of Northern Trust's businesses in EMEA and its agreed strategy.

The EMC has appointed the EMEA Risk Committee (ERC) to assist it in managing all risks. Supporting local governance, the EMEA Risk Committee (ERC) covers all activities conducted within the EMEA region to which the Capital Market Risk Council provides updates.

There is a regional risk council (EMEA Capital Markets Risk Council) which is responsible for local specialized governance on operational and compliance issues impacting the market-facing activities of Northern Trust - including the brokerage activities of NTS LLP. This council reports every quarter to the ERC and the NTS LLP Management Committee.

The following graphic illustrates the regional risk governance structure supporting NTS LLP.

Figure 2 - NTS Risk Governance Structure



As part of the ongoing operation of the Risk Management Framework (RMF), NTS LLP employs a "three lines of defence" model. The responsibilities across the three lines of defence are fundamental to the design and implementation of the Framework, and taken together establish an appropriate operating model to control risk taking.

The first line of defence is accountable and responsible for identifying, measuring, controlling and monitoring risks associated with its activities either individually or with the assistance of the second line of defence. The first line of defence is typically engaged in activities designed to generate revenue, reduce expense, provide operational support for delivery of products or services to clients, and provide technology services.

The second line of defence is accountable and responsible for identifying, measuring, monitoring, and controlling risk in aggregate. The risk and compliance practices, as independent functions separate and distinct from the business units, are considered NTS LLP's second line of defence.

The third line of defence is accountable and responsible for independently assessing the design and ongoing effectiveness of governance, risk management, and internal controls. Audit Services is an independent control function that assesses and validates controls within Northern Trust's Enterprise Risk Management framework.

Northern Trust's approach to Risk Appetite is based on three inter-related elements, designed to support consistent enterprise risk identification, management and reporting: a comprehensive risk inventory, a static taxonomy of risk categories and a dynamic taxonomy of risk themes. The Risk Inventory is a detailed register of the inherent risks faced by Northern Trust.

For capital purposes, Northern Trust considers risk categories (credit, market, liquidity, operational, strategic, fiduciary and compliance).

4.2 Credit Risk

Credit risk is the risk to interest income or principal from the failure of a borrower or counterparty to perform an obligation. NTS LLP's inherent credit risk arises principally from cash deposits at its clearing broker or Nostro banks; and to a lesser extent, debtor balances arising from an indemnity given by NTS LLP to its clearing broker should a client fail to meet its obligations to deliver stock or cash for trade settlement. NTS LLP does not make use of any credit risk mitigation techniques.

NTS LLP's clearing broker and Nostro banks are assessed and approved on at least an annual basis by the Northern Trust Capital Markets Credit Committee (a sub-committee of the Northern Trust Credit Risk Committee) in accordance with the Corporate Credit Policy & Standards. Additionally, the Management Committee of NTS LLP accepts that the risk arising from the concentration of cash balances at the clearing broker is inherent in the business model of NTS LLP. In respect of client failure, this risk is assessed as part of the client onboarding process. There is also an annual impact analysis of potential trade failures as part of the Pillar 2 capital assessment.

None of NTS LLP's credit exposures were reported past due or impaired in the 2021 financial statements. All receivables are repayable either on demand or within 3 months with the exception of a permanent clearing agent collateral balance.

4.3 Market and Liquidity Risk

4.3.1 Market Risk – Trading

Trading market risk is defined as the potential for movements in foreign exchange and interest rates to cause changes in the value of trading positions. NTS LLP trades as riskless principle on behalf of clients, with all trades done on a matched book basis. The entity does not hold trading positions for its own book. The impacts of trading positions arising through operational error are considered under operational risk and/or compliance risk. Any foreign currency income is sold down to base currency on a regular basis mitigating any FX conversion risk. Thus, trading market risk is not material for this entity.

4.3.2 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as the potential for movements in interest rates to cause changes in net interest income and the market value of equity. NTS LLP's balance sheet assets are predominantly immediately accessible cash, intercompany receivables and trade debtors. The entity does not hold investment securities, accept client deposits or make money market placements. Consequently, this is deemed a non-material risk to the entity.

4.3.3 Liquidity Risk

Liquidity risk is the risk of not being able to raise sufficient funds or collateral to meet balance sheet and contingent liability cash flow obligations when due, because of firm-specific or market-wide events.

The primary objective of liquidity risk management is to maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there are no significant risks that NTS LLP's liabilities cannot meet as they fall due under both normal and adverse economic conditions.

Under Northern Trust's risk framework, liquidity risk is governed by 1st and 2nd line of defence committees, namely the Asset and Liability Management Policy Committee (ALCO) and the Market and Liquidity Risk Committee (MLRC) respectively. NTS LLP operates within this framework. Assessment and approval of the systems and controls used to manage liquidity risk is provided by the NTS LLP Management Committee. As part of this framework the EMEA Treasurer compiles an annual Liquidity Risk Assessment for the review and approval of the NTS LLP Management Committee.

The NTS LLP balance sheet consists of cash balances, trade debtors and intercompany items. NTS LLP does not take customer deposits and only trades as a riskless principal, so balance sheet liabilities are limited to the payment of operating expenses.

NTS LLP's contingency funding plan is based on an expectation that funds will be provided by TNTC should funding requirements exceed available funds. NTS LLP is subject to system and control requirements under the FCA's BIPRU 12. Annual confirmation of compliance with these requirements is provided to the FCA.

4.4 Strategic Risk

Strategic risk is the risk of loss from the adverse effects of business decisions, or the improper implementation of those decisions, and the risk that internal or external forces impede the long-term plans of the business for growth, profitability and stability.

For NTS LLP, strategic risk is managed by the NTS LLP Management Committee. The NTS LLP Management draws upon the NTS LLP legal entity risk reporting, the EMEA and Corporate risk governance structure, as well as risk management programmes to oversee strategic risk. NTS LLP risk reporting incorporates a blend of legal entity, group and regional metrics. For strategic risk, NTS LLP specific metrics such as key financial ratios, new business and revenues and clients at risk are included and monitored.

From a Northern Trust Group perspective, which NTS LLP is part of, group strategic risk is managed by NTC's Board of Directors. NTC's CEO and senior management, including the Global Enterprise Risk Committee, support the NTS LLP Management Committee in the performance of its functions.

4.5 Operational Risk

Northern Trust defines operational risk as the risk of loss from inadequate or failed internal processes, human factors and systems or from external events. The objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

For NTS LLP, business disruption (technology risk and business continuity) and execution risk represent the most significant inherent risk components of operational risk.

The Corporate Information Security and Technology Risk Management function identifies and analyses both day to day technology risks and longer term strategic risks as well as devoting

considerable time to the potential risks posed by the threat of cyber-attack, covering system security, availability and performance and system development and implementation.

Business Continuity risk is overseen by a dedicated team, Global Business Continuity and Recovery Services (GBCRS). GBCRS help assess and coordinate incident response and set standards for the content and testing of disaster recovery and business continuity plans.

Execution risk is managed by Line managers through regular reviews of trade and transaction records, loss event data and other business and management reporting relating to trading activity.

Line managers have the primary responsibility for managing the inherent risks of all activities under their control. As part of Northern Trust's operational risk management, various techniques are employed to identify current risks. A reconciliation and exception management policy enables potential risk to be identified in a timely manner.

For capital purposes, Northern Trust considers operational risk to include compliance and fiduciary risk, although they are governed and managed separately under Northern Trust's risk management framework. NTS LLP is not exposed to fiduciary risk.

4.6 Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or damage to reputation resulting from its failure to comply with laws, regulations, rules, other regulatory requirements or codes of conduct and other standards of self-regulatory organizations applicable to its activities. Regulatory and financial crime risk are the two sub-components of compliance risk.

- Regulatory risk arises from the failure to comply with either prudential or business conduct regulatory requirements. Conduct risk incorporates the requirements that seek to protect the interests of customers and the integrity of the market.
- Financial Crime Risk is the risk arising from financial crime (e.g. money laundering, sanctions violations, fraud, insider dealing, theft etc.) in relation to the products, services, or accounts of the institution, its clients, or others with the same

NTS LLP is an execution-only agency brokerage and as a result the firm's primary regulated activities are limited to the reception and transmission of orders and execution of orders on behalf of clients. While the firm does have other permissions these are not regularly relied upon, and consequently this limits the range of compliance risks that the firm is exposed to.

Compliance risks are assessed as part of an annual Compliance Risk Assessment process.

4.7 Adequacy of Risk Management Arrangements

NTS LLP's Risk Appetite Statement reflects the expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. Risk Appetite is defined as the aggregate level and types of risk the NTS LLP Management Committee and senior management are willing to assume to achieve the entity's strategic objectives and business plan, consistent with prudent management of risk and applicable capital, liquidity and regulatory requirements.

The nature of the business operating model employed by NTS LLP results in residual exposure to credit, market, liquidity, strategic risk and operational risk.

Capital is set against these risks and allocated to each risk according to regulatory requirements (Pillar 1) and the Internal Capital Adequacy Assessment Process (ICAAP – Pillar 2).

The Management Committee of NTS LLP is satisfied with the existing risk management arrangements and that the thresholds in place are considered adequate with regard to the profile and strategy of NTS LLP. The Management Committee also confirms that the disclosures contained within this document accurately reflect the risk profile of NTS LLP based on the activities it undertakes.

5 Capital resources

As at 31 December 2021, NTS LLP had capital resources of £29.6m comprised entirely of Tier 1 capital in the form of partners' capital interest.

A reconciliation of NTS LLP's Total Capital Resources to its balance sheet in the audited financial statements is included in Annex 1 of the appendices.

Other than restrictions due to regulatory capital requirements and corporate law restrictions on the reduction, redemption and purchase of share capital, there are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resource between NTS and NTC.

Article 437 of the CRR requires certain disclosures in respect of Capital Resources (or Own Funds) to be made in accordance with uniform templates as provided in ITS No 1423/2013. These disclosures are provided as appendices to this disclosure document.

All figures in £ millions	**2021**	**2020**
Tier 1 Capital		
Partners' Capital Interest	29.6	25.7
Total Capital Resources	29.6	25.7

6 Capital Adequacy

6.1 Overview

The Management Committee reviews the capital position of NTS LLP on a regular basis to ensure it is sufficient to meet their strategic goals and risk profile. NTS LLP's ongoing ICAAP process provides further assessment for any additional risk capital under Pillar 2.

NTS LLP is sufficiently capitalised to meet its regulatory capital requirements under Pillar 1 and Pillar 2.

6.2 Pillar 1 Capital Requirement

NTS LLP calculates its minimum capital requirement in accordance with the requirements of the CRR and the Prudential Sourcebook for Investment Firms (IFPRU), that being the higher of the following:

1. €50,000, being the base case capital resources requirement as per the IFPRU rulebook,
2. the sum of credit risk capital requirement and market risk capital requirement, and
3. the fixed overheads requirement.

As at 31 December 2021 the larger of the requirements for NTS LLP was the fixed overheads requirement.

NTS LLP's Pillar 1 capital requirement as at 31 December 2021 is provided in the following table:

All figures in £ millions	**2021**	**2020**
Total Credit Exposures	46.3	34.4
Total Credit Risk Weighted Assets	9.6	7.7
Credit Risk	1.1	0.6
Market Risk	0.0	0.0
Credit + Market Risk (A)	*1.1*	*0.6*
Fixed Overheads Requirement (B)	*6.2*	*4.6*
Pillar 1 Capital Requirement – Higher of (A) and (B)	**6.2**	**4.6**

6.3 Credit Risk Capital Requirement

NTS LLP's minimum credit risk capital requirement is calculated using the standardised approach, as laid out in the CRR and is expressed as 8% of risk weighted exposures. Where available, issuer ratings from the External Credit Assessment Institutions (ECAIs) Moody's and Standard & Poor's (S&P) are used in the determination of the relevant risk weightings across all exposure classes. Where ECAI ratings differ, the lower issuer rating is applied.

A breakdown of the NTS LLP's credit risk exposure by asset class and geography as at 31 December 2021 is provided in the following table:

	NTS LLP			
Credit Risk by Exposure Class	**2021**		**2020**	
All figures in £ millions	**Exp**	**RWA**	**Exp**	**RWA**
Central governments or banks	-	-	-	-
Institutions	46.1	9.4	34.1	7.4
Corporates	0.2	0.2	0.3	0.3
Other items	-	-	-	-
Total	**46.3**	**9.6**	**34.4**	**7.7**

	NTS LLP			
Credit Risk by Geography	**2021**		**2020**	
All figures in £ millions	**Exp**	**RWA**	**Exp**	**RWA**
UK	0.9	0.6	2.2	1.2
US	45.5	9.1	32.2	6.4
Total	**46.3**	**9.6**	**34.4**	**7.7**

6.4 The ICAAP

NTS LLP conducts an Internal Capital Adequacy Assessment Process (ICAAP) as required by the Internal Capital Adequacy Assessment IFPRU 2.3 rules. The ICAAP considers the adequacy of the entity's Capital Resources to cover Pillar 1 risks as well as other risks not captured within the Pillar 1 assessment. The ICAAP sets out the risk management framework, a risk assessment of all risk categories and includes a wind-down plan setting out how management would bring the entity to a close under orderly and stressed conditions.

The ICAAP takes into account key input from NTC's risk professionals, business management and the Finance group. For each risk category the inherent risk profile is documented, along with the risk mitigation practices in place to derive an overall residual risk profile and an assessment of resulting additional capital requirements.

The ICAAP has identified the need for NTS LLP to hold capital in addition to its Pillar 1 capital requirement. This additional requirement is met by existing capital resources.

The ICAAP is an ongoing process and is reviewed regularly to ensure it reflects material changes in business or risk profile. The ICAAP document is formally reviewed by the NTS LLP Management Committee on an annual basis.

The ICAAP document is available to the FCA.

7 Remuneration

7.1 Remuneration Qualitative Disclosures

The Northern Trust Corporation (NTC) Compensation and Benefits Committee (CBC) is a committee of the Board of the parent company headquartered in Chicago IL, USA. The CBC has primary responsibility for ensuring that compensation programs align with our philosophy and objectives, including oversight of the processes through which the company reviews its incentive plans within the context of business risk mitigation.

The CBC consists of independent NTC non-executive directors and has Meridian Compensation Partners as its independent compensation consultant. The CBC confers with its independent compensation consultant to ensure that decisions and actions are consistent with stockholders' long-term interests and compensation-related best practices within the financial services industry, including effective risk management within our compensation framework.

A UK-based EMEA Remuneration Governance Group (ERGG), consisting of the Chief Human Resources Officer International (chair), Regional Chief Risk Officer (member), Manager, Compliance, UK and Mainland EMEA (member), Manager, Business Unit Risk (member), International Chief Finance Officer (member), Regional Executive President Northern Trust EMEA (standing attendee), Deputy General Counsel (standing attendee) and the Head of Compensation and Regulatory Reward, EMEA (standing attendee) operates to monitor and implement the EMEA regulatory compensation requirements. The ERGG has oversight over remuneration regulations across EMEA to ensure there is consistency and balance in the policies and guidelines adopted by the EMEA regulated entities.

NTC's Total Compensation Policy applies to all employees globally. An addendum specifically related to EU requirements exists for all employees operating in EU regulated entities.

Employees whose professional activities have a material impact on a regulated entity's risk profile are classified as performing Material Risk Taker (MRT) roles and have been categorised as:

- Senior Manager MRT – employees who are registered with the FCA/PRA as control functions and/or members of governing bodies and/or heads of significant business groups.
- Standard MRT – employees that could have the ability to impact the risk profile of NTS LLP; however, these all operate within appropriate governance structures and under delegated authorised limits from Senior Managers.

Partners identified as MRTs for performing an executive function role in more than one regulated entity (**Group MRTs**) will be subject to the Remuneration Rules aligned to their primary regulator. This is based on the regulated entity to which they provide the majority of their services (i.e., based on role pre-dominance in an entity).

Remuneration design and structure at NTC focuses on all elements of total compensation and differentiation to avoid entitlement and to develop a high-performance culture. In addition to fixed remuneration, NTC offers variable remuneration which includes short-term and long-term incentives where appropriate. The CBC reviews the Total Compensation Policy and UK Remuneration Policy Statements on an annual basis. Risk and Compliance employees have incentive awards funded from the Corporate Risk & Compliance pool and are not impacted by individual line of business funding.

At the start of the performance year, the NTC Board of Directors approves a Profit Plan which includes details on projected performance outlook and competitive requirements for incentive compensation. The Profit Plan determination includes risk considerations including reserves for credit and operational losses and other risk assessments. The CBC then reviews the initial cash incentive pool accrual at the

corporate level based on a competitive target percentage range of the pre-tax income projections included in the Profit Plan.

The initial accrual level takes into consideration financial performance factors including affordability and risk considerations. The corporate cash incentive pool is funded based on the actual performance of the Corporation as measured by pre-tax income in early December, with the ability to add or claw funding back post-performance period when the actuals have been determined.

NTC's Chief Risk Officer (CRO) participates in funding discussions that inform the recommendation to the CBC of corporate pool funding level as well as Business Unit allocation. Corporate Risk Management has developed a process to track and consolidate risk events and key metrics for the plan year and this information is provided to Business Unit leaders and managers for incorporation in performance review and throughout the plan year. The CRO uses the Enterprise and Business Unit Risk Performance Scorecards and any known Significant Risk Outcomes to inform recommendations to the CBC regarding any risk adjustments to the overall funding or business unit allocations The CRO participates in quarterly discussions with the NTC Chief Financial Officer and Chief Human Resources Officer regarding the financial performance as well as consideration of risk factors such as credit loss reserves and operational losses. Once the cash incentive allocation to Business Units has been determined, the Business Unit President reviews financial performance and any risk factors to determine allocation of the cash incentive pool. The Business Unit Chief Financial Officer and Business Unit Chief Risk Officer (with input from the EMEA CRO) participate in this review.

Annual review processes for all partners include performance expectations related to the monitoring and mitigation of risk. In completing the annual performance evaluation and compensation planning, managers receive information on how to incorporate appropriate performance expectations relative to the management of risk into the review process. As part of the annual salary review and incentive process, managers recommend specific total compensation reflecting their discretionary assessment of specific objective and subjective factors including performance against risk expectations.

When choosing appropriate measures for team and individual goals, these goals are aligned with those of the business. As these business and financial goals are achieved, partners are rewarded accordingly to reinforce the value of their contribution. To determine an individual's pay and incentive allocation, managers will take into consideration discretionary assessment of specific objective and subjective factors such as:

- corporate and business unit performance;
- performance within a standard risk expectation for all employees;
- prior and expected individual performance and long-term impact; and
- teamwork and individual contributions.

All employees within NTC are eligible for an incentive payment subject to performance. Performance factors can result in no increase to base pay and/or a zero cash incentive award for a specific performance period.

The short-term incentive (STI) and long-term incentive (LTI) mix was determined for partners according to a fixed structure based on the total incentive award amount. For performance year 2021, the minimum total incentive award for receiving a LTI award was US$75,000. Incentive splits for MRTs and other regulated roles was administered according to regulatory requirements.

For MRTs the deferral and vesting of variable remuneration was in accordance with the Financial Services Remuneration Code.

Total variable remuneration consists of the following components for MRTs:

- STI Cash

- **STI Equity**[1,2,3] typically granted in the form of Restricted Stock Unit (RSU) which vest immediately
- **LTI Deferred Equity**[1,2,3] typically granted in the form of RSUs

The purpose of the LTI cash equity awards is to link current and future business leaders to overall long-term performance of the organisation. The vesting period for MRTs solely identified for NTS LLP is 4 years, vesting on a pro-rata basis of 25% per year beginning on the first anniversary of the first day of the month after the month of grant. Where MRTs are identified for other regulated entities with longer deferral periods, the more stringent rules apply.

There is a set limit on the amount of incentive compensation that can be paid in relation to fixed compensation. This is referred to as the bonus cap. The maximum incentive compensation that an MRT can receive is 100% of their fixed compensation or 200% under limited and exceptional circumstances.

7.2 Quantitative Disclosures

The ERGG met four times during the 2021 performance year. The heads of corporate functions, who act as members of the ERGG, are also members of other committees and have other responsibilities. As such, the remuneration they receive relates to their full duties and not just the ERGG duties. All ERGG members are MRTs. The total remuneration for these members in respect of the performance year 2021 was £2.3m and this was awarded in a combination of cash and stock.

The CBC met four times during the 2021 performance year. The directors who act as members of the CBC are also members of other committees of the NTC Board and as such the remuneration they receive relates to their full duties and not just the CBC duties. Total remuneration earned by the CBC members for 2021 was $1.3m and this was awarded in a combination of stock and cash. Full details of these awards are available in the 2022 NTC Proxy Statement.

[1] *Does not apply where variable remuneration is less than 33% of total compensation and total compensation is no more than £500k*

[2] *Awards delivered in equity are distributed 12 months after vesting*

[3] *In accordance with Remuneration Code requirements, performance adjustments are considered for deferred awards at time of vest.*

7.2.1 Fixed/variable remuneration

Fixed remuneration consists of base salaries, benefits, pension, and cash allowances. Variable remuneration can consist of a combination of STI Cash, STI RSUs, and LTI RSUs.

The following disclosures relate to NTS LLP MRTs[4]. In 2021, there were eighteen MRTs. The aggregate remuneration details in respect of these MRTs is shown below.

	2021		2020	
	Senior Management[5]	***All Other MRTs***	*Senior Management*	*All Other MRTs*
Number of MRTs	**12**	**6**	11	6
Fixed remuneration (£ m)	**3.7**	**1.3**	3.5	1.2
Variable remuneration (£ m)	**4.4**	**1.2**	2.9	0.9

All NTS LLP MRTs are employed by another Northern Trust Group entity. In addition, the information above includes remuneration for MRTs whose responsibilities also cover:

- Northern Trust Global Investments Limited (NTGIL): seven employees
- Northern Trust Investor Services Limited (NTISL): nine employees
- Northern Trust Global Services SE (NTGS SE): eight employees
- The Northern Trust Corporation London Branch (TNTC-LB): eleven employees

For the 2021 performance year:

- No NTS LLP MRTs received a sign on payment;
- One NTS LLP MRT received a severance payment of £0.3m; and
- Two NTS LLP MRTs earned over €1m, with total remuneration in the '€1.5m to below €2m' bracket.

8 Contacts

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[4] *Note: data for leavers and MRTs in role for less than 3 months in the performance year have been excluded*

[5] *For the purposes of Pillar 3 reporting, 'Senior Management' includes those categorised as Senior Manager MRTs.*

9 ANNEX A – Balance sheet to regulatory capital reconciliation

Balance Sheet Reconciliation Methodology

Disclosure according to Article 2 in Commission implementing regulation (EU) No 1423/2013

Capital base	**NTS LLP**
GBP 000's	**31/12/2021**
Shareholders' equity according to the NTS balance sheet	29,603
Common Equity Tier 1 capital	**29,603**
Tier 1 capital contributions	
Shares deducted from Tier 1 capital	
Total Tier 1 capital	**29,603**
Tier 2 instrument	
Net provisions for reported IRB credit exposures	
Shares deducted from Tier 2 capital	
Total Tier 2 capital	**0**
Total capital base	**29,603**

10 ANNEX B – Own funds composition

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013

	Common Equity Tier 1 capital: instruments and reserves ([1])	NTS LLP GBP 000's	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF
1	Capital instruments and the related share premium accounts	29,603	26 (1), 27, 28, 29, EBA list 26 (3)	0
	of which: Instrument type 1	0	EBA list 26 (3)	0
	of which: Instrument type 2	0	EBA list 26 (3)	0
	of which: Instrument type 3	0	EBA list 26 (3)	0
2	Retained earnings		26 (1) (c)	0
3	Accumulated other comprehensive income (and any other reserves)	0	26 (1)	0
3a	Funds for general banking risk	0	26 (1) (f)	0
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0
	Public sector capital injections grandfathered until 1 january 2018	0	483 (2)	0
5	Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	29,603		0
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	0	34, 105	0
8	Intangible assets (net of related tax liability) (negative amount)	0	36 (1) (b), 37, 472 (4)	0
9	Empty set in the EU	0		0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)	0
11	Fair value reserves related to gains or losses on cash flow hedges	0	33 (a)	0
12	Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159, 472 (6)	0
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	33 (1) (b) (c)	0
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	36 (1) (f), 42, 472 (8)	0
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	0	36 (1) (g), 44, 472 (9)	0
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0
20	Empty set in the EU	0		0
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	36 (1) (k)	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0
20c	of which: securitisation positions (negative amount)	0	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	0
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0

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21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0
24	Empty set in the EU	0		0
25	of which: deferred tax assets arising from temporary difference	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		0
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		0
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	0		0
29	**Common Equity Tier 1 (CET1) capital**	29,603		0
0				
30	Capital instruments and the related share premium accounts	0	51, 52	0
31	of which: classified as equity under applicable accounting standards	0		0
32	of which: classified as liabilities under applicable accounting standards	0		0
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	0
	Public sector capital injections grandfathered until 1 january 2018	0	483 (3)	0
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	85, 86, 480	0
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0		0
0				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	52 (1) (b), 56 (a), 57, 475 (2)	0
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	0
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (d), 59, 79, 475 (4)	0

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41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	0		0
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	0
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)	0
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0		0
44	**Additional Tier 1 (AT1) capital**	0		0
45	**Tier 1 capital (T1 = CET1 + AT1)**	29,603		0
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	0	62, 63	0
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0
	Public sector capital injections grandfathered until 1 january 2018	0	483 (4)	0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	0	87, 88, 480	0
49	of which: instruments issued by subsidiaries subject to phase-out	0	486 (4)	0
50	Credit risk adjustments	0	62 (c) & (d)	0
51	**Tier 2 (T2) capital before regulatory adjustment**	0		0
0				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	63 (b) (i), 66 (a), 67, 477 (2)	0
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	0
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	0
54a	Of which new holdings not subject to transitional arrangements	0		0
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	0		0
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	0	66 (d), 69, 79, 477 (4)	0
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	0
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0		0
58	**Tier 2 (T2) capital**	0		0
59	**Total capital (TC = T1 + T2)**	29,603		0

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59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	0
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0
60	**Total risk-weighted assets**	77,626		0
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	38.1%	92 (2) (a), 465	0
62	Tier 1 (as a percentage of total risk exposure amount	38.1%	92 (2) (b), 465	0
63	Total capital (as a percentage of total risk exposure amount	38.1%	92 (2) (c)	0
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	0	CRD 128, 129, 140	0
65	of which: capital conservation buffer requirement	0		0
66	of which: countercyclical buffer requirement	0		0
67	of which: systemic risk buffer requirement	0		0
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	CRD 131	0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0	CRD 128	0
69	[non-relevant in EU regulation]	0		0
70	[non-relevant in EU regulation]	0		0
71	[non-relevant in EU regulation]	0		0
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	0	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	0	36 (1) (i), 45, 48, 470, 472 (11)	0
74	Empty set in the EU	0		0
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	0	36 (1) (c), 38, 48, 470, 472 (5)	0
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	62	0
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	0	62	0
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	62	0
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	- Current cap on CET1 instruments subject to phase-out arrangements	0	484 (3), 486 (2) & (5)	0
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0
82	- Current cap on AT1 instruments subject to phase-out arrangements	0	484 (4), 486 (3) & (5)	0
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0
84	- Current cap on T2 instruments subject to phase-out arrangements	0	484 (5), 486 (4) & (5)	0
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0