

# The Bank of New York Mellon (International) Limited

## Notes to the Financial Statements - Continued For the Year Ended 31 December 2021

### Directors Duty

This statement is made in accordance with Section 172 of the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). It describes how the directors, in acting to promote the success of the Company for the benefit of the shareholders, have had regard to a number of broader matters. These include the likely consequence of decisions for the long term and the Company's wider relationships.

The directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of the shareholder. In doing so, they have had particular regard to the following considerations:

- a) the likely consequences of any decision for the long term;
- b) the interests of the Company's people;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The directors have discharged these duties through, amongst other things, their compliance with the Senior Managers and Certification Regime, and having regard to these matters when determining the Company's strategy and purpose and when reaching decisions. In order to help the directors discharge their duties, the Corporate Secretarial Team provides annual training to board report writers and presenters to ensure that when preparing board reports, consideration is given to the following factors: long-term implications, impact on the risk appetite and strategy, impact on reputation or regulatory position, impact on clients, culture, suppliers and impacts on the industry, society, and the environment.

Each scheduled board meeting follows a carefully tailored agenda agreed in advance between the Chairman, Chief Executive Officer ("CEO") and the Company Secretary. Typically, a scheduled board meeting includes reports on progress against the Company's strategy, financial performance, as well as legal and corporate governance updates. The Chairs of the Company's Audit, Risk and Nomination Committees each provide a written report to every board meeting on the proceedings of those bodies, including the key discussion points and any particular areas of concern or matters for escalation.

The following disclosure provides insight into how the Board has discharged its duties under Section 172, including the breadth of matters discussed and debated during the year.

- a) Taking into account the long-term impact of decisions

The directors have considered the likely long-term consequences of key decisions made during the course of the year. In particular, for 2021 the directors considered:

## *Strategy*

The Board considered four main underpinning pillars of the Company's strategy being: 1) Growth; 2) Governance; 3) Risk and Compliance; and 4) People. Each pillar is supported by goals, deliverables and metrics and day-to-day execution of the strategy is monitored and tracked by the CEO and the Company's Executive Committee ("ExCo"), which meets on a monthly basis. In reviewing and implementing strategy in 2021, the Board considered the many aspects of BNY Mellon's business and its stakeholders and had regard to the immediate, mid-term and long-term risks and opportunities faced by the Company and their likely impact on the community and the environment. Examples of this include monitoring business at risk and other growth areas; climate change; digitising and expanding services to our clients; ensuring a robust operational and technology resilience pathway; the wellbeing of our people; and maintaining strong regulatory engagement.

## *Corporate Governance*

To promote long-term success and better engagement with stakeholders, the Board has strengthened its corporate governance measures by agreeing to formally adopt the Wates Corporate Governance Principles on a voluntary basis with effect from the start of the financial year 1 January 2021 (see pages 11 to 16).

## *Risk*

The directors recognise the importance of risk management in the execution of the Company's strategy and the Board has reviewed the levels of risk acceptable to the Company. This is formalised and monitored through a risk appetite statement, approved by the Board, and monitored by the Board's Risk Committee. The established risk types, and horizon scanning for new risks that could cause a material impact to the long-term success of the Company is continually reviewed. An example of this is the consideration of both the short-term and long-term financial risks associated with climate change. The Risk Management Framework is outlined in more detail in the Directors' report on pages 9 to 28.

## *COVID-19*

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

BNY Mellon management is committed to ensuring that the Company is able to continue servicing its clients and wider stakeholders while prioritising the health and wellbeing of the people that support the business.

The Company benefits from the wider BNY Mellon Group COVID-19 Response Programme ("CRP"). With periodic strategic direction from the BNY Mellon Group Executive Committee, the CRP reviews key data on the impact of the pandemic relating to people, clients, third-party service providers, the industry, government and the regulatory environment, and appropriate actions are taken where issues are identified.

## *Regulatory Change*

Regulatory risk is one of the key business and financial risks faced by the Company. The Board receives updates and seeks assurance from senior management in relation to the implementation and embedding of regulatory change initiatives and compliance with ongoing regulatory requirements. Examples of this include monitoring the implementation of the UK Operational Resilience Policy Statements and the embedding of a climate change risk framework.

The directors identified the Company's critical functions (those of which disruption or withdrawal could have an adverse material impact on clients and financial stability in the UK) as part of the Company's Recovery Plan as: 1) Core custody including payment, clearing and settlement services; 2) Transfer Agency; and 3) Fund Accounting. The Board approved the Recovery Plan, which outlines a framework for ensuring the resilience and recoverability of the Company and which demonstrates its ability to recover from a broad range of stresses. The critical functions remain consistent with the 2020 Recovery Plan.

## b) Employee Interests

Although the Company operates an outsourced model and has no employees, it remains focused on the culture of the broader BNY Mellon employees that support its outsourced operations and the development of those employees and to contribute to the BNY Mellon Global People Strategy. As part of the BNY Mellon Global Human Resources 3-year strategy, the Company will continue to focus on three core areas to support its culture, develop its talent and deliver growth of its people resource in a circle of attract, develop, and retain. Building on 2020, in 2021 the Company delivered on greater mobility of talent as part of its people strategy, identifying development opportunities, stretch assignments and mobility for staff. The Company has helped to support employee engagement with an emphasis on career development through mentoring programmes such as the Shadow ExCo initiative. The initiative was piloted by the Company in 2019 and is in its third year. The objective of the Shadow ExCo is to create a mirror group of the Company's ExCo which is capable of analysing, debating, and making recommendations to the ExCo on key topics relevant to the Company, and to strengthen the diversity of the Company's succession benches.

The Board receives regular updates from Human Resources addressing the outcomes of the Company's people agenda. Throughout the year, these updates have provided insight into the impact and outcome of the COVID-19 pandemic environment and return-to-office, talent, wellbeing, attrition, recruitment, and culture within the Company.

## c) Suppliers, customers, stakeholders and other third parties

The directors fully recognise the importance of balancing the interests of the Company's internal and external stakeholders: clients, industry groups, regulators, shareholder, and vendors. As such, the Board's composition, and the supporting governance structure it has put in place, has been designed to ensure full consideration is given to meeting the best interests of its stakeholders in line with the Company's outsourced business model. Detailed within the Directors' report on pages 9 to 28 are the Company's dedicated committees whose purpose is to ensure effective escalation of issues through the regional and global structure. The Board receives updates through regular and/or specific escalation from the committee structure and is provided with the opportunity to challenge and request deep dives into specific matters.

The Company is supported by the CEO, who provides regular written reports to the Board in relation to key milestones and progress made under each programme of work underpinning delivery of the Company's strategy. The CEO also provides regular updates on the work of the Company's ExCo in relation to the oversight of client activity, the outsourced framework and ensuring that business is executed within risk appetite.

The Board initiated virtual 'in person' events throughout 2021 for the directors to engage with key stakeholders. The events held covered topics such as, UK Transfer Agency, UK Trust & Depositary, Operations and Technology, Cyber, Asset Servicing and Digital, Conduct and Culture Risks and Return to Office and the future of work. The events were aimed at providing the directors and BNY Mellon employees with the knowledge needed to effectively discharge their governance responsibilities, to enhance their ability to review and challenge, and to provide them with an opportunity to meet with the wider BNY Mellon teams.

During the year the directors attended the Corporate 'Future First Forum' which brought together industry experts to discuss the innovations that are helping companies have a positive impact on people, communities and the planet while also driving long-term value. There was a series of panels showcasing how to measure Enterprise Economic, Social and Governance ("ESG") impact.

During 2021, some further examples of matters brought to the Board's attention through its underlying committee structure in relation to stakeholder engagement include:

- Asset Servicing and Digital Initiatives including open modular network & integration – front to back-office solutions across the investment lifecycle.
- BNY Mellon published the first Task Force for Climate-related Financial Disclosure style report articulating the Group's management of climate change and impact on its business and outlining enhancement plans for the coming years.
- LIBOR Transition to Alternative Rates, a client outreach programme, has been undertaken to assure clients of our readiness and solicit insight on their investment strategies to move away from LIBOR.
- EMEA Business Equity & Inclusion Council has been established to encourage and enhance the Diversity Equity &

Inclusion (DE&I) agenda, role modelling senior leaders, managers, and employees as part of the efforts.

- EMEA Conduct and Culture Champions – an EMEA group has been set up to drive the conduct and culture agenda ensuring we apply best practise to client, employee, and corporate initiatives.
- Regulatory Engagement – Prudential Regulation Authority (“PRA”), Third Party Governance Review, Climate Change, Capital Supervisory Review and Evaluation Process, Annual Strategy Meeting/Annual Conduct Meeting and Liquidity Supervisory Review and Evaluation Process.
- Introduction of the Peakon Employee Staff Survey – invites employees to respond to a weekly set of questions to help provide managers with insight into what is on the minds of our teams and allow the opportunity to address any recurring themes that may arise.
- The Company has registered the BNY Mellon Corporate Modern Slavery Statement online with the UK Home Office. This is in response to a letter received from the UK Home Office encouraging firms to upload their Modern Slavery Statement.
- 30% Club Cross Company Mentoring Scheme – the scheme matches female talent with external mentors from diverse industries, with an objective of supporting females into senior roles within their organisations. BNY Mellon was a participating organisation at the time of its launch, and this has continued to be a key BNY Mellon initiative forming part of the wider DE&I agenda.
- Client Engagement – updates from the CEO following meetings with key clients.
- Sustainability Ambassadors – employees can volunteer to help drive and educate on climate change related activities.

#### d) Impact on the community and environment

The Company is regulated in the UK by the Financial Conduct Authority (“FCA”) and the PRA. The FCA and the PRA are considered part of the business environment in which the Company operates and are recognised as stakeholders. The directors have a strong, open, and transparent relationship with our regulators.

The Company recognises that success in addressing financial risks resulting from climate change must take into account the impact on the Company’s clients, vendors, and financial position. It must also reflect the Company’s outsourced business model and status as a subsidiary of BNY Mellon.

During 2021, the Board received regular updates in relation to ESG key achievements and next steps. The Company takes a strategic approach, led by the Board, with clear accountability, to incorporate analysis, consideration and management of financial risks arising from climate change.

The Company is also aligned with its group affiliates on matters affecting the community and environment. BNY Mellon is included in the 2021 Bloomberg Gender Equality Index, CDP Climate Change ‘A List’, Fortune World’s Most Admired Companies and the Human Rights Campaign’s Corporate Equality Index.

#### e) High Standards of Business Conduct

The Company operates within the rules of the FCA and PRA and the restrictions as defined within its regulatory licence. The Company has a defined governance structure and the independence of board and committee members is acknowledged, along with the reservation of their rights to escalate matters of regulatory interest to the Board. The Company’s approach to Corporate Governance is outlined in the Directors’ report on pages 9 to 28.

All Senior Managers, Certified Persons and Conduct Rules (SM&CR) staff undertake ongoing SM&CR training sessions.

The aim of SM&CR is to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals to account. SM&CR aims to:

- Encourage staff to take personal responsibility for their actions;
- Improve conduct at all levels; and
- Ensure firms and staff clearly understand and can demonstrate the roles and responsibilities of all relevant staff.

As a subsidiary of BNY Mellon, the Board acknowledges the benefits for all of its stakeholders in aligning with, and leveraging where possible, BNY Mellon Group policies and the provision for matters such as employee support and wellbeing, cyber security and data governance and operational resilience.

The Board initiated the expansion of the culture-focused framework into an enhanced 'Conduct and Culture' framework that addresses increased regulatory and industry expectations. The Board received updates on the Conduct and Culture initiatives completed in 2021 and key initiatives planned for 2022. The BNY Mellon EMEA Conduct and Culture Council has been formed to support and drive the initiatives and is further supported by the Conduct and Culture Champions. A number of significant Conduct and Culture initiatives were delivered in 2021 such as the launch and implementation of the Purpose-Driven Growth Agenda and supporting Values and Behaviours, further enhancement of conduct risk elements within the operational risk taxonomy and enhanced focus on risk through the COVID-19 pandemic and return to office planning.

f) Acting fairly between members of the Company

The Company is a wholly-owned subsidiary within the BNY Mellon Group governed by its Board. It maintains an open relationship with BNY Mellon, where ideas and strategic objectives are exchanged and shared, ensuring the Board members remain aligned with the strategic objectives and corporate values of its shareholder whenever appropriate. Across all decisions, the Board is fully committed to ensuring due regard to the interest of other stakeholders as described above.

During 2021 the Board attended the BNY Mellon International Senior Leaders Meeting that covered Enterprise Strategy, International Financials and Purpose-Driven Growth Agenda. The Board also engaged in an interactive virtual meeting hosted by BNY Mellon's Chief Executive Officer, Todd Gibbons.

## **Corporate Governance**

### *Approach to Corporate Governance*

Fundamental to the Company's strategy are high standards of corporate governance. During the year ended 31 December 2020, the Company followed the Wates Corporate Governance Principles (the 'Principles') and the Board decided to formally adopt the Principles on a voluntary basis with effect from 1 January 2021. The following section explains the Company's approach to corporate governance, and its application of the Principles.

### *Principle One - Purpose and leadership*

The Company's purpose is to be a sustainable and profitable entity and an integral part of BNY Mellon's EMEA business as one of the material subsidiaries in the region, providing a full suite of products and services predominantly for Asset Servicing to UK domiciled fund managers and UK funds, while maintaining the highest standards of client service. The production of the Company's strategy is prepared in conjunction with other entities within the EMEA region to ensure alignment of content. The Non-Executive Directors of the Company are consulted on the priorities for input to the strategy and individual discussions are held with business partners and the Company's key stakeholders to ensure alignment with corporate, regional and line of business strategies where appropriate.

The Board is collectively responsible for the long-term success of the Company. It achieves this by overseeing execution of the Company's strategy, within the wider strategy of the BNY Mellon Group. The Board sets the strategy and oversees delivery against it. The Board periodically assesses any challenges or opportunities that have materialised that may impact the strategy over the long term. The principal risks and uncertainties affecting the Company's business have been considered and addressed in the Directors' report on pages 9 to 28.

The Board's supporting governance structure plays a leading role in promoting the success of the Company and in the development and maintenance of its business model. The Company's ExCo is responsible for developing, recommending, and executing strategy and strategic initiatives and ensuring alignment with business line strategy. The ExCo monitors the Company's actions and proactively monitors the Asset Servicing business pipeline to look for opportunities to support and meet clients' needs. The strategy is shared internally with key committees and the Company's senior representatives in order to obtain feedback and help inform the decision-making process to achieve long-term sustainable success in growing the business with new and existing client relationships. Examples of this include an increased focus on digitising and expanding

services for clients, creating data and analytic solutions, and enabling clients to access global capital markets and liquidity pools. The Company remains focused on being an enabler to growth and supporting the Asset Servicing and Digital strategy and priorities, with additional focus on the digital roadmap and emerging products and services. The strategy is also used to inform other governance documents such as the Internal Capital Adequacy Assessment Process and the Recovery Plan and more broadly is reflected in training sessions for the Board and ExCo, through which the Company describes its progress against its strategic priorities.

The Board establishes, promotes, and monitors the Company's culture and values. The Conduct and Culture expectations of BNY Mellon employees are outlined in the BNY Mellon Code of Conduct and our purpose and values are: Passion for Excellence, Integrity, Strength in Diversity and Courage to Lead. The corporate values and behaviours provide positive reinforcement of required conduct, always doing what is right, emphasising diversity and inclusion, as well as 'speaking up'. Conduct and Culture is a strategic priority for the Company. The ownership is vested in the first line of defence and from a governance perspective is supported by the EMEA Senior Risk and Control Committee, the EMEA Conduct and Culture Council and other business and regional committees. Some examples of how culture is monitored include through colleague focus groups, feedback and surveys, video case studies around key focus areas and training and awareness programmes. The Company's purpose, values and behaviours are aligned with employee values, through the employee lifecycle to ensure that employees understand how they relate to their day-to-day roles and responsibilities. There is a culture indicator suite in place, enabling holistic oversight and driving action. The Board and ExCo receive written reports in order to monitor the Conduct and Culture initiatives.

The Company prides itself on having a culture of conservative and prudent risk-taking and places the highest priority on operating within a well-defined risk management framework. Conduct is at the heart of the Company, and integral to our culture and business activities. Delivering good outcomes at all times for our clients, markets, as well as our Company and colleagues, is an integral part of our business model.

The BNY Mellon Code of Conduct and corporate purpose and values provide a framework for decision making and a guide to business conduct. The Code of Conduct is the foundation of BNY Mellon's commitment to "Doing What's Right", the key principles of our code include Respecting Others, Avoiding Conflicts, Conducting Business, Working with Governments, Protecting Company Assets and Supporting our Communities. Those who manage or supervise others have a special obligation to set an example in Doing What's Right. Some of the ways in which managers are expected to demonstrate this leadership include fostering an environment in which employees are comfortable raising questions and concerns, reporting instances of non-compliance, taking appropriate disciplinary action in respect of compliance and ethics violations and reviewing the Code of Conduct no less than annually with staff. There is a global framework of policies for BNY Mellon employees, examples of which include policies to allow employees to report concerns of Illegal or Unethical Conduct and Escalation, Speaking Up, Reporting and Non-Retaliation Policy. Employees are provided access to an Ethics Help Line where they can report any concerns. The Company's Audit Committee receives regular written reports on the data received from the Ethics Office and an annual report from the Whistleblowing Champion that describes the current Whistleblowing arrangements in place, enhancements to such arrangements and status relating to 'business as usual' activities that enable on-going compliance with the regime.

The Board maintains a Conflicts of Interest register that is validated by all lines of business and functions and is presented to the Risk Committee of the Board. It comprehensively describes the conflicts, the mitigating framework controls, as well as any additional business specific controls. The Conflicts of Interest framework has a dedicated governance forum with line of business, functions and Legal Entity representation to drive awareness and consistency of application. It supports the identification, recording and annual reporting to Senior Management as per regulatory requirements. Some examples of the types of conflict scenarios include Inter-Affiliate Arrangements, External Appointments, Gifts, Entertainment and Inducements and Personal Relationships.

The Company is a wholly-owned subsidiary within the BNY Mellon Group and its ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The Annual Report and consolidated financial highlights can be viewed at [www.bnymellon.com/investorrelations](http://www.bnymellon.com/investorrelations). Commentary is provided within the Annual Report on driving our long-term growth strategy across all of BNY Mellon's businesses with examples provided in relation to Asset Servicing and the strength of our offerings.

### *Principle Two - Board Composition*

The Board comprises a Chairman and a Chief Executive Officer ('CEO') to ensure that the balance of responsibilities,

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accountability and decision-making are effectively maintained, in addition to the Chief Financial Officer, the Deputy Chair and General Counsel and four Non-Executive Directors (3 being Independent). The Board, supported by its Nomination Committee, regularly reviews its composition and Board Succession Plan and is committed to ensuring it has the right balance of skills and experience for strategic needs, challenges of the organisation and effective decision-making. During 2021 there have been several changes to the Board that include the resignation of Kevin Gregory, who had served on the Board for a number of years and who was replaced by a newly appointed Independent Director Melanie Jill Dodds. Following the resignation of Joseph Wheatley in December 2020, Susan Revell, BNY Mellon Deputy Chair and General Counsel was appointed to the Board. The appointment of Non-Executive Directors is subject to a transparent procedure with input from the Company's Shareholder, Human Resources, Compliance, the Nomination Committee, and the Board.

The Board considers that its current size and composition is appropriate to meet the strategic needs of the Company and to ensure the directors have a high-level of understanding relevant to both the needs of the business and stakeholders' interests. The Chairman of the Board, Hani Kablawi, is Chairman of BNY Mellon International and a member of BNY Mellon's Executive Committee. As Chairman of International, Hani Kablawi oversees the regional management teams across EMEA, Asia Pacific and Latin America and leads strategy development, execution, and delivery of enterprise priorities across these regions.

The Non-Executive Directors are responsible for independent and objective judgement in relation to Board deliberations, constructively challenging and monitoring performance of the management team. The Board is supported by a number of Committees ('the Committees') which make recommendations to the Board. The Non-Executive Directors chair and are members of the Audit, Risk and Nomination Committees to challenge and support the Company across a range of areas. Each Committee has written terms of reference setting out its responsibilities and comprise individuals with appropriate skills and experience.

In advance of each scheduled board meeting the Chairman holds a closed-door session with the Non-Executive Directors to facilitate constructive discussion. To ensure that the directors have appropriate information and sufficient time to prepare for board meetings, board papers are distributed in advance of meetings. Post distribution of the board materials there is careful planning with input from key stakeholders, the Chairman, and the CEO to ensure that appropriate time is allocated to agenda topics for meaningful board discussion. The Non-Executive Directors have a communication channel through the Company Secretary should they require any additional information in advance of board meetings.

The Company has an unwavering commitment to diversity and inclusion in all its forms, including diversity of thought, experience and background as outlined in the Company's Board Diversity Policy. This commitment to strength in diversity is not only one of the Company's core values, but important to the Company's culture and to each director as individuals, and is also critical to the Company's ability to serve its clients and grow its business. The Board places great emphasis on ensuring its membership reflects diversity in its broadest sense and comprises a combination of demographics, skills, experience, race, age, gender, and educational and professional background. The Board believes that having a range of perspectives and insights supports good decision-making. The Board also recognises the importance of a gender-diverse Board and, aligned with the HM Treasury Women in Finance Charter goal, has agreed that the Board should aspire to maintain a level of at least 33% female representation. The Board of eight directors currently comprises five female directors. Overall, the combined skills and experience of the Board demonstrates a high level of skill in the areas of strategy, risk and compliance oversight, finance and audit, people management, industry experience, government, regulatory and operational experience.

The Board and each of its Committees undertake annual reviews of their effectiveness. However, in 2021 and in light of recent director changes (outlined in paragraph 1 of Principle Two), it was agreed that the 2021 self-assessment would be deferred and conducted in 2022. The reviews provide an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths, and highlight areas for further development. The reviews are commissioned by the Chair of the Board/Committees, assisted by the Company Secretary. Directors keep their skills and knowledge up to date by meeting with senior management, and by attending external seminars and internal training courses. A program of internal training events is led by the CEO office and reviewed by the Board. There is an induction programme for new directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business.

The Company maintains objectivity through the composition of the Board and the independence of the Non-Executive Directors through the decision making process. The Non-Executive Directors have regular meetings with the external auditors KPMG, Internal Audit, Risk and Compliance.

Further information on BNY Mellon Group Corporate Governance can be viewed at [www.bnymellon.com/corporategovernance](http://www.bnymellon.com/corporategovernance). This includes information on the Group Board of Directors, Committee Membership, Committee Charters and Governance Documents such as Directors Code of Conduct, Corporate Governance Guidelines and Annual Meeting Voting Results.

#### *Principle Three - Director Responsibilities*

Each director has a clear understanding of their accountability and responsibilities and policies are in place in relation to potential conflicts of interest which may arise. When directors are appointed to the Board, they are provided with a tailored induction programme, in addition to an annual training plan that is refreshed throughout the year to take account of regulatory change and ongoing future developments. The Company Secretary provides written guidance to the Board on the requirements of Directors' Interests and Acceptance of Third-Party Benefits on an annual basis.

The directors assume ultimate responsibility for all matters, and along with senior management are committed to maintaining a robust control framework. The Board operates a programme of at least four scheduled meetings every year, with ad-hoc meetings held as and when required. The Board's key areas of focus in 2021 are detailed in the Section 172 Companies Act 2006 report on pages 2 to 7. The Board receives regular and timely information on key aspects of the business including, financial performance, progress of the strategy, operational matters, client data and products, stakeholder engagement and reports from its Committees. Board papers are supported by an executive summary and provide accurate and comprehensive information in order for the directors to be clear on what is expected of them. Board and Committee meetings are managed with open debate, and adequate time provided for directors and committee members to consider proposals that are put forward.

The Board has reserved certain principal matters for its own approval as documented in the Schedule of Matters Reserved for the Board which is reviewed on an annual basis. The Board has otherwise delegated the executive management of the Company's business to the CEO and the ExCo. Certain responsibilities are delegated to other Board Committees (Audit, Risk, Nomination Committees, and a Depositary Advisory Council ("DAC")). The Board and its Committees have clearly documented terms of reference and the membership of the Audit, Risk and Nomination Committees is comprised entirely of Non-Executive Directors who support effective decision-making and independent challenge. The DAC is comprised of three independent consultants, along with the Head of UK Trust & Depositary ("T&D"), the T&D Head of Business and Regulatory Affairs and Head of Governance and Controls for UK T&D.

The Chair of the Board and the Chairs of the Committees supported by the Company Secretary, periodically review the terms of reference and forward agenda planners to ensure they remain fit for purpose and consider any initiatives that could strengthen the governance of the Company.

At each board meeting, all directors are asked to declare any potential conflicts of interest. These declarations are collated by the Company Secretary and where there are potential conflicts, appropriate safeguards are implemented. The Board has adopted the BNY Mellon Protocol: Managing Potential Conflicts of Interest (EMEA) ("The Protocol"). The Protocol is a practical guide in relation to potential conflicts of interest that may arise within the BNY Mellon Group/Enterprise and facilitates effective identification, management, and resolution of such conflicts of interest. The Company Secretary maintains and presents to the Board on an annual basis the individual directors' register of interests.

#### *Principle Four - Opportunity and Risk*

The promotion of the long-term sustainable success of the Company is fundamental to the Company's strategy, which is updated each year, under Board direction. The Company is an integral part of the BNY Mellon EMEA business as one of the material entities in the region and proactively looks for opportunities to support and meet clients' needs and seeks to ensure it makes a positive contribution to society. Expansion of the Company's activities into new business or geographic areas and approval of any acquisitions, disposals or mergers are matters which are reserved for the Board. Monitoring the management of clients, business partners and third-party activities and ensuring that business is executed within risk appetite limits are responsibilities of the ExCo.

Strong risk management is central to the strategy of the Company, which along with a robust risk control framework acts as the foundation of effective management of risk. Approval of the Company's risk management framework, risk appetite statement and risk tolerance limits are matters which are reserved for the Board. Risk oversight is delegated to the Board's Risk Committee, which meets at a minimum on a quarterly basis. The Board's Risk Committee assists the Board in fulfilling its oversight responsibilities with regard to the risk appetite and risk management of the Company.



The Board has established a risk appetite statement ('RAS') in accordance with the Global Risk Appetite Policy and cross-referenced against the Corporate Risk Appetite Statement as well as the Asset Servicing Risk Appetite. The RAS utilises a high-level assessment to summarise the risk profile of the entity in key areas: operational, strategic, restitution, conduct, model, market, liquidity, capital, and credit risk. The Company has in place a well-established framework which provides oversight for the identification and mitigation of risks across the Company.

In order to enable the Board to make informed and robust decisions, regular updates are provided to the Risk Committee on the process surrounding the identification of the Company's risk profile through the High-Level Assessment ('HLA') exercise. The HLA exercise is utilised to identify, manage, and mitigate emerging and principal risks. Examples of this include the approach for assessing climate change with key drivers being environmental, social and governance (ESG) direction of travel and related products and services. In addition to giving consideration as clients begin to view their supply-chains from an ESG credentials perspective, the HLA exercise considers new emerging risks, challenges and opportunities that may impact the Company's risk profile. The HLA exercise is conducted collaboratively with other legal entities given the Company's outsourced operating model, to drive efficiency and integrate conversations in the region amongst key stakeholders.

Each Risk Committee meeting is attended by the UK Legal Entity Risk Officer and Compliance Officer. Executives and other Senior Managers attend Risk Committee meetings during the year to report on risk items as required. The Chair of the Risk Committee provides a written report for each quarterly board meeting which provides an overview of the matters considered, items for escalation and recommends decisions that require Board approval.

#### *Principle Five - Remuneration*

The Company operates an outsourcing model, utilising Group, and third-party services for all functions other than the supervision and oversight of outsourced functions and directly appointed Non-Executive Directors. The Board has delegated authority to the EMEA Remuneration Advisory Council ("ERAC") for overseeing the development and implementation of the Group's remuneration framework, policies, and practices. The ERAC provides an annual report to the Board on compliance with the regulatory remuneration rules. In addition, and on an annual basis, Human Resources undertake a benchmarking exercise on the Company's Non-Executive Director pay to ensure that pay remains market competitive.

The Remuneration Framework establishes the general principles, practices, and processes that BNY Mellon applies with regard to taking decisions about employee remuneration. The Remuneration Framework applies to all Capital Requirements Regulation ("CRR") entities regulated by the PRA and the FCA and is therefore relevant to BNYMIL and includes any branches and/or subsidiaries. It is based, in part, on BNY Mellon's broader compensation philosophy, which focuses on ensuring that employees receive remuneration that encourages and rewards contribution and that supports the corporate values which underpin BNY Mellon's business strategy. In order to support the corporate values, the remuneration framework aims to ensure that remuneration reflects performance, attracts and retains high-performing employees and incentivises behaviour that contributes to long-term shareholder value. In line with legislation, BNY Mellon publishes a UK Gender Pay Gap report. BNY Mellon conducts periodic reviews of pay levels across all comparable roles in the business to ensure that men and women are paid equally for doing equivalent jobs with similar levels of experience and skill. Our people are our most important asset, enabling us to build an organisation focused on urgency, accountability, excellence, and innovation. Diversity and inclusion are values interwoven into the Company's culture, and these values inform the compensation principles.

The ERAC functions as the main supervisory body of all applicable compensation plans to ensure that compensation plans follow the specific regulatory provisions that apply in the different countries in the region. The ERAC is responsible for approving the Material Risk Takers ("MRT") definitions and the list of identified MRTs (on an annual basis) in line with regulatory requirements. The ERAC reviews Remuneration Policies and their application in the region with respect to adherence to the local regulatory requirements at least on an annual basis. For 2021 and beyond there are significant regulatory changes and amendments brought by the Capital Requirements Directive V ("CRDV"). The applicable remuneration rules that the Company is subject to include CRDV and PRA and FCA rules.

A number of the Company's directors form the membership of the ERAC. The governance bodies that are responsible for providing oversight of the ERGC include the Human Resources and Compensation Committee ("HRCC") and the Compensation Oversight Committee ("COC"). The HRCC is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. The members of the HRCC are Non-Executive members of the BNY Mellon's Board of Directors. The members of the COC are senior members of BNY Mellon management. Further information on the purposes, resources, and general considerations of the HRCC can be viewed at

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[www.bnymellon.com/corporategovernance](http://www.bnymellon.com/corporategovernance).

### *Principle Six - Stakeholder Relationships and Engagement*

The Board considers that good governance and effective communication are essential in order to foster relationships with all its stakeholders including its clients, workforce, industry groups, regulators, shareholder, and vendors. Close dialogue with stakeholders is an integral part of the Company's operations. Senior leaders welcome dialogue with the Company's stakeholders and the Board's composition, and the supporting governance structure it has put in place, have been designed to ensure full consideration is given to meeting the best interests of its stakeholder groups. The approach of the Board in respect of engagement and obtaining feedback from suppliers, customers and other third parties is described in the separate s172 statement on pages 2 to 7.

The Board discloses the Company's position and prospects in more detail on pages 35 - 38 and the Strategic report, Directors' report and Financial Statements are made available to the regulator on an annual basis and to clients upon request. In accordance with the requirements of the Capital Requirements Regulation and the Capital Requirements Directive, the Board prepares and makes publicly available, on an annual basis, the Company's Pillar 3 disclosures on capital and risk management.

The Company takes pride in proactively addressing today's global challenges. As part of a major global financial institution, the Company considers the impact its business has on the environment, society, and stakeholders. Examples of this include the Board overseeing and monitoring climate-related activities, reviewing client engagement and activity (pricing reviews/onboarding/product development), identifying the Company's critical functions, and monitoring operational resiliency and recovery. The Company strives to contribute to sustainable economic growth that protects healthy markets, enhances its business resiliency, and delivers positive outcomes for its stakeholders.

Listening to, and empowering its workforce is critical to achieving the Company's goals. As part of the BNY Mellon Group, the Company benefits from communications to employees through Town Halls, internal emails, newsletters, and the intranet. The objective of the People/Culture Pillar, outlined in the Company's strategy, is to support and influence the people and culture within BNY Mellon. The Shadow ExCo program is described in the separate s172 statement on pages 2 to 7. The program offers meaningful two-way dialogue amongst the Board, ExCo and the participating members with the sharing of ideas, personal development, mentoring opportunities and helps contribute to the Company's success. Further examples of how the Board engages in dialogue with employees is provided within the s172 statement outlined in the virtual 'in person' events section.

There is a global framework of policies for BNY Mellon employees aligned with the Company's purpose and values. Examples of some of the global policies include allowing employees to report concerns of Illegal or Unethical Conduct and Escalation, Speaking Up, Reporting and Non-Retaliation Policy. The ExCo is responsible for reviewing the effectiveness of policies, arrangements and procedures put in place to comply with the Company's obligations under the regulatory system. The ExCo is provided with written reports identifying new and amended policies which affect the Company. A number of the policies reported to the ExCo during 2021 include EMEA Conflicts of Interest Policy, Anti-Corruption Policy, Anti-Tax Evasion, Operational Risk Event Capture, Notification and Reporting and Anti-Money Laundering Training Policy.

The BNY Mellon website, intranet and social media channels provide extensive and up-to-date news on recent developments relevant to its clients, colleagues, and partners.