

# Northern Trust Investor Services Limited

## MIFIDPRU 8 Regulatory Disclosures

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*As of and for the year ended December 31, 2025*

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## Glossary of Terms

<b>AIF</b>	Alternative Investment Fund
<b>CEO</b>	Chief Executive Officer
<b>CET1</b>	Common Equity Tier 1
<b>CRO</b>	Chief Risk Officer
<b>FCA</b>	Financial Conduct Authority
<b>FOR</b>	Fixed Overheads Requirement
<b>HCCC</b>	Human Capital and Compensation Committee
<b>ICARA</b>	Internal Capital Adequacy and Risk Assessment
<b>IFPR</b>	Investment Firm Prudential Regime
<b>KFR</b>	K-Factor Requirement
<b>LATR</b>	Liquid Assets Threshold Requirement
<b>MRFB</b>	Matters Reserved to the Board
<b>MRT</b>	Material Risk Taker
<b>NED</b>	Non-Executive Director
<b>Non-SNI</b>	Non- <i>‘small and non-interconnected’</i> MIFIDPRU investment firm
<b>NTC</b>	Northern Trust Corporation
<b>NTISL</b>	Northern Trust Investor Services Limited
<b>NTISL Board</b>	NTISL Board of Directors
<b>NTISL RemCo</b>	NTISL Remuneration Committee
<b>OFAR</b>	Overall Financial Adequacy Rule
<b>OFTR</b>	Own Funds Threshold Requirement
<b>Remuneration Code</b>	FCA MIFIDPRU Remuneration Code
<b>RMF</b>	Risk Management Framework
<b>SMCR</b>	Senior Managers and Certification Regime
<b>TNTC LB</b>	The Northern Trust Company London Branch
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities

## 1 Overview and scope of application

### 1.1 Investment Firm Prudential Regime

The Investment Firm Prudential Regime (**IFPR**) provides the prudential framework applicable to Financial Conduct Authority (**FCA**)-regulated MiFID investment firms, with requirements tailored to firms' business models and risk profiles. In accordance with MIFIDPRU 8,<sup>1</sup> the Northern Trust Investor Services Limited (**NTISL**) is required to make public disclosures to enhance transparency and market discipline. This document presents NTISL's MIFIDPRU disclosures as at the 2025 year end.

Under the FCA's MIFIDPRU Sourcebook, NTISL is required to disclose items on the following topics:

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

### 1.2 Scope of application

The scope of these disclosures is to NTISL, which is classified as a non-*'small and non-interconnected'* (**non-SNI**) MIFIDPRU investment firm per MIFIDPRU 1.2 of the FCA Handbook.<sup>2</sup> It is authorised and regulated by the FCA, with a firm reference number of 927658.

NTISL's business strategy comprises three activities: depositary services, transition management services, and own book treasury activities.

#### **Depositary services**

NTISL's strategy is based around the development of its business of providing trustee or depositary services to authorised and unauthorised UK Alternative Investment Funds (**AIFs**) and UK Undertakings for Collective Investment in Transferable Securities (**UCITS**).

#### **Transition management services**

NTISL provides transition management services to professional clients and eligible counterparties established or domiciled in the UK. The clients are i) existing custody clients of The Northern Trust Company London Branch (**TNTC LB**) or ii) former clients of Northern Trust Global Services SE's UK Branch or iii) have assets held in custody by third party custodians.

To mitigate the risk of any conflict arising between the NTISL Transition Management Services and its UK Depositary Services, NTISL does not offer or provide its Transition Management Services to any of its UK Depositary Services clients. NTISL UK Depositary Services clients have the ability to contract with TNTC LB for any transition management arrangements.

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<sup>1</sup> <https://handbook.fca.org.uk/handbook/mifidpru8>

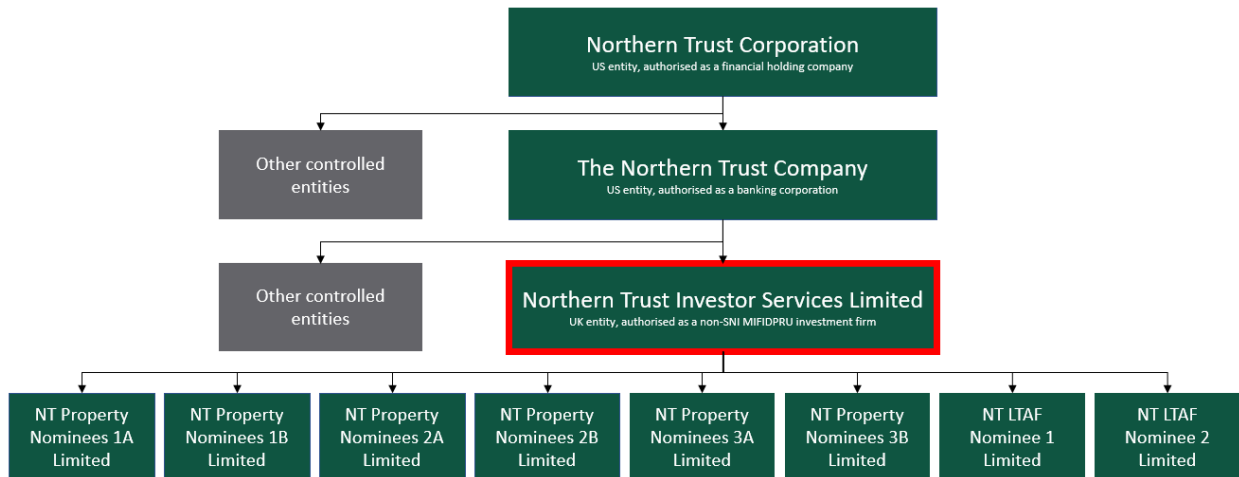
<sup>2</sup> <https://www.handbook.fca.org.uk/handbook/MIFIDPRU/1/2.html>

### Own account treasury activities

NTISL operates a treasury function for the management of its capital resources which both provides an additional source of income for the company and manages the requirements for NTISL’s liquid asset requirements.

The ownership structure of NTISL within the Northern Trust group is shown below.

**Figure 1: NTISL ownership structure**



### 1.3 Location and frequency of disclosure

These disclosures are updated on an annual basis anchored on NTISL’s financial year-end date of 31 December 2025 and published in the Investor Relations section of Northern Trust Corporation’s (NTC’s) website.<sup>3</sup> They are completed in conjunction with NTISL’s audited annual financial statements.

<sup>3</sup> <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 NTISL Board of Directors. In discharging this responsibility, the Board utilises global and business unit risk frameworks as required. Policies and practices are validated and locally approved and the local risk organisation is structured to provide the Board with the necessary risk reporting and oversight to satisfy their responsibilities.

Risk governance is an integral aspect of corporate governance and focuses on the structure, processes and approach to the management of key risks inherent in the business.

NTISL has established a Risk and Audit Committee to provide oversight of risks on behalf of the Board. The Risk and Audit Committee provides a quarterly update to the Board and escalates matters as appropriate.

Material NTISL risk matters are escalated globally through business-aligned risk governance, primarily via the Asset Servicing Risk Committee, the relevant business unit risk committee. NTISL also leverages relevant enterprise risk governance forums to support the management and oversight of risks.

NTISL's legal entity risk manager holds the role of Chief Risk Officer (**CRO**) (SMF4) pursuant to the FCA's designated senior management functions.

As part of the ongoing operation of the Risk Management Framework (**RMF**), NTISL 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 NTISL'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 NTISL 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 require firms to consider and manage the potential harms to clients and markets too. NTISL focuses on and evaluates its associated risks through the lens of these harms. NTISL 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 Adequacy and Risk Assessment (**ICARA**). The ICARA is described further in Section 5.2.

The following sub-sections discuss the principal risks facing NTISL and the potential for material harms.

NTISL 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 NTISL Board.

### **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 NTISL, the most material harms will be to the firm itself.

Strategic risk is managed by the NTISL Board. NTISL Management draws on the NTISL legal entity risk reporting, the business unit and Corporate risk governance structure, as well as risk management programmes to oversee strategic risk.

From a Northern Trust Group perspective, which NTISL is part of, group strategic risk is managed by NTC's Board of Directors. NTC's Chief Executive Officer (**CEO**) and senior management, including the Global Enterprise Risk Committee, support the NTISL Board in the performance of its functions.

### **2.2.2 Operational risk**

Operational risk is 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 NTISL, the most material harms will be to the firm itself, clients and market. 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, NTISL considers operational risk to include compliance and fiduciary risks, although each of these risks are governed and managed separately. NTISL identifies the following as the key operational risks facing the entity:

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

Administration risk is covered under section 2.2.3 and financial crime risk, and regulatory risk are covered under section 2.2.4.

Line managers have the primary responsibility for managing the inherent risks of all NTISL activities under their control. As part of NTISL's operational risk management, various techniques are employed to identify, measure, manage and mitigate current risks. A reconciliation and exception management policy enables potential risk to be identified in a timely manner. NTISL management is of the view that NTISL's inherent operational risk is sufficiently mitigated by NTISL's operational risk framework and the likelihood of causing intolerable harm is therefore low.

### **2.2.3 Fiduciary risk**

Fiduciary risks arise from the failure in administering or managing financial and other assets in clients' fiduciary accounts: i) to adhere to a fiduciary standard of care if required under the terms of governing documents or applicable laws; or ii) to properly discharge fiduciary duties.

Administration risk has been identified as a key operational risk for NTISL and if this were to crystallise, the most material harms will be to the firm itself, its clients and the market.

As a depositary, under the Alternative Investment Fund Managers Directive/UCITS, NTISL is responsible for the safe keeping of fund assets and could be subject to liability for a permanent loss of assets. The loss could crystallise as a result of direct liability risk and/or fault-based liability risk.

NTISL is also subject to depositary oversight risk should the depositary fail to provide adequate oversight of the investment activities of the fund which could result in litigation, potential reputational damage and regulatory findings.

The Fiduciary Risk Committee supports NTISL in its oversight and monitoring of fiduciary administration risk.

### **2.2.4 Compliance risk**

Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organisations 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 and conducted using the products, services or accounts of the institution.

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.

Regulatory risk and financial crime risk have been identified as key operational risks facing NTISL. A failure to manage these can impact NTISL'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 NTISL 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, corresponding controls, are evaluated in accordance with a global methodology that has been created by Northern Trust Global Compliance.

## **2.2.5 Other risks**

### **2.2.5.1 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.

Under Northern Trust's risk framework, liquidity risk is governed by first and second line of defence committees, namely the Asset and Liability Committee and the Market and Liquidity Risk Committee respectively. NTISL operates within this framework. Assessment and approval of the systems and controls used to manage liquidity risk is provided by the NTISL Risk and Audit Committee. As part of this framework, an annual Liquidity Risk Assessment is undertaken for the review and approval of the NTISL Risk and Audit Committee.

Business-as-usual liquidity outflows take the form of payment of expenses, typically on an intercompany basis. Stressed liquidity requirements would be driven by the need to fund large unexpected operational losses or to provide temporary funding for the replacement of lost client assets until such time as the permanence of such loss has been determined.

The NTISL Liquidity and Own Funds Investment Policy sets the principles and guidelines for NTISL to govern the processes and activities for the management of its liquidity position including the investment of its own funds. The policy is central to the firm's management of liquidity at a level that allows it to meet its balance sheet and contingent liability cash flow obligations when due, even during a market-wide and/or firm-specific stress event.

Liquidity risk has not been identified as a primary risk driver for NTISL.

### **2.2.5.2 Group risk**

NTISL 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.

### **2.2.5.3 Concentration Risk**

Given the nature of its business model and the clients it services, NTISL has determined that concentration risk arises from the following sources: concentration in clients/products, non-cash credit exposures, NTISL's own cash deposits and in earnings. These sources of concentration risk are reviewed on a regular basis to assess whether they could give rise to material potential harm.

Given the simple composition of NTISL's balance sheet, credit exposures are generally limited to intercompany receivable amounts and cash placed at third-party banks. The control in place for intercompany receivables is to ensure settlement within standard terms. Historically, these receivables have been generally settled on a quarterly basis as part of the overall Northern Trust intercompany settlement process. NTISL's exposure to third-party banks is managed under the Corporate Counterparty Credit Risk Framework.

In terms of own cash deposits, NTISL also holds an amount equal to at least the net cost of winding down, in an account external to the Northern Trust Group. While there is inherent concentration risk in placing funds within the Northern Trust group, the separate wind-down requirement ensures that in a worst-case scenario, there are sufficient funds outside of the wider Northern Trust group to generate liquidity. The location and concentration of this balance is monitored monthly as part of the established treasury monitoring process of liquid assets.

Earnings concentration is monitored through a revenue concentration index that has been developed in order to monitor the evolution of revenue concentration over time. Additional reporting on top 10 clients is provided to the NTISL Board which details any client or product concentrations.

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

- Top five largest exposures (excl. intergroup exposures);
- Intragroup exposures only;
- Location of NTISL'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 NTISL Board 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. It includes consideration of the likelihood and impact of risks, using both monetary loss and non-financial threshold and guideline levels that are used as triggers for escalation to senior management, appropriate risk committees and the NTISL Board.

NTISL's Risk Appetite Statement reflects the expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. NTISL 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 NTISL Risk Report.

The NTISL Risk Appetite Statement is reviewed and approved on at least an annual basis by the NTISL Board.

### **2.4 Adequacy of risk management arrangements**

The nature of the business operating model employed by NTISL results in residual exposure to strategic risk and operational risk.

Capital is set against these risks and allocated according to regulatory requirements through the ICARA process. Liquidity adequacy is also assessed through the ICARA process.

The NTISL Board is satisfied that risk management arrangements are aligned with the risk profile and strategy of the business. The Board 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 NTISL Board of Directors (**the NTISL Board**), 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.

In order for these responsibilities to be undertaken, the NTISL Board has Matters Reserved to the Board (**MRFB**) 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 NTISL;
- Ensures the integrity of the accounting and financial reporting systems of NTISL, 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 NTISL 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 NTISL Board Packs distributed to members of the NTISL Board and formal minutes taken at each meeting.

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

The NTISL Board 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 and Inducements Policy document which is applicable to all regulated Northern Trust EMEA entities and approved by all governing bodies of the EMEA entities covered by the policy, including the NTISL Board. The policy sets out standards and controls regarding the identification, recording, management and monitoring of conflicts of interest and inducement.

NTISL is classified as an enhanced solo regulated firm under the Senior Managers and Certification Regime (**SMCR**).

To ensure the members of the NTISL Board are competent to carry out their duties and meet the requirements to manage NTISL on a sound and prudent basis, an annual fit and proper assessment under the SMCR is undertaken to take reasonable steps to ascertain that members holding SMF positions:

- Are of sufficiently good repute, demonstrated through an annual attestation and a three-yearly;
- Possess sufficient knowledge, skills and experience to perform their duties;
- Possess adequate knowledge, skills and experience to understand the firm's activities, including the main risks;
- Specific to the independent non-executive directors of the NTISL Board, commit sufficient time to perform their functions in the firm; and
- Act with honesty and integrity.

Additionally, the NTISL Board undergoes an annual board performance effectiveness review and an annual collective suitability assessment to ensure the board and its committees' governance operates effectively and the composition of the board and its committees provides for:

- Appropriate knowledge, skills and experience to discharge the duties conferred upon the board and its committees as outlined in the MRFB and committees' terms of reference;
- Independence of mind to effectively assess and challenge the decisions of senior management; and
- Effective oversight to monitor management decision-making.

The outcomes of the effectiveness and suitability reviews drive any additional training requirements for members of the board, organised by the Company Secretarial team.

### 3.2 NTISL Board Directorships

All executive directors of the NTISL Board are required to obtain approval for any directorships held in organisations external to Northern Trust. Non-executive directors (**NEDs**) are required to avoid taking up any appointments during their tenure which would give rise to a conflict of interest. During the 2025 performance year, one non-executive director of the NTISL Board held a total of two directorships for organisations outside of Northern Trust.

Per MIFIDPR 8.3.1R(2), NTISL is required to disclose the number of directorships held by each member of the NTISL Board. 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: NTISL director external directorships as at 31 December 2025**

Director name	Senior Management Function	No. of Directorships	
		Executive	Non-executive
Carolyn Aitchison	SMF10 Chair of Risk Committee SMF11 Chair of Audit Committee SMF12 Chair of Remuneration Committee	0	2
Darren Banks	SMF3 Executive Director SMF24 Chief Operations Function	0	0
David Williams	SMF1 Chief Executive Function SMF3 Executive Director	0	0
John Davie	SMF2 Chief Finance Function SMF3 Executive Director	0	0
John Rowland	SMF9 Chair Function SMF13 Chair of Nominations Committee	0	0
Lucien Fletcher	SMF3 Executive Director SMF4 Chief Risk Function	0	0
Clive Bellows	Non-Approved Non-Executive Director	0	0
Alison Pain	SMF3 Executive Director SMF24 Chief Operations Function	0	0

The following changes to the Board occurred during 2025:

- Alison Pain was appointed as Director on 12 March 2025.

Post the reference date of these disclosures, Clive Bellows resigned as a Director to the Board on 16 March 2026.

### 3.3 Policy promoting diversity on the NTISL Board

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 an inclusive approach 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.

In line with its commitments under the HM Treasury Women in Finance Charter, Northern Trust also sets a recommended gender goal of 38% female for the NTISL Board. As of December 2025, there were eight members of the NTISL Board, of which two are female. Northern Trust remains committed to improving its diverse talent's readiness for Board positions, and purposefully integrates talent pipelining and Board readiness training and development into existing HR practices.

### **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.

NTISL does not meet the thresholds required to establish a risk committee. However, as set out in Section 2, the NTISL Board has established a Board Risk and Audit Committee which is a sub-committee of the NTISL Board to provide oversight of risks on behalf of the Board.

## 4 Own funds

### 4.1 Composition of own funds

Own funds of NTISL 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
<b>1 OWN FUNDS</b>	<b>165,795</b>	
<b>2 TIER 1 CAPITAL</b>	<b>165,795</b>	
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	<b>165,795</b>	
4 Fully paid-up capital instruments	140,000	Financial Statements - Note 19
5 Share premium	0	
6 Retained earnings	25,795	Financial Statements - Note 20
7 Accumulated other comprehensive income	0	
8 Other reserves	0	
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	
<b>20 ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
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	
<b>25 TIER 2 CAPITAL</b>	<b>0</b>	
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 2025	As at year ending 31 December 2025	
<b>Assets</b>				
1	Loans and advances to banks	140,565		
2	Cash and cash equivalents	20,737		
3	Debtors	18,704		
4	Deferred costs	585		
	<b>Total Assets</b>	<b>180,591</b>		
<b>Liabilities</b>				
1	Creditors: amounts falling due within one year	14,796		
	<b>Total Liabilities</b>	<b>14,796</b>		
<b>Shareholders' Equity</b>				
1	Called up share capital	140,000		Item 4
2	Profit and loss account	25,795		Item 6
	<b>Total Shareholders' equity</b>	<b>165,795</b>		

### 4.3 Main features of own instruments issued by the firm

The table below provides information on the share instruments issued by NTISL. All instruments qualify as CET1 capital and no Additional Tier 1 capital or Tier 2 capital has been issued. All shares are owned by the parent of NTISL, The Northern Trust Company.

**Table 4: Main features of own instruments issued by NTISL**

<b>Type of placement</b>	Private placement
<b>Instrument type</b>	Ordinary shares
<b>Amount recognised as regulatory capital</b>	£140,000,000
<b>Nominal amount of instrument</b>	£140,000,000
<b>Issue price</b>	£1 each
<b>Dividend payments</b>	Fully discretionary

## 5 Own funds requirements

### 5.1 Own funds requirements

As a non-SNI MIFIDPRU investment firm, NTISL 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 £4,000,000;
- The fixed overheads requirement (**FOR**); and
- The K-factor requirement (**KFR**).

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

The NTISL own funds requirement as at 31 December 2025 is set out below:

**Table 5: OFR1 - MIFIDPRU 4.3 compliance**

Own Funds Requirement item	£000	
	2025	2024
<b>Permanent minimum capital requirement</b>	<b>4,000</b>	<b>4,000</b>
<b>Fixed overheads requirement</b>	<b>11,988</b>	<b>10,689</b>
Sum of K-AUM, K-CMH & K-ASA requirements	0	0
Sum of K-COH & K-DTF requirements	1	5
Sum of K-NPR, K-CMG, K-TCD & K-CON requirements	0	0
<b>Total KFR</b>	<b>1</b>	<b>5</b>
<b>Binding requirement</b>	<b>11,988</b>	<b>10,689</b>

### 5.2 Approach to assessing adequacy of own funds

NTISL 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, NTISL operates an ICARA process. The ICARA process is the collective term for the internal systems and controls that NTISL 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 NTISL RMF identifies and assesses the material potential harms inherent within NTISL 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

NTISL 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 NTISL to wind down;
- Reporting on the indicators of a wind-down scenario occurring;
- Assessment of harm to key stakeholders of NTISL winding down; and
- 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, NTISL 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 NTISL Board has determined that sufficient own funds and liquid assets are held to meet the OFTR and LATR and considers that NTISL 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 all staff in NTISL. NTISL is subject to the “basic” and “standard” requirements of the Remuneration Code set out in SYSC 19G of the FCA Handbook, though NTISL voluntarily applies deferral for certain levels of variable pay, as set out in the section “Delivery of variable remuneration” below.

#### 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 NTISL, 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 – Compensation programmes provide distinct recognition and differentiated rewards to the highest performers who consistently achieve superior results;
- Market competitive – Compensation programmes are designed to be market competitive, enabling Northern Trust to attract and retain talent needed to deliver on its strategy;
- Risk balanced – Compensation programmes are appropriately risk balanced and designed with strong governance and oversight to avoid any unnecessary risks;
- Flexible – 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 NTISL 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 NTISL to attract and retain talent by providing a competitive level of pay reflecting each partner's position, experience, qualifications and tenure; and
- Benefit programs are designed to be locally competitive, to meet the needs of partners and their families, and to reflect the cultural values of the organization.

### **Variable remuneration**

As for variable remuneration, Northern Trust (including NTISL) employees are eligible for an annual discretionary variable incentive award. 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 level. 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 NTISL's business cycle, allowing relevant current and future risks applicable to NTISL and its business units to be factored into the quantum of the relevant awards.

In addition to annual incentives, NTISL 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 NTISL having a sound capital base. In the event of termination, any severance payments must be in accordance with NTISL'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 meaningful 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 component 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 component is delivered through Northern Trust equity plans and typically takes the form of restricted stock units.

This deferral approach allows NTISL to extend the horizon over which individual performance is evaluated, supports the alignment of employees and investor interests and ensures that NTISL'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. All employees are subject to the Northern Trust Policy on Recoupment, which defines the conditions under which certain incentive compensation may be required to be returned, repaid, cancelled or forfeited. Variable remuneration awarded to NTISL Material Risk Takers (**MRTs**) is also subject to malus and 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. Under this policy downward adjustment of an MRT’s variable remuneration can be considered, where there is evidence of, including but not limited to, the following:

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

Cases involving MRTs that may result in malus and/or clawback are reviewed and approved by the NTISL Remuneration Committee (**NTISL RemCo**).

### 6.1.5 Identification of Material Risk Takers

Individuals whose professional activities are deemed to have a material impact on a NTISL'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 board of directors of NTISL and heads of control functions; and
- **Standard MRTs** – Individuals that could have the ability to impact the risk profile of NTISL. They include (but are not limited to) heads of business units that undertake certain types of activity, individuals responsible for managing a material risk within NTISL, and voting members of certain committees authorised to make decisions under a delegation from the Management Body.

### 6.1.6 Ratio between fixed and variable remuneration

Under SYSC 19G.4.6R of the Remuneration Code, NTISL 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 approved by the NTISL RemCo.

### 6.1.7 Governance and Compensation Policies

The Human Capital and Compensation Committee (**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 NTISL RemCo has also been established by the NTISL Board at a local level, with the membership consisting of two independent non-executive directors of the NTISL Board (including the chair). NTISL RemCo had no external advisor in 2025. The NTISL RemCo typically meets three times in a year.

The role of the NTISL RemCo is to provide support and advice to the NTISL Board on the design and review of the NTISL's remuneration policies, practices and processes, and to monitor and implement the NTISL regulatory remuneration requirements in line with the Remuneration Code.

The responsibilities of the NTISL RemCo include:

- An annual review the NTISL's Remuneration Framework;
- A review of the criteria for the identification of MRTs and the final list of employees designated as MRTs; and,

- A review of the performance and remuneration outcomes for MRTs. In addition, the NTISL RemCo has discretion to recommend downward adjustments to all forms of variable remuneration at each decision point (including the use of in-period adjustments, malus, and, where appropriate, clawback). When exercising this discretion, the NTISL RemCo takes into account NTISL’s risk events as well as any relevant additional input from other functions.

In carrying out the duties outlined above, the NTISL RemCo is supported by the EMEA region - Risk and Compliance, Finance and Human Resources functions. The Human Resources function provides ongoing advice to the NTISL RemCo 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 NTISL MRTs and all other staff in accordance with the Remuneration Code.

In 2025, NTISL had 48 members of staff, 20 of whom were MRTs.

**Table 6: NTISL staff remuneration breakdown**

Role	Headcount	Fixed remuneration (£m)	Variable remuneration (£m)	Total remuneration (£m)
Senior Management <sup>4</sup>	14	3.5	1.8	5.3
Other MRTs	6	1.6	1.9	3.5
All other staff	28	2.4	0.2	2.6
<b>Total</b>	<b>48</b>	<b>7.5</b>	<b>3.9</b>	<b>11.4</b>

No award of guaranteed variable remuneration or severance payments were made to NTISL MRTs during 2025.

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<sup>4</sup> For the purposes of these MIFIDPRU disclosures, ‘Senior Management’ includes those categorised as Senior Manager MRTs