

MIFIDPRU Disclosures (31st Dec 2023)

BNP PARIBAS TRUST CORPORATION UK LIMITED

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1. OVERVIEW

1.1 Purpose

This document sets out the mandatory MIFIDPRU disclosures for BNP Paribas Trust Corporation UK Limited (FRN: 947223), hereafter referred to as "TrustCo".

TrustCo is authorised and regulated by the Financial Conduct Authority (FCA). The company is registered in the UK under number 04042668. UK registered office address: 10 Harewood Avenue, London NW1 6AA.

1.2 Background

The Investment Firm Prudential Regime (IFPR) came into effect on 1 January 2022. The IFPR aims to streamline and simplify the prudential requirements for MIFID investment firms that the FCA prudentially regulates in the UK. This new set of rules refocuses prudential requirements and expectations away from the risks firms face, to also consider and look to manage the potential harm firms can pose to consumers and markets.

TrustCo is authorised and prudentially regulated by the FCA. It is categorised under MIFIDPRU as a £4m non-small and non-interconnected (Non-SNI) MIFID investment firm. As a result, the firm is subject to mandatory disclosures under MIFIDPRU Chapter 8. These disclosures cover risk management objectives and policies, governance arrangements, own funds, own funds requirements and remuneration policies and practices.

1.3 Basis of preparation

The disclosures are prepared on an individual solo basis. The firm is not part of a UK consolidated investment group for the purpose of IFPR. The reporting period is aligned to the financial year of the company, with the year ending on December 31.

1.4 Frequency of disclosure

The disclosures of TrustCo are prepared annually or more frequently if the business were to undergo significant changes in business model.

2. BUSINESS OVERVIEW

2.1 BNP Paribas Group

With its integrated and diversified model, BNP Paribas SA (BNPP SA) is leader in banking and financial services in Europe. The Group leverages on strong customer franchises and business lines with strong positions in Europe and favourable positions internationally, strategically aligned to better serve customers and long-term partners.

It operates in 65 countries and has almost 190,000 employees, including nearly 145,000 in Europe. The Group's activities are diversified and integrated within a distinctive model combining commercial banking activities in Europe and abroad, specialised services (consumer

credit, mobility and leasing services, and new digital business lines), insurance, private banking and asset management, and banking for large institutional companies.

2.2 BNP Paribas Trust Corporation UK Limited

BNP Paribas S.A provides Trustee, Depositary and Fiduciary Services (DFS) as well as Facilities Agency Services (FAS) through TrustCo.

The business strategy of TrustCo is driven by the overall strategy of BNP Paribas S.A. Over the last 20 years, BNP Paribas has built a network of Trustee and Depositary businesses, providing DFS in 17 locations. We are Europe's leading provider of such services with over EUR 2 trillion; acting as Depositary for over 8,000 sub-funds across over 550 clients. We have a powerful value proposition as Europe's leading Depositary, strongly placed to address the fiduciary responsibilities of the European Investment Funds industry, and providing solid foundations for asset and investor protection.

TrustCo undertakes the following business:

- DFS, which comprises three key elements:
 - Safekeeping of assets held by a Fund, as well as ownership verification and record keeping of assets that cannot be held in custody.
 - Oversight of Asset Managers' compliance with relevant UK rules/regulations and other standards (e.g. as set out in a Fund's prospectus).
 - Monitoring of cash reconciliations and significant cash movements.
- FAS: the role of the Facilities Agent is to act as a UK Agent to allow investors to obtain documentation and information in English for an Overseas Scheme. The Facilities Agent role requires it to receive and then onward transmit any request to the Administrator for fulfilment of the redemption request.
- Trustee Services: the principal types of roles undertaken by TrustCo are:
 - Acting as a Trustee on conventional, unsecured bond issuances (sometimes referred to as Noteholder or Bondholder Trustee).
 - Acting as a Trustee on various forms of structured, secured debt issuance and asset-backed securitisation transactions.
 - Acting as a Security Trustee/Security Agent on other secured financing deals such as secured lending facilities or project finance deals.

3. RISK MANAGEMENT OBJECTIVES & POLICIES

This section discloses the risk management objectives and policies for the categories of risks addressed by MIFIDPRU 4 (Own Funds Requirements), MIFIDPRU 5 (Concentration Risk) and MIFIDPRU 6 (Liquidity).

The responsibilities of the TrustCo Board are supported by RISK, which is an independent function separate from the operational and sales side of the business. RISK is responsible for ensuring that appropriate processes, techniques and controls in respect of identified and potential risks are in place, and that they are sufficiently robust. All types of risk are considered at these committees with specific focus on Operational Risk, as the key risk for TrustCo.

The TrustCo risk framework captures all risks, whether risks to customers or markets or to the firm. The TrustCo risk appetite framework is actionable and measurable and considers material risks to which TrustCo is exposed including emerging ones, as well as TrustCo's reputation vis-à-vis clients and counterparties and markets.

Under its role as depositary, TrustCo is not responsible for the performance of the assets – this is borne by the client. The risks to clients and markets rely upon TrustCo being operational in the market i.e. the key risk is operational risk. This is managed and mitigated through our operational risk framework and outsourcing framework.

Under its Trustee Services role, TrustCo holds the rights of investors and other secured parties under trusts and may be called upon to enforce those rights in default situations. The sound operations performance of TrustCo is therefore important in order to ensure that TrustCo can discharge its duties under the terms of the trusts.

3.1 Own Funds Requirements

Operational Risk

TrustCo defines Operational Risk as the risk of loss resulting from the inadequacy or failure of internal processes, external events or people whether deliberate, accidental or natural. As part of the Operational Risk framework, TrustCo splits out specific risks that are key to TrustCo:

Depository and Fiduciary Services: Failure of Depository regulatory duties and contractual obligations. Negotiation of transaction documents. Poorly negotiated documents may result in unfavourable terms for TrustCo.

Restitution and Litigation Risk: The obligation of restitution of assets to clients, either due to Depository requirements or contractual commitment for custody services.

Information Technology and Cyber Security Risk: The risk of inadequate IT infrastructure or malfunctions and IT security systems breaches.

Conduct Risk: The risk that detriment is caused to its customers, counterparties or itself and its employees because of inappropriate judgement in the execution of business activities, human errors, or inappropriately designed policies and procedures resulting in poor customer outcomes relative to their needs and objectives in seeking services.

Risk Management Strategy & Processes

The process for identifying and managing operational risk belongs to the first line of defence (1LOD) (in accordance with the three lines of defence model). All businesses and functions are required to undertake annual Risk Control Self Assessments (RCSAs). These are built around risks and processes defined by each of the operational units. Through this RCSA process, risks are assessed for the inherent unmitigated risk and the residual risk, taking into account the control framework.

TrustCo is committed to identifying, assessing, monitoring, controlling, mitigating, and reporting operational risk through the Operational Risk management framework (in line with BNPP Group). TrustCo's permanent control framework is embedded in operating processes and involves first and second lines of defence controls (2LOD). An overview of the strategies and processes can be found below:

| Process and Risk Description | Mitigation Plan & Progress |
|---|--|
| Depository and Fiduciary Services: Failure of Depository regulatory duties and contractual obligations. | A robust and comprehensive control framework is in place. Controls are carried out within the Depository business and independently by 2LOD functions, and are subject to review and testing by third line of defence (3LOD), Internal Audit. |
| Depository and Fiduciary Services: Legal claims by client, restitution of assets, Depository requirement, Contractual commitment. | DFS primarily uses the BNP Paribas network of sub custodians. There is an ongoing due diligence program of sub custodians outside of the BNP Paribas network, which is performed centrally by Network Management. TrustCo benefits from an indemnity from BNP Paribas Securities Services (now BNP Paribas) in the event of a loss (however unlikely) of financial instruments for which TrustCo as depository is responsible but custody thereof has been delegated to BNP Paribas. |
| Trustee Services: Negotiation of transaction documents. Poorly negotiated documents may result in unfavourable terms for TrustCo. | <ul style="list-style-type: none">• Oversight by the Head of Transaction Management and Restructuring.• Drafting and review (where applicable) by reputable external law firms.• Negotiation/review by experienced personnel.• Use of checklists and procedures. |
| TrustCo transversal: Failure of CIB2S (Securities Services, outsourced provider and a business unit of BNP Paribas S.A) to provide services in accordance with a service level | Implementation of the risk and control framework in accordance with Group Internal Control charter and adherence to guidelines. |

| | |
|---|--|
| agreement (SLA) covering transversal risks including but not limited to BCP, IT, Cyber, Outsourcing. | |
| Information Technology and Cyber Security Risk: The risk of inadequate IT infrastructure or malfunctions and IT security systems breaches. TrustCo is exposed to Cyber and IT Risk through the use of CIB2S UK systems. | Robust and industry-accepted measures are in place to protect TrustCo against potential cyber-attacks. In addition, assurance on these measures is reinforced by employing the three lines of defence model. This includes dedicated IT specialists employed at both first line of defence (1LoD), namely the IT OPC teams, in second line of defence (2LoD), namely RISK ORM ICT as well as within the Internal Audit function as our third line of defence (3LoD). |
| Conduct Risk: The risk that detriment is caused to its customers, counterparties or itself and its employees because of inappropriate judgement in the execution of business activities, human errors, or inappropriately designed policies and procedures resulting in poor customer outcomes relative to their needs and objectives in seeking services. | TrustCo is not materially exposed to Conduct Risk due to the nature of its activities and has mitigants in place to reduce any risk. Conduct Risk is mitigated through the use of the Group conduct policy and annual conduct risk identification process as part of the RCSA framework. |

TrustCo is also required to undertake an assessment of the Additional Own Funds it needs to meet the Overall Financial Adequacy Rule (OFAR). The OFAR requires a firm to hold adequate own funds and liquidity.

Credit Risk

The potential risk is loss due to one or more counterparties defaulting on, or otherwise being unable to fulfil, their contractual obligations. Given the nature of TrustCo business, Credit Risk is not considered as one of the key risks as the firm does not have a trading book or nor does it enter into derivative transactions. TrustCo identifies two main sub-categories of Credit Risk in its business:

- Defaults by clients on clients fee income for Depositary, Facilities Agent and for Trustee fees.
- Default by CIB2S UK due to TrustCo holding its cash balances with CIB2S UK.

Risk Management Strategy & Processes

The risk management process is comprehensive and starts with robust documentation, including setting appropriate protective clauses, where possible. TrustCo's approach to credit risk management is detailed across its key activities below:

For the Trustee business:

- The Trustee is able to reclaim its costs incurred in acting in relation to a default out of the proceeds of enforcement, where the Trustee typically ranks first and in advance of any investors.
- Many transactions have reserve accounts containing substantial funds that the Trustee is entitled to call upon in an enforcement scenario to cover its fees and costs in acting post-enforcement.
- The Trustee has an additional right to be pre-funded in addition to being indemnified.

As such, a fee driven business does not ask for collateral, however, the following mitigants are employed by TrustCo to help manage its exposure to Credit Risk:

- TrustCo has an active aged debtor process
- Robust documentation of transactions, including setting appropriate protective clauses, where possible

For Trustee indemnities the principal mitigating factors are:

- The Trustee is able to reclaim costs incurred in acting in relation to a default out of the proceeds of enforcement. Such proceeds are distributed in accordance with the post-enforcement priority of payments set out in the transaction documentation where the Trustee typically ranks first and in advance of any investors. This "top-slicing" means the Trustee will only need to call upon the indemnity if enforcement proceeds are insufficient to cover costs.

- Many transactions have reserve accounts containing substantial funds that the Trustee is entitled to call upon in an enforcement scenario, to cover its fees and costs in acting post-enforcement.
- The Trustee has an additional right to be pre-funded in addition to being indemnified and where there is no reserve of cash available in a transaction, a Trustee will often request and receive pre-funding from investors in addition to the indemnity.
- The law firms that act for the Trustee in enforcement scenarios will often agree that their fees are contingent upon Trustee's recovery of its costs (either via enforcement proceeds or indemnity). In such cases where there is zero recovery, Trustee counsel would not pursue TrustCo for fees. It should be noted that although this is common practise, it is not a universal and although own counsel legal fees are a substantial part of the post-enforcement costs that are incurred by a Trustee, they are not the only costs (e.g. administrator's fees, court fees, tax advice, third party law firm fees related to specific jurisdictions).

The assessment of additional own funds with respect to credit risk is done using BNPP Credit risk IRBA internal model (Internal Ratings Based Approach).

Market Risk

Market Risk is the risk from a change in key market rates, or prices impacting on the earnings or balance sheet capital of TrustCo. Market Risk is limited to FX Risk on fees received. Trustee fees are generally in Euros, while Facilities Agent and Depositary fees are mostly in GBP. Given the low magnitude of the fees and the fact that a regular currency sell-down process will be maintained, we do not consider this risk to be material.

Risk Management Strategy & Processes

TrustCo is using a monthly currency sell-down process with Group ALMT, which significantly minimises the impact of market fluctuations on foreign currency balances.

Group Risk

Group risk is defined as the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group. The Company is linked to the financial position and reputational exposure of its Group over which the Company has no influence in the normal course of business.

Group Risk primarily manifests itself as part of the scenarios that might result in TrustCo's business model becoming unviable. In relation to group risk, this would be if the BNPP Group was to enter into Resolution and the Group Board or SRB (in conjunction with other Group resolution authorities (i.e. Bank of England)) trigger the wind down of TrustCo.

Risk Management Strategy & Processes

TrustCo's Risk Management Framework and ICARA processes are used as a basis for identifying potential events or circumstances, which could lead to wind down.

If the Group is in resolution at this point, the effect of the bail-in will be that resources are pooled and applied where required in an orderly fashion in line with existing commitments. Where TrustCo voluntarily determines it wishes to close out its business then it would simply be entitled to continue to benefit from the outsourced arrangements under the SLA on a reducing basis whilst commencing an orderly off-board of clients to alternative UK depositaries as and when these are notified by the exiting clients.

Business Risk

Business Risk means any risk to the firm arising from:

- (a) changes in its business, including:
 - the acute risk to earnings posed by falling or volatile income;
 - the broader risk of a firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors; and
 - the risk that a firm may not be able to carry out its business plan and desired strategy; and

(b) its remuneration policy

Risk Management Strategy & Processes

Risk of asset values declining and therefore fees decreasing as they are charged as a basis points figure. This is part of everyday risk and is also considered as part of additional own funds stress testing framework.

3.2 Concentration Risk

Concentration Risk is defined as the exposure to sectoral, geographic, liability and assets concentrations.

Risk Management Strategy & Processes

TrustCo avoids concentrations of risk by limiting exposures to individual counterparties and groups, and diversifying exposure across different counterparties thereby reducing the impact of a single counterparty default.

3.3 Liquidity

TrustCo is required to meet the Liquidity Asset Threshold Requirement (LATR) of MIFIDPRU Chapter 6 and MIFIDPRU Chapters 7.5 and 7.7. The liquid assets threshold requirement requires firms to meet the overall financial adequacy rule (OFAR), which requires firms to hold sufficient resources both own funds and liquid assets, which make sure that:

- it 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
- its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

TrustCo's Board delegates responsibility for the application of the liquidity policy to the CFO. Finance is responsible for the management of liquidity and escalating liquidity risk issues and measures to the Board (where required outside of the quarterly liquidity monitoring process). Finance is also responsible for the FX sell-down process. This process is delegated to Finance from ALMT. Liquidity risk related metrics are reported to the Board.

Liquidity is not a primary risk but rather a consequence of another issue (i.e. Credit Risk such as a late debtor, or default of a sub-custodian). Furthermore, TrustCo does not hold client funds.

Strategy & Processes to Manage the Harm

We maintain a significant surplus of liquid assets above the liquid asset threshold requirement. This surplus is mostly composed of core liquid assets.

Liquidity risk monitoring and foreign exchange sell-down process is managed by the local UK Finance team on a monthly basis.

TrustCo benefits from an indemnity from BNP Paribas Securities Services (now BNP Paribas) in the event of a loss (however unlikely) of financial instruments for which TrustCo as depositary is responsible but custody thereof has been delegated to BNP Paribas.

4. GOVERNANCE ARRANGEMENTS

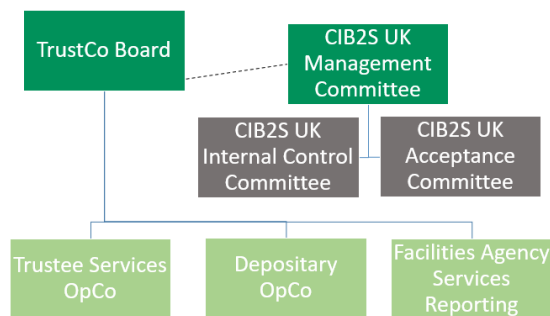
Overview

TrustCo is a wholly owned subsidiary of BNP Paribas S.A. and is solely authorised and regulated by the FCA. TrustCo relies on the governance structure of BNP Paribas S.A. for its governance and risk management frameworks:

- TrustCo has no employees, all staff and services being provided by CIB2S via SLA.
- Certain TrustCo Directors are also members of the CIB2S UK Management Committee, the CIB2S UK Internal Control Committee (ICC) and the CIB2S UK Acceptance Committees. The CIB2S UK Management Committee (ManCo) receives a high-level overview of significant highlights, new business and any matters of risk to be highlighted from the TrustCo Board on a quarterly basis.

The below diagram sets out the high-level governance arrangements of TrustCo.

Figure 1 TrustCo Governance Framework



The TrustCo Board is responsible for setting the strategy and Risk Appetite for TrustCo. The CIB2S UK business and RISK assist the Board in setting the strategy and the Risk Appetite, which is designed and calibrated to support the firm's business strategy whilst maintaining sufficient capital.

Risk matters for TrustCo are reported to the TrustCo Board, and also through the governance framework for CIB2S UK to ensure appropriate visibility.

The key governance forums for TrustCo are:

- TrustCo Board Meeting;
- CIB2S UK Management Committee (ManCo);
- CIB2S UK Internal Control Committee (ICC)¹; and
- CIB2S UK Acceptance Committee;

Committees

TrustCo is also represented by two Directors being members of the ManCo and the Acceptance Committee, and one Director being on the ICC. ManCo also receives a high-level overview of significant highlights, new business and any matters of risk to be highlighted from the TrustCo Board on a quarterly basis.

There are two operational Board sub-committees. A Trustee Services Operating Committee (meeting quarterly) and a Depository & Fiduciary Services Operational Committee (meeting monthly). The sub-committees will primarily focus on managing the day-to-day operations (including oversight of the Nominee Companies namely MJP Nominees Limited and NEL Nominees Limited) and will escalate matters for decision and reporting to the Board.

Internal Control Committee (ICC)

The TrustCo Board relies upon the ICC to assess the existing and emerging risks facing the entity and identify mitigants to address these risks. The assessment of the existing and emerging risks facing TrustCo are dealt with as part of the CIB2S Client Delivery section on the ICC agenda. The responsibilities of this committee are:

- The oversight, supervision and monitoring of identified and emerging risks for the UK based Business to ensure that they are being managed appropriately within a framework of permanent controls
- Recommending to the ManCo the top risks to be escalated to the UK Territory and or Head Office
- Focus on emerging risks and key incident reporting, as well as the main risks and risk indicators by Client Line and Functions
- Ensure that conduct practices are upheld and conduct risk is taken into account when making strategic commercial and organisational decisions. Oversee, identify, manage or escalate risks issues and/or dilemmas to the ManCo.

¹ TrustCo is in scope of MIFIDPRU 7.1.4 and therefore not subject to the requirement of having to establish a risk committee under MIFIDPRU 7.3.2.

Acceptance Committee

The TrustCo Board relies upon CIB2S UK's Acceptance Committees to consider new deals, and if thought appropriate approve for TrustCo. The Acceptance Committees incorporate the Client Acceptance Committee, Business Acceptance Committee, New Activity Committee and the Transaction Approval Committee). The responsibilities of the Acceptance Committees are:

- Evaluate and approve that due process has been followed and correct approvals obtained for all new business, all new activities and all new. This needs to be conducted within the regulatory and compliance framework of the UK.
- Ensure that conduct practices are upheld and conduct risk is taken into account when making strategic commercial and organisational decisions. Oversee, identify, manage or escalate risks, issues and/or dilemmas.

Number of Directorships held by the Management Body Members

| Management Body Member | Number of Directorships under MIFIDPRU 8.3.2R |
|------------------------|---|
| Ama Ocansey | 1 |
| Julie Henkel | 1 |
| Daniel Gonzalez Fuster | 1 |
| Kate Hutchinson | 1 |
| Simon Olenka | 1 |

Summary of the policy promoting diversity on the management body

The Board is responsible for the implementation of the Group-wide Suitability Policy and for preparing and approving a yearly report on its implementation. The Board shall annually undertake an assessment of the collective and individual suitability of the Board and Directors. The annual report shall assess any necessary actions arising from the report and the Board shall ensure that sufficient time is given to discuss the tracking of these actions at its Meetings.

The Board should have the appropriate balance of diversity, skills, experience, independence of mind and knowledge to enable it to discharge its duties effectively. In identifying, selecting and assessing candidates, the Board shall take into consideration the individual and collective suitability criteria outlined in the Group's Suitability policy, which includes the following specific factors:

- Experience and knowledge;
- Reputation, honesty and integrity (including with regards to Anti-Money Laundering ("AML")/ Combating the Financing of Terrorism ("CFT") related topics);
- Time commitment and number of directorships;
- Independence of mind;
- Gender, educational and professional background (including AML/CFT and Environmental, Social and Governance ("ESG") topics), age, geographical provenance and nationality; and
- Any necessary induction or training (including AML/CFT and ESG topics).

In accordance with the Group Corporate Governance Policy, the Board shall commit to achieving a gender balance that represents 40% of the underrepresented gender no later than 31 December 2026. The Company has achieved 60% female representation and 40% male representation as at March 2024..

5. OWN FUNDS REQUIREMENTS

5.1 Overall Financial Adequacy Rule

Under MIFIDPRU, TrustCo is required to undertake an assessment of its Own Funds Requirement in order to comply with the Overall Financial Adequacy Rule (OFAR). The OFAR requires TrustCo to hold adequate own funds and liquidity to ensure that:

- (a) it 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
- (b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

To ensure compliance with the Overall Financial Adequacy Rule (OFAR), TrustCo assesses its own fund requirements under the Own Funds Threshold Requirements and ICARA process frameworks across the economic cycle. Risk and Finance stress test the Own Funds Requirement yearly under normal and stressed scenarios over a three-year time horizon.

5.2 ICARA

TrustCo's assessment of the adequacy of its own funds in accordance with the OFAR is governed by the Internal Capital & Risk Assessment (ICARA) process.

The ICARA is owned by the TrustCo Board, which delegates responsibility for its update to the ICARA Working Group. The Working Group comprises CIB2S UK RISK and Finance functions with oversight, steer and challenge provided by Prudential and Risk specialists from BNP Paribas S.A. London Branch (SALB).

The related ICARA document is updated and formally reviewed by the Board annually as well as on an ongoing basis if significant changes of the business model occur.

5.3 Own Funds Requirement

The Own Funds Requirement (OFR) is the regulatory required minimum capital requirement as per the MIFIDPRU requirements. The firm must maintain an OFR as the higher of:

- its Permanent Minimum Capital Requirement (PMCR)
- its Fixed Overheads Requirement (FOR)
- its K-Factor requirement

Permanent Minimum Capital Requirement

The PMCR is the regulator prescribed minimum capital required for TrustCo to undertake its business given its regulatory permissions. TrustCo is categorised as a MIFIDPRU £4m 'non-SNI' firm, which makes its permanent minimum capital requirement at least £4m.

Fixed Overhead Requirement

The Fixed Overhead Requirement of a MIFIDPRU investment firm is an amount equal to one quarter of the firm's relevant expenditure during the preceding year. Figure 2 below shows TrustCo's FOR.

Figure 2 Fixed overhead requirements

| | £ |
|----------------------------|---------|
| Fixed Overhead Requirement | 924,842 |

K-Factor

As a non-SNI firm, TrustCo is required to calculate its relevant K-factor requirements. TrustCo only has a K-ASA requirement (assets safeguarded and administered) and this relates to £1m nominal of assets, leading to a £261 capital requirement. The K-ASA value is 0.04% of the rolling average of the market value of the assets safeguarded and administered by TrustCo.

| K-Factor Requirements | £ |
|---|-----|
| Σ (K-AUM, K-CMH, K-ASA) | 261 |
| Σ (K-COH, K-DTF) | - |
| Σ (K-NPR, K-CMG, K-TCD, K-CON) | - |
| Total K-Factor Requirement | 261 |

5.4 Own Funds

As per MIFIDPRU 3.3.2, A firm must, at all times, have own funds that satisfy all the following conditions:

- 1) the firm's common equity tier 1 capital must be equal to or greater than 56% of the firm's own funds requirement under MIFIDPRU 4.3;
- 2) the sum of the firm's common equity tier 1 capital and additional tier 1 capital must be equal to or greater than 75% of the firm's own funds requirement under MIFIDPRU 4.3; and
- 3) the firm's own funds must be equal to or greater than 100% of the firm's own funds requirement under MIFIDPRU 4.3.

Under MIFIDPRU 3.2.1, own funds are the sum of:

- 1) common equity tier 1 capital
- 2) additional tier 1 capital
- 3) tier 2 capital

The regulatory own funds of TrustCo are disclosed in Figure 3 and reconciled to audited financial statements in Figure 4. The main characteristics of TrustCo's own funds instruments are described in Figure 5.

Figure 3 Composition of regulatory own funds

| Composition of regulatory own funds in GBP thousands | | 31 December 2023 | Reconciliation reference |
|---|---|------------------------|-----------------------------|
| 1 | Own Funds | 9,912 | 9 |
| 2 | Tier 1 Capital | 9,912 | 9 |
| 3 | Common Equity Tier 1 Capital | 9,912 | 9 |
| 4 | Fully paid-up capital instruments | 9,800 | 7 |
| 5 | Share premium | - | |
| 6 | Retained earnings | 112 | 8 |
| 7 | Accumulated other comprehensive income | - | |
| 8 | Other reserves | - | |
| 9 | Adjustments to CET1 due to prudential filters | - | |
| 10 | Other funds | - | |
| 11 | Total deductions from Common Equity Tier 1 | - | |
| 12 | Losses for the current year | - | |
| 13 | Intangibles assets | - | |
| 14 | Deferred tax assets that rely on future profitability | - | |
| 15 | Value of defined benefit pension fund assets | - | |
| 16 | Direct, indirect and synthetic holdings by the firm of common equity tier 1 instruments | - | |
| 17 | Article 56 (UK CRR) deductions from additional tier 1 | - | |

| | | |
|----|---|---|
| 18 | Relevant tax charge relating to common equity tier 1 items | - |
| 19 | CET1: Other capital elements, deductions and adjustments | - |
| 20 | Additional Tier 1 Capital | - |
| 21 | Fully paid up, directly issued capital instruments | - |
| 22 | Share premium | - |
| 23 | Total deductions from Additional Tier 1 Capital | - |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 25 | Tier 2 Capital | - |
| 26 | Fully paid up, directly issued capital instruments | - |
| 27 | Share premium | - |
| 28 | Total deductions from Tier 2 | - |
| 29 | Tier 2: Other capital elements, deductions and adjustments | - |

Figure 4 Reconciliation of regulatory capital with audited financial statements

| Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements in GBP thousands | a | b | c |
|--|-------------------------|---|---|
| | Balance sheet (audited) | Under regulatory scope of consolidation | Cross-Reference to Own Fund Composition |
| Assets | | | |
| 1 Debtors | 2,545 | | |
| 2 Cash at bank and in hand | 14,659 | | |
| 3 Total Assets | 17,204 | | |
| Liabilities | | | |
| 4 Creditors: amounts falling due within one year | 7,249 | | |
| 5 Creditors: amounts falling due after more than one year | 43 | | |
| 6 Total Liabilities | 7,292 | | |
| Shareholder's Equity | | | |
| 7 Called up share capital | 9,800 | | 4 |
| 8 Profit and loss account | 112 | | 6 |
| 9 Total Shareholder's Equity | 9,912 | | 1, 2, 3 |

Figure 5 Main features of TrustCo's own fund instruments

| Own Funds: main features of own fund instruments issued by TrustCo | |
|--|----------------|
| Placement Type | Private |
| Instrument Type | Ordinary Share |
| Amount recognised in regulatory capital | £9,800,000 |
| Nominal Amount | £9,800,000 |

| | |
|--|----------------------------------|
| Issuer | BNP Trust Corporation UK Limited |
| Governing law(s) of the instrument | England and Wales |
| Maturity Date | Not applicable |
| Redemption Price | Not applicable |
| Accounting classification | Called up Share Capital |
| Original date of issuance | 15/12/2000 |
| Perpetual or Dated | Perpetual |
| Issue Price | £1 |
| Issuer call subject to prior supervisory approval | Not applicable |
| Optional call date, contingent call dates and redemption amounts | Not applicable |
| Subsequent call dates | Not applicable |
| Coupons/dividends | Dividends |
| Fixed or floating dividend/coupon | Variable |
| Coupon rate and any related index | Not applicable |
| Convertible or non-convertible | Non-convertible |
| Write-down features | Not applicable |

6. REMUNERATION POLICIES AND PRACTICES

BNP Trust Corporation UK Limited ('TrustCo') is authorised and prudentially regulated by the FCA. It is categorised as a non-SNI MIFIDPRU investment firm falling within SYSC 19G.1.1R(2) below the proportionality threshold and therefore subject to the Standard Remuneration Requirements of the MIFIDPRU Remuneration Code. The Standard Remuneration Requirements apply in some respect to all Material Risk Takers ('MRTs') of TrustCo, which generally allows the disapplication of variable compensation structuring rules (i.e. minimum instruments requirement, retention policy, minimum deferral) and of the requirement to establish a Remuneration Committee.

TrustCo is a wholly owned subsidiary of BNP Paribas S.A. London Branch (SALB). All functions and operations are provided to TrustCo by SALB via service level agreement (SLA). TrustCo does not employ any staff and all staff providing services for TrustCo is employed by SALB. As such, TrustCo MRTs are already subject to onerous remuneration rules (the Group remuneration rules supplemented by, where relevant, PRA Rulebook and the FCA Handbook).

Remuneration Policy

BNP Paribas operates a global Compensation Policy that applies to all employees of the Group and aligns on risk management objectives. The objective of this policy is to prevent promoting risk-taking that exceeds the level of risk tolerated by the bank, as well as to prevent conflicts of interests and unfair treatment of clients. In order to ensure that, the Group implemented measures that:

- i) are applicable to entire Group
- ii) are compliant with all applicable local legislations and regulations

All MRTs, including the TrustCo MRTs, are subject to the 'Compensation principles and Compensation policy for employees' subject to regulatory requirements' ('The Policy') and any other policies applicable locally, i.e. the UK Appendix.

The Group Policy and its UK supplement have been designed to fulfil all standards and requirements of MIFIDPRU Remuneration Code including all aspects of remuneration, gender neutrality, risk adjustments, business strategy and risk appetite, and any other aspects laid out in the SYSC 19G. The Policy is designed in a way not to encourage excessive risk taking, nor to create incentives that could lead to conflicts of interest between employees and clients.

For further details please refer to the BNPP Compensation Report that summarises the Group compensation principles, including those applicable to all regulated employees of BNPP:

[Search & Documents | Regulated information | Investors & Shareholders | BNP Paribas Bank](#) – 'Compensation of regulated employees'.

Key compensation elements applicable to TrustCo MRTs

All our TrustCo MRTs are employed by SALB and provide services to TrustCo vial SLA. As such, there is no remuneration specific to their role at TrustCo.

Typically the total remuneration for those individuals comprises of the Fixed compensation and the Variable compensation.

Fixed compensation rewards competence, experience and qualification level, as well as the level of involvement in assigned tasks. It is set on the basis of the local or professional market conditions, and the principle of internal consistency within the BNP Paribas Group. The fixed remuneration represents a sufficiently high proportion of total remuneration, allowing for a fully flexible policy on variable remuneration including the possibility to pay no variable remuneration. It is composed of a fixed base salary, which compensates the skills and responsibilities corresponding to the position held, and when appropriate, fixed pay supplements linked, in particular, to the specific characteristics of the position held (specialty or function Special Allowance).

Individual Variable compensation rewards employees for their performance during the year based on the achievement of quantitative and qualitative targets and individual assessments according to fixed objectives. It takes into account the business line's results and the achievement of quantitative and qualitative targets, as well as contribution to risk management and respect of compliance rules and the local and/or professional market practices. Additionally, variable compensation awarded to TrustCo MRTs may also consist of a retention plan that is intended to reward, retain and motivate our key talents, by giving them an interest in the growth of the value created.

In the context of hiring new employees, especially to attract a key competence, and only for the first performance year, the award of variable compensation may be exceptionally guaranteed, subject to firm having a sound and strong capital base. This award is subject to the same conditions as variable compensation (that is to say, with a deferred portion, linkage to BNP Paribas share price, and performance conditions).

Severance payments typically take form of a statutory severance and are awarded in recognition of the years of service.

Performance measure and risk adjustments

BNP Paribas Group operates a discretionary bonus scheme such that it has the flexibility to adjust the bonus pool to a correct level to meet shareholder expectation and to allow no impact on the capital base.

Annual variable compensation pools of business are defined according to the annual financial profitability of business after taking into account risk indicators.

The Group has the possibility and the discretion to adjust the amount of the annual pools of each business/function as a result of internal decisions based in particular on their financial situation, the expected financial results after taking into account risks generated by the activity.

Moreover, for all MRTs including TrustCo MRTs, the variable compensation meeting certain thresholds as defined by the relevant regulation includes a non-deferred and a deferred portion. All deferred parts of the variable compensation awarded to MRTs are subject to performance conditions linked to the Net Result Before Tax of the relevant Business Line, CIB division and the BNP Group Operating Income and Net Result Before Tax. All parts of a bonus awarded to MRTs are also subject to risk adjustment through Malus and Clawback provisions. In general:

- the amount of annual bonus may be reduced down to zero in case of business or individual poor performance or in case of findings with regards to the respect of compliance and risk criteria;
- the deferred variable compensation can be reduced ex-post, due to malus conditions, in case of poor financial performance or in case of misconduct; and
- if necessary, any elements of variable compensation already paid can potentially be recovered ("claw-back") by the Group in case of misconduct leading to significant losses to the Group (subject to respect of local labour law)

For further details regarding performance measures, bonus pool setting and risk adjustments please refer to the BNPP Compensation Report.

Quantitative information on remuneration awarded to the TrustCo MRTs for the 2023 performance year

There were 7 individuals providing services to TrustCo who were identified as Material Risk Takers (MRTs) for TrustCo for the performance year 2023, all of which have been categorised as TrustCo Senior Management. The following table relates to TrustCo MRT compensation:

| Remuneration awarded to the TrustCo MRTs for the 2022 performance year in GBP thousands | |
|--|-----------|
| Total Number of MRTs | 6 |
| thereof in Senior Management positions | 6 |
| Total remuneration awarded | £ 2,550 |
| thereof total fixed remuneration awarded | £ 1,551.5 |
| thereof total variable remuneration awarded | £ 998.5 |
| Total amount of guaranteed variable remuneration awards | £0 |
| Number of beneficiaries | 0 |
| Total amount of the severance payments awarded | £ 0 |
| Number of beneficiaries | 0 |

7. GLOSSARY

| | |
|----------------|---|
| 1LoD | First line of defence |
| 2LoD | Second line of defence |
| 3LoD | Third line of defence |
| ALMT | Asset Liability Management & Treasury |
| AMA | Advanced Measurement Approach |
| AML | Anti-Money Laundering |
| AuC | Assets under custody |
| BCP | Business continuity process |
| BNPP | BNP Paribas |
| BNPP SA | BNP Paribas Société Anonyme |
| CIB2S | Securities Services, a business unit of BNP Paribas S.A |
| CFO | Chief Financial Officer |
| CFT | Combating the Financing of Terrorism |
| DFS | Depository and Fiduciary Services |
| ESG | Environmental, Social and Governance |
| FAS | Facilities Agency Services |
| FOR | Fixed overhead requirement |
| FX | Foreign currencies |
| ICARA | Internal capital and risk assessment |
| ICT | Information & Communications Technology |
| IFPR | UK Investment Firm Prudential Regime |

| | |
|-----------------|--|
| IRBA | Internal Ratings Based Approach |
| LATR | Liquid asset threshold requirement |
| ManCo | Securities Services UK Management Committee (ManCo) |
| MIFIDPRU | Prudential Sourcebook for MiFID Investment Firms |
| Non-SNI | Non-small and non-interconnected |
| OFAR | Overall Financial Adequacy Rule |
| OFR | Own Funds Requirement |
| OPC | Operational Risk Permanent Control |
| OPCO | Operating committee |
| ORM | Operational Risk Management |
| RCSA | Risk Control Self Assessments |
| ICC | CIB2S UK Internal Control Committee |
| RISK | BNPP's Risk Function |
| SALB | BNP Paribas S.A. London Branch |
| SLA | Service level agreement |
| SNI | Small non-interconnected |
| SRB | Single Resolution Board |
| SYSC | Senior Management Arrangements, Systems and Controls section of the FCA Handbook |
| TrustCo | BNP Paribas Trust Corporation UK Limited |