

Northern Trust Securities LLP

MIFIDPRU 8 Regulatory Disclosures

As of and for the year ended December 31, 2024

Contents

1	Overview and scope of application	4
1.1	Investment Firm Prudential Regime.....	4
1.2	Scope of application	4
1.3	Location and frequency of disclosure	5
2	Risk management objectives and policies	6
2.1	Risk organisation and governance.....	6
2.2	Principal risks and potential harms	6
2.3	Risk Appetite.....	10
2.4	Adequacy of Risk Management Arrangements.....	10
3	Governance arrangements	11
3.1	Effective implementation of governance arrangements	11
3.2	Management Committee Directorships.....	12
3.3	Policy promoting diversity on the NTS LLP Management Committee	12
3.4	Risk Committee	13
4	Own funds	14
4.1	Composition of own funds	14
4.2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements .	14
4.3	Main features of own instruments issued by the firm.....	15
5	Own funds requirements.....	16
5.1	Own funds requirements.....	16
5.2	Approach to assessing adequacy of own funds	16
6	Remuneration policy and practices	18
6.1	Qualitative disclosures	18
6.2	Quantitative disclosures	22

List of Tables

Table 1: NTS LLP Management Committee member external directorships	12
Table 2: OF1 - Composition of regulatory own funds.....	14
Table 3: OF2 - Reconciliation of regulatory own funds in the audited financial statements	15
Table 4: OFR1 - MIFIDPRU 4.3 compliance	16
Table 5: NTS LLP staff remuneration breakdown	22

List of Figures

Figure 1: NTS LLP ownership structure	5
---	---

Glossary of Terms

CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
EMC	EMEA Executive Management Committee
ERC	EMEA Risk Committee
ERGG	EMEA Remuneration Governance Group
FCA	Financial Conduct Authority
FOR	Fixed Overheads Requirement
GBCRS	Global Business Continuity and Recovery Services
HCCC	Human Capital and Compensation Committee
ICARA	Internal Capital Adequacy and Risk Assessment
IFPR	Investment Firm Prudential Regime
KFR	K-Factor Requirement
LATR	Liquid Assets Threshold Requirement
MRT	Material Risk Taker
Non-SNI	Non- <i>'small and non-interconnected'</i> MIFIDPRU investment firm
NTC	Northern Trust Corporation
NTS LLP	Northern Trust Securities LLP
OFAR	Overall Financial Adequacy Rule
OFTR	Own Funds Threshold Requirement
Remuneration Code	FCA MIFIDPRU Remuneration Code
RMF	Risk Management Framework
SMCR	Senior Managers and Certification Regime

1 Overview and scope of application

1.1 Investment Firm Prudential Regime

The Investment Firm Prudential Regime (**IFPR**) came into effect on 1 January 2022, replacing the previous Capital Requirements Regulation (**CRR**) regime for UK investment firms. The IFPR is intended to streamline and simplify the prudential requirements for MiFID investment firms that are regulated by the UK Financial Conduct Authority (**FCA**).

Under the FCA's MIFIDPRU Sourcebook, specifically MIFIDPRU 8, Northern Trust Securities LLP (**NTS LLP**) is required to disclose items on the following topics:

- Risk management;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration.

This document forms the second set of disclosures under the IFPR, and the first with comparable year-on-year data

1.2 Scope of application

The scope of these disclosures is NTS LLP, which is classified as a non-*'small and non-interconnected'* (**non-SNI**) MIFIDPRU investment firm per MIFIDPRU 1.2 of the FCA Handbook.¹ It is authorised and regulated by the FCA, with a firm reference number of 465131.

NTS LLP offers institutional clients a suite of brokerage services including equity trade execution, fixed income trade execution, portfolio trading, exchange-traded derivatives trade execution as well as pre- and post-trade analytics.

NTS LLP trades as a limited liability partnership in the United Kingdom. NTS LLP has permissions to advise on and deal in investments as both agent and principal. It is authorised to control, but not hold client money and does not currently deal with private client investors. In order to facilitate its client's orders across a variety of trading venues and platforms, NTS LLP acts on a 'matched principal' basis for its clients by trading as principal in the market and entering a 'back-to-back' trade with the client.

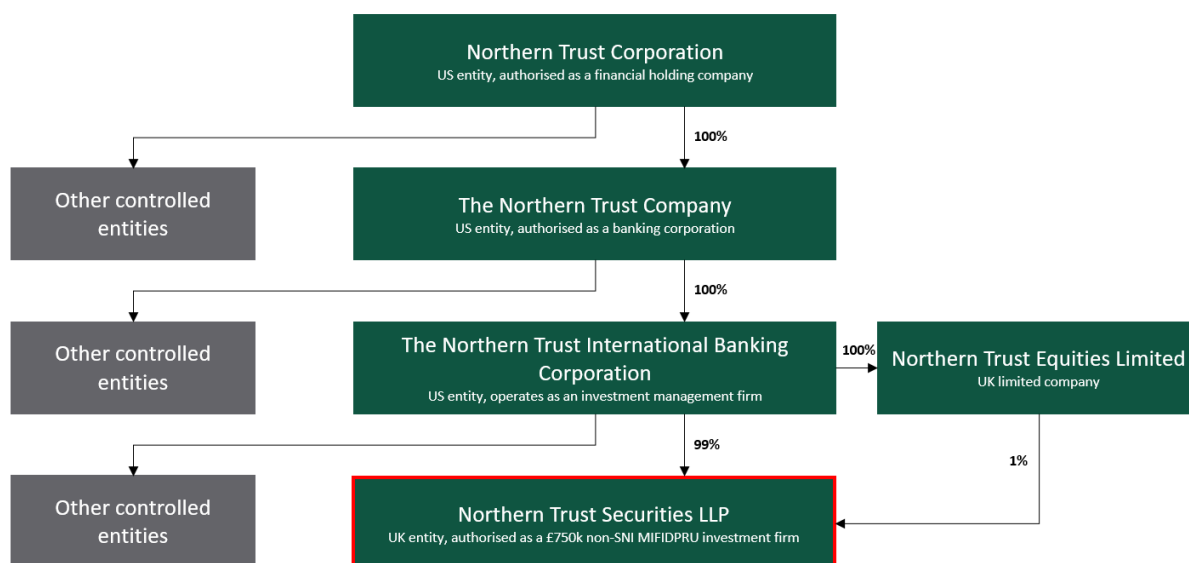
1.2.1 NTS LLP's position within The Northern Trust Corporation

NTS LLP has two partners. As at 31 December 2023 the relative partner interests were as follows: The Northern Trust International Banking Corporation has a 99% interest, and Northern Trust Equities Limited has a 1% interest.

The ownership structure is set out below.

¹ <https://www.handbook.fca.org.uk/handbook/MIFIDPRU/1/2.html>

Figure 1: NTS LLP ownership structure



1.3 Location and frequency of disclosure

These disclosures are updated on an annual basis anchored on NTS LLP's financial year-end date of 31 December 2023 and published in the Investor Relations section of Northern Trust Corporation's (NTC's) website.² These are completed in conjunction with NTS LLP's audited annual financial statements.

² <https://www.northerntrust.com/united-states/about-us/investor-relations/financial-information-regulatory-disclosures>

2 Risk management objectives and policies

2.1 Risk organisation and governance

Risk management is the responsibility of the NTS LLP Management Committee. In discharging this responsibility, the Committee utilises the Northern Trust global and regional risk frameworks as required. Policies and practices are validated and locally approved and the local risk organisation is structured to provide the Management 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 ERC covers all activities conducted within the EMEA region to which the Capital Market Risk Council provides updates.

The primary purpose of the Global Capital Markets Risk Council is to act as the main forum within Asset Servicing for the identification, measurement, monitoring and management of the inherent risks of the Capital Markets business, which includes the activities carried out by NTS LLP. This Council serves as the primary point of escalation for material residual risks identified.

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 RMF 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 the RMF.

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 the following risk categories: credit, market and liquidity, operational, strategic, fiduciary and compliance.

2.2 Principal risks and potential harms

The risk profile of NTS LLP is determined through a point in time assessment of inherent and residual risks across the major risk categories and subcategories listed in the Northern Trust Risk Universe. The risk

categories include credit risk, market and liquidity risk, strategic risk, operational risk, fiduciary risk and compliance risk.

Alongside the existing process to identify and mitigate harm to firm, the IFPR rules now require firms to consider and manage the potential harms to clients and markets too. NTS LLP focuses on and evaluates its associated risks through the lens of these harms. NTS LLP has endeavoured to embed the three harms concept within the RMF to ensure at a minimum these are considered within the processes of all main inputs to the Internal Capital and Risk Assessment (**ICARA**). The ICARA is described further in Section 5.2.

The following sub-sections identify the principal risks facing NTS LLP and the associated potential for material harms.

NTS LLP maintains a suite of quantitative and qualitative risk measures (legal entity specific and group based) which can be mapped to the risk categories below. These measures are monitored and reported as part of the entity's quarterly risk report which is submitted to the NTS LLP Management Committee.

2.2.1 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. If such events were to crystallise for NTS LLP, the material harms will be to the firm itself and clients.

For NTS LLP, strategic risk is managed by the NTS LLP Management Committee. 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.

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 Chief Executive Officer and senior management, including the Global Enterprise Risk Committee, support the NTS LLP Management Committee in the performance of its functions.

2.2.2 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. If such events were to crystallise for NTS LLP, the most material harms will be to the firm itself and clients. The entity's objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

For capital purposes, Northern Trust considers operational risk to include compliance and fiduciary risk, although each of these risks are governed and managed separately. Subsequent to this, NTS LLP identifies the following as key operational risks facing the entity:

- Business disruption and system failures (operational risk);
- Execution, delivery and process management (operational risk);
- Internal fraud (operational risk);
- Regulatory risk (compliance risk); and
- Financial crime risk (compliance risk).

Regulatory risk and financial crime risk are covered in Section 2.2.3

Business disruption and system failure risk is managed and overseen by Corporate Information Security Technology Risk Management and Global Business Continuity and Recovery Services (**GBCRS**):

- Corporate Information Security and Technology Risk Management 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.
- GBCRS help to assess and coordinate incident responses and set standards for the content and testing of disaster recovery and business continuity plans.

Execution, delivery and process management 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.

Internal fraud is managed through corporate anti-fraud controls and procedures (includes IT risk programs and controls) which are used to detect and mitigate fraud incidents. Northern Trust has a dedicated Fraud Prevention Unit responsible for the proactive review of suspicious activity to prevent fraud and mitigate the risk of losses.

Line managers have the primary responsibility for managing the inherent risks of all NTS LLP 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. NTS LLP management is of the view that NTS LLP's inherent operational risk is mitigated by Northern Trust's operational risk framework.

2.2.3 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; and
- 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.

A failure to independently assess the risk of money laundering, sanctions violations, fraud, insider dealing, and theft in relation to products, services, clients, vendors, etc. is a threat that can result in reputational, financial and regulatory risks for the entity.

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.

Regulatory and financial crime risk have been identified as key operational risks facing NTS LLP. A failure to manage these can impact NTS LLP's ability to operate and service its clients effectively. If such risk events were to crystallise, the most material harms will be to the firm itself and clients.

The compliance risks facing NTS LLP and the underlying processes and controls to manage said risks are assessed under Northern Trust's compliance risk program. An annual compliance risk assessment is completed for the entity where all significant and applicable rules and corresponding controls are evaluated in accordance with a global methodology that has been created by Northern Trust Global Compliance.

2.2.4 Other risks

2.2.4.1 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 be met as they fall due under both normal and adverse economic conditions.

Under Northern Trust's risk framework, liquidity risk is governed by the first and second line of defence committees, namely the Asset and Liability Management Policy Committee and the Market and Liquidity Risk Committee 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, an annual Liquidity Risk Assessment is compiled 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.

2.2.4.2 Group risk

NTS LLP also considers group risk when performing its ICARA risk assessment. Given the global nature of Northern Trust's operating model, there are a number of dependencies on other legal entities within the Northern Trust Corporation to support day to day business activity.

2.2.4.3 Concentration risk

NTS LLP has determined that its concentration risk arises from the following sources: the trading book; non-cash credit exposures, NTS LLP's own cash deposits and earnings.

NTS LLP acts as an agency broker when executing client orders, and while for certain asset classes and instruments it does act in a matched principal capacity, it does not trade in the market without first holding a valid client order. Consequently, the circumstances in which NTS LLP may use an Error Account to take a position in financial instruments onto its own account are limited. An error book policy is in place which sets out the requirements of the error book as well as associated escalation and reporting requirements.

Given the simple composition of the balance sheet of NTS LLP, exposures are generally intercompany receivable amounts. The control in place for these exposures is to ensure settlement within standard terms. This avoids an accumulation of an exposure to a single counterparty. There is therefore minimal

concentration risk associated with third-party receivables and intercompany receivables which are generally settled on a quarterly basis.

In terms of own cash deposits NTS LLP holds an amount equal to at least the net cost of winding down in at least one bank account external to the NT Group. This balance is monitored monthly as part of the established treasury monitoring of liquid assets.

Earnings concentration is monitored through a revenue concentration index which has been developed in order to monitor the evolution of revenue concentration over time.

Regulatory reporting on concentration risk (MIF004 return) is submitted to the FCA on a quarterly basis so as to allow the FCA oversight of the following types of concentrations in relation to NTS LLP:

- Top five largest exposures (excl. intergroup exposures);
- Intragroup exposures only;
- Location of NTS LLP's own cash balances and the percentage of holdings at a particular institution; and
- Top five revenue generating clients and the percentage of total revenue earned from each client.

2.3 Risk Appetite

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 NTS LLP Risk Appetite Statement reflects the expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. NTS LLP establishes its Risk Appetite Statement by Risk Themes. Each theme is supported by a series of risk measures which are reported on as part of the quarterly NTS LLP Risk Report.

The NTS LLP Risk Appetite Statement is reviewed and approved on at least an annual basis by the NTS LLP Management Committee.

2.4 Adequacy of Risk Management Arrangements

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 according to regulatory requirements and the ICARA process.

The NTS LLP Management Committee is satisfied that risk management arrangements are aligned with risk profile and strategy of the business. The Management Committee also confirms that the disclosures contained within this document accurately reflect the risk profile of the business based on the activities it undertakes.

3 Governance arrangements

3.1 Effective implementation of governance arrangements

It is a requirement for a firm to ensure that the management body, the NTS LLP Management Committee, defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

To ensure these responsibilities are undertaken, the NTS LLP Management Committee has terms of reference in place which provides the framework to ensure that it:

- Has overall responsibility for the firm;
- Approves and oversees implementation of the strategic objectives, risk strategy and internal governance of NTS LLP;
- Ensures the integrity of the accounting and financial reporting systems of NTS LLP, including financial and operational controls and compliance with the regulatory system;
- Oversees the process of disclosure and communications;
- Has responsibility for providing effective oversight of senior management;
- Monitors and periodically assesses the following:
 - The adequacy and implementation of the strategic objectives of NTS LLP when servicing its clients' needs;
 - The effectiveness of its governance arrangements;
 - The adequacy of policies relating to the provision of services to clients, taking appropriate steps to address any deficiencies; and
- Has adequate access to information and documents which are needed to oversee and monitor management decision-making.

Evidence of the discharge of these responsibilities is found within the Management Committee Packs distributed to members of the Management Committee and formal minutes taken at each meeting.

The apportionment of responsibilities and governance structure for the entity is outlined in the NTS LLP Management Responsibilities Map maintained internally.

The NTS LLP Management Committee generally meets on a quarterly basis and on ad hoc occasions as required.

Information for dealing with conflicts of interest is set out in the EMEA Client Conflicts of Interest & Inducements Policy document which is applicable to all regulated Northern Trust EMEA entities and approved by the ERC and all Boards/Management Committees of the EMEA entities covered by the policy, including the NTS LLP Management Committee. The policy sets out how NTS LLP seeks to prevent and deal with conflicts of interest if they arise.

NTS LLP is classified as a core solo regulated firm under the Senior Managers and Certification Regime (SMCR).

To ensure the members of the NTS LLP Management Committee are competent to carry out their duties and meet the requirements to manage NTS LLP on a sound and prudent basis, an annual fit and proper assessment under the SMCR is undertaken to take reasonable steps to ascertain that each member:

- Is of sufficiently good repute;
- Possesses sufficient knowledge, skills and experience to perform their duties;
- Possesses adequate knowledge, skills and experience to understand the firm's activities, including the main risks; and
- Acts with honesty and integrity.

Additionally, the Management Committee undergoes an annual performance effectiveness assessment and an annual collective suitability assessment to ensure the committee governance operates effectively and the composition of the committee provides for appropriate knowledge, skills and experience to discharge the duties conferred upon the committee as outlined in the terms of reference.

3.2 Management Committee Directorships

Per MIFIDPR 8.3.1R(2), NTS LLP is required to disclose the number of directorships held by each member of the Management Committee. This does not include any directorships held within the Northern Trust Corporation group of companies nor directorships held in organisations which do not pursue predominantly commercial objectives.

This information is presented in the table below:

Table 1: NTS LLP Management Committee member external directorships as at 31 December 2024

Member name	Senior Management Function	No. of directorships	
		Executive	Non-executive
Adam Hallsworth	SMF27 Partner	0	0
Laurence Everitt	SMF27 Partner	0	0
Mark Walker	SMF1 Chief Executive SMF27 Partner	0	0
Paula Kenée	SMF9 Chair of the Governing Body SMF27 Partner	0	0

The following changes to the Management Committee occurred during 2024:

- John Davie resigned as a Management Committee member on 13 August 2024; and
- Adam Hallsworth was appointed as a Management Committee member on 13 August 2024.

Note: Amy Thorne was also appointed to the NTS LLP Management Committee on 29 January 2025 (post reference date of these disclosures).

3.3 Policy promoting diversity on the NTS LLP Management Committee

Northern Trust's focus on fostering an intentionally inclusive culture welcomes and values the experiences, perspectives, and viewpoints of all employees, enabling a work environment for everyone to listen, collaborate, and learn from each other.

Northern Trust is proud to be an equal opportunity employer. It is our policy to provide equal employment opportunities to all employees and applicants in all phases of employment. In line with our commitment to conduct business in a way that respects the human rights, dignity and equality of people, Northern Trust expressly prohibits any discriminatory practice based on age, race, religion, belief, gender, national origin, citizenship status, disability, marital status, pregnancy, sexual orientation, gender identity,

gender expression, or any other legally protected status defined in local law. All employment decisions are made in a non-discriminatory manner. This includes human resources' decisions relating to compensation, recruitment, redundancy, termination, terms and conditions of employment, transfers, appraisals and promotions, conduct at work, disciplinary and grievance procedures and access to learning and development. Employees are required to ensure that they do not, by their own actions, behaviour or attitudes, directly, indirectly, intentionally or otherwise discriminate against job applicants, employees, clients, vendors, contractors and temporary workers.

Northern Trust also operates a UK Board Diversity Policy pursuant to which it is committed to diversity, equity and inclusion in respect of appointments of both external Independent Non-Executive Directors and internal employee Board members to attract a broad set of qualities and competencies. Prior to any proposed appointment to the Board, individual and collective suitability assessments are undertaken to evaluate the balance of skills, knowledge, and experience on the Board.

In anticipation of changes to the composition of the Board, Northern Trust considers the different perspectives and lived experiences represented on the Board when assessing nominees.

Northern Trust regularly reviews its process for the selection and appointment of Board members and make changes as necessary to ensure the leadership needs of the organisation, both executive and non-executive are being met.

The NTS LLP Management Committee has a recommended target to ensure the higher of two committee members or 25% of the underrepresented gender on the Management Committee by December 2030. As of December year-end, there were four members of the NTS LLP Management Committee, of which only one was female (25% female representation). However, a further appointment was made in January 2025 to bring female representation to two individuals and 40%.

3.4 Risk Committee

MIFIDPRU 7.3.1R requires a firm to establish a risk committee if it exceeds thresholds in relation to the value of on-balance sheet assets and off-balance sheet items (including off-balance sheet considerations), and where necessary, the size of the firm's on- and off-balance sheet trading book and derivative positions.

NTS LLP does not meet the thresholds required to establish a risk committee. A summary of the NTS LLP risk arrangements is set out in Section 2.

4 Own funds

4.1 Composition of own funds

Own funds of NTS LLP are made up solely of Common Equity Tier 1 (CET1) capital instruments. The table below sets out a breakdown of the composition of own funds.

Table 2: OF1 - Composition of regulatory own funds

	Item	Amount (£000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	41,336	
2	TIER 1 CAPITAL	41,336	
3	COMMON EQUITY TIER 1 CAPITAL	41,336	
4	Fully paid up capital instruments	15,306	<i>Pg. 11 - Balance Sheet</i>
5	Share premium	0	
6	Retained earnings	0	
7	Accumulated other comprehensive income	0	
8	Other reserves	26,030	<i>Pg. 11 - Balance Sheet</i>
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments	0	
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

4.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below shows a reconciliation of regulatory own funds in Table 2 above to the balance sheet in the audited financial statements, where assets and liabilities have been broken down by asset and liability classes respectively.

Table 3: OF2 - Reconciliation of regulatory own funds to the audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements (£000)	Under regulatory scope of consolidation	Cross reference to template OF1
		As at year ending 31 December 2024	As at year ending 31 December 2024	
Assets				
1	Security deposits	5,054		
2	Debtors due within one year	3,120		
3	Cash and cash equivalents	60,666		
	Total Assets	68,839		
Liabilities				
1	Creditors: amounts falling due within one year	27,503		
	Total Liabilities	27,503		
Shareholders' Equity				
1	Members' capital classified as equity	15,306		Item 4
2	Other reserves	26,030		Item 8
	Total Shareholders' equity	41,336		

4.3 Main features of own instruments issued by the firm

Members' interests are split by *Members' capital classified as equity* and *Other reserves*. All of which qualifies as CET1 capital.

Note 11 of the audited financial statements sets out the split of members' interests between the two partners of the firm, Northern Trust Equities Limited and The Northern Trust International Banking Corporation.

5 Own funds requirements

5.1 Own funds requirements

As a non-SNI MIFIDPRU investment firm, NTS LLP must maintain own funds that are at least equal to its own funds requirement at all times, with the own funds requirement being the highest of:

- The permanent minimum capital requirement of £750,000;
- The fixed overheads requirement (**FOR**); and
- The K-factor requirement (**KFR**).

NTS LLP's own funds requirement is equal to its FOR as this is greater than its KFR and permanent minimum capital requirement.

The NTS LLP own funds requirement as at 31 December 2024 is set out below:

Table 4: OFR1 - MIFIDPRU 4.3 compliance

Own Funds Requirement item	£000	£000
	2024	2023
Permanent minimum capital requirement	750	750
Fixed overheads requirement	5,970	6,432
Sum of K-AUM, K-CMH & K-ASA requirements	0	0
Sum of K-COH & K-DTF requirements	489	437
Sum of K-NPR, K-CMG, K-TCD & K-CON requirements	0	0
Total KFR	489	437
Binding requirement	5,970	6,432

5.2 Approach to assessing adequacy of own funds

NTS LLP is required to comply with the Overall Financial Adequacy Rule (**OFAR**) which is defined as the following in the FCA's Handbook Chapter MIFIDPRU 7.4.7R:

"A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- The firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and*
- The firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants."*

In order to ensure compliance with the OFAR, NTS LLP operates an ICARA process. The ICARA process is the collective term for the internal systems and controls that NTS LLP operates to identify and manage potential material harms that may arise from the operation of its business, and to ensure that its operations can be wound down in an orderly manner.

The ICARA is undertaken at least once every 12 months.

5.2.1 Business operations

The NTS LLP RMF identifies and assesses the material potential harms inherent within NTS LLP business operations and the extent that current processes and controls serve to mitigate the risk of harm occurring across clients, counterparties, the market and the firm itself. Where these harms cannot be mitigated fully, a further assessment has been completed against the adequacy of the calculated own funds requirement (Section 5.1 of this document).

This assessment is input into either a statistical model which also considers all of the firm's previous loss history, probability and impact of the key risk scenarios used, or held as an additional capital add-on. The output of this is compared to the own funds requirement to assess the adequacy of the amount relative to the harm inherent in business operations.

Where this process identifies an increased requirement above the calculated own funds requirement, additional own funds are held to mitigate the identified material potential harms.

5.2.2 Wind-down

NTS LLP undertakes a wind-down planning process which ensures sufficient own funds and liquid assets are held to undertake an orderly wind-down in the rare event that one is required. This process covers the following:

- An assessment of the scenarios which may cause NTS LLP to wind down.
- Reporting on the indicators of a wind-down scenario occurring.
- Assessment of harm to key stakeholders of NTS LLP winding down.
- The wind-down process.

Based on the actions above, a quantitative assessment is undertaken to determine the amount of own funds (and liquid assets) required to wind-down the business, minimising the risk of harm to the stakeholders identified as part of the assessment.

5.2.3 Key conclusions

As part of the ICARA process, NTS LLP has established both an own funds threshold requirement (**OFTR**) and its liquid assets threshold requirement (**LATR**), which set out the minimum own funds and liquid assets required to be held by the firm to meet regulatory requirements.

Based on the ICARA, the NTS LLP Management Committee has determined that sufficient own funds and liquid assets are held to meet the OFTR and LATR and considers that NTS LLP complies with the OFAR.

6 Remuneration policy and practices

6.1 Qualitative disclosures

6.1.1 Introduction and Scope

This disclosure is made in accordance with MIFIDPRU 8.6 of the FCA Handbook and the FCA MIFIDPRU Remuneration Code (the **Remuneration Code**). It provides an overview of the remuneration policies, practices and framework applicable to NTS LLP. NTS LLP is subject to the “basic” and “standard” requirements of the Remuneration Code set out in SYSC 19G of the FCA Handbook, though NTS LLP voluntarily applies deferral for certain levels of variable pay, as set out in the “Compensation Design and Structure” section.

6.1.2 Remuneration principles

Northern Trust’s approach to compensation is underpinned by a common set of guiding principles that define how remuneration programmes are designed and delivered. While our compensation approach is applied consistently across the organization, including NTS LLP, specific compensation programmes may be tailored locally to meet the unique talent needs and regulatory requirements of our diverse businesses and locations. The guiding principles of our compensation approach are:

- **ALIGNED WITH BUSINESS STRATEGY** – The design and delivery of Northern Trust’s compensation programmes align with short- and long-term strategic goals;
- **PERFORMANCE ORIENTED AND CLIENT-CENTRIC** – The compensation programmes provide distinct recognition and differentiated rewards to the highest performers who consistently achieve superior results;
- **MARKET COMPETITIVE** – The compensation programmes are designed to be market competitive, enabling Northern Trust to attract and retain talent needed to deliver on its strategy;
- **RISK BALANCED** – The compensation programmes are appropriately risk balanced and designed with strong governance and oversight to avoid any unnecessary risks;
- **FLEXIBLE** – The compensation programmes are globally consistent and rooted in common processes, but locally applied to reflect appropriate talent management needs; and
- **WELL-ADMINISTERED AND COMMUNICATED** — The goal is for compensation programmes to be communicated in a clear and engaging way for maximum impact and understanding.

Compensation and benefit programmes are intended to motivate employees to deliver the highest-quality service to clients and achieve the greatest collective business results, while appropriately managing risk in compliance with the Remuneration Code. They are designed, implemented and communicated to promote behaviours that are consistent with Northern Trust’s desired culture, character and enduring values of service, expertise, and integrity. Compensation programmes are reviewed regularly to ensure Northern Trust can attract and retain talent in relevant markets.

6.1.3 Compensation Design and Structure

We ensure our employees are compensated fairly by aligning their total compensation with market competitive pay for their roles, experience and performance. Compensation structure at NTS LLP is comprised of an appropriate balance of fixed and variable remuneration components. Fixed and variable compensation elements are not set independently; rather, a holistic approach is adopted to establish the total compensation of each employee. The mix of remuneration elements (both fixed and variable) varies depending on the employee's role and level. The fixed component represents a sufficiently high proportion of the total compensation to operate a fully flexible variable compensation policy.

Fixed remuneration

Fixed compensation includes salary and benefits:

- Salaries are set to enable NTS LLP to attract and retain talent by providing a competitive level of pay reflecting each individual's position, experience, qualifications and tenure; and
- Benefit programs are designed to be locally competitive, to meet the needs of employees and their families, and to reflect the cultural values of the organization.

Variable remuneration

For variable remuneration, Northern Trust (including NTS LLP) employees are eligible for an annual discretionary variable incentive program. This is designed to drive Northern Trust's pay-for-performance focus by making a meaningful portion of total compensation variable and directly aligned with our values, strategy and long-term objectives. Incentive compensation is linked to both financial and non-financial performance criteria, including risk considerations, with performance assessed at the individual, business unit and overall firm levels. While all employees are eligible for the incentive compensation program, the intent of these programs is to differentiate and reward performance of employees who help deliver superior team or individual results.

Variable remuneration is generally determined annually at the end of the calendar year, which coincides with NTS LLP's business cycle, allowing relevant current and future risks applicable to NTS LLP and its business units to be factored into the quantum of the relevant awards.

In addition to annual incentives, NTS LLP may offer other variable compensation components such as guarantees, buy-out, retention and recognition awards. Guaranteed variable remuneration is exceptional and offered to new hires only in relation to their first year of service, subject to NTS LLP having a sound capital base. In the event of termination, any severance payments must be in accordance with NTS LLP's policies and reflect performance achieved over time and not reward failure or misconduct.

Delivery of variable remuneration

For employees whose variable remuneration exceeds certain levels, a substantial portion of the incentive award is deferred. The percentage of variable remuneration that is deferred increases progressively with higher variable incentive amounts according to a pre-defined schedule.

For employees eligible for deferred awards, variable remuneration is therefore split into two components:

- **Short-Term Incentives:** this is normally delivered in the form of cash paid out to the employee in the first quarter of the year after the conclusion of a performance year; and
- **Long-Term Incentives:** this is delivered through Northern Trust equity plans and typically take the form of restricted stock units.

This deferral approach allows NTS LLP to extend the horizon over which individual performance is evaluated, supports the alignment of employees and investor interests and ensures that NTS LLP's

approach to risk management supports the interests of all stakeholders. Equity awards incentivise employees to contribute to the sustainability and long-term success of Northern Trust and help to mitigate imprudent risk-taking. Equity incentives typically vest over a four-year period.

6.1.4 Performance management – Linking variable remuneration with performance

Northern Trust's annual performance management process includes goal setting, mid-year check-ins, multi-rater feedback, and year-end reviews. Strategic corporate priorities are set by our Chairman and CEO and are applied to each business, team and individual. Individual employees are asked to discuss and agree with their manager their goals for the year in Q1. Managers are encouraged to provide regular feedback and real-time coaching to drive performance outcomes and facilitate development.

At company and business unit levels, the performance assessment is based on a percentage of pre-tax income as well as several other factors, such as the quality and sustainability of our earnings, market position and risk management, including regulatory compliance. Goals set for teams and individuals are aligned with the priorities of the business. In order to determine an employee'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.

Annual review processes for all employees 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 total compensation reflecting their discretionary assessment of qualitative and quantitative factors including performance against risk expectations. As these business and financial goals are achieved, employees are rewarded accordingly to reinforce the value of their contribution (the "what") as well as their behaviour (the "how").

Employees engaged in the internal control functions are independent from the business units they oversee and have appropriate authority. They are remunerated in accordance with the achievement of the objectives linked to their functions, and the amount of their variable compensation is not linked to the performance of the business units they control.

Throughout the performance year, an employee's conduct and performance is monitored by their Manager, Compliance and HR. Instances of behaviours or conduct falling below the expected standards may impact performance and reward outcomes via in-year adjustments, malus and/or clawback. The impact to variable remuneration is proportionate to the severity of the risk and conduct outcome and variable remuneration can be reduced to zero, if appropriate. NTS LLP may adjust downwards the variable remuneration of Material Risk Takers (**MRTs**), including but not limited to where there is evidence of:

- Misconduct leading to significant adverse outcomes;
- Material error or misbehaviour resulting in a significant failure of risk management; or
- A significant failure or breach of fitness and propriety obligations.

Cases that may result in malus and/or clawback are reviewed by the EMEA Remuneration Governance Group (**ERGG**) and, where an adjustment is proposed, the ERGG will make a recommendation to the

Management Committee and seek its approval. Variable remuneration awarded to MRTs is subject to clawback for a period of at least seven years from grant in accordance with the Northern Trust UK and Luxembourg Policy on Malus and Clawback.

6.1.5 Identification of Material Risk Takers

Individuals within NTS LLP whose professional activities are deemed to have a material impact on a NTS LLP's risk profile are classified as MRTs in accordance with the criteria set out in the Remuneration Code, including the factors and indicators specified in SYSC 19G.5.3 to 19G.5.5. Such MRTs have been categorised as:

- **Senior Manager MRTs** – Individuals who are registered with the FCA in a senior management function including members of the Management Committee of NTS LLP and heads of material business units; and
- **Standard MRT** – Individuals that could have the ability to impact the risk profile of NTS LLP. They include (but are not limited to) heads of business units that undertake certain types of activity, heads of control functions, and other individuals responsible for managing a material risk within NTS LLP.

6.1.6 Ratio between fixed and variable remuneration

Under SYSC 19G.4.6R of the Remuneration Code, NTS LLP has set an appropriate maximum ratio between the variable and the fixed component of the total remuneration awarded to MRTs. Where necessary, different maximum ratios can be set for different categories of staff, and from one performance period to the next. These ratios are set internally and are ultimately approved by the Human Capital and Compensation Committee (HCCC).

6.1.7 Governance and Compensation Policies

The HCCC is a committee of the Board of Directors of Northern Trust Corporation, the parent company headquartered in Chicago IL, USA. The HCCC has primary responsibility for ensuring that compensation programs align with Northern Trust's compensation philosophy and objectives, including oversight of the processes through which the company reviews its incentive plans within the context of business risk mitigation in compliance with the Remuneration Code.

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

The ERGG is responsible for the oversight and governance of the remuneration policies, practices and processes in NTS LLP, and to monitor and implement the NTS LLP regulatory remuneration requirements in line with the Remuneration Code.

In carrying out its duties, the ERGG is supported by the EMEA region Risk and Compliance, Finance and Human Resources functions. The Human Resources function provides ongoing advice to the ERGG including, where necessary, coordinating the engagement of any third-party experts to advise on remuneration-related matters.

6.2 Quantitative disclosures

Off-cycle awards such as guarantee, buy-out, retention, recognition and severance awards also form part of variable remuneration for maximum ratio calculations. Where applicable, these awards have been included as part of aggregate variable remuneration.

The following tables show aggregate remuneration details in respect of NTS LLP MRTs and all other staff in accordance with the Remuneration Code. In 2024, NTS LLP had 58 staff members, 16 of whom were MRTs.

Table 5: NTS LLP staff remuneration breakdown

Role	Headcount	Fixed remuneration (£m)	Variable remuneration (£m)	Total remuneration (£m)
Senior Management ³	7	2.1	1.5	3.6
Other MRTs	9	2.8	2.2	5.0
All other staff	42	5.7	2.8	8.5
Total	58	10.6	6.5	17.1

No award of guaranteed variable remuneration or severance payments were made to NTS LLP MRTs over the course of 2024.

³ For the purposes of these MIFIDPRU disclosures, 'Senior Management' includes those categorised as Senior Manager MRTs