TRIODOS BANK UK LIMITED

A private company limited by shares
incorporated in the United Kingdom and
registered in England and Wales.

Registered number: 11379025

PILLAR 3 DISCLOSURES

For the year ended 31 December 2022

CONTENTS

Triodos Bank

GLOSSARY OF ACRONYMS

Acronym	Definition
AC	Audit Committee
ALCO	Asset and Liability Committee
ALM	Asset & Liability Management
AT1	Additional Tier 1 Capital
BBD	Business Banking Director
BCBS	The Basel Committee on Banking Supervision
BIA	Basic Indicators Approach
RC	Risk Committee
CC	Credit Committee
CCoB	The Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	The Countercyclical Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CMC	Core Management Committee
COO	Chief Operating Officer
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulations
C-SREP	Capital Supervisory Review and Evaluation Process
EVE	Economic Value of Equity
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
HQLA	High Quality Liquid Assets
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
LPC	Loan Pricing Committee
MARC	Model and Assumptions Review Committee
MRTs	Material Risk Takers
NFRC	Non-Financial Risk Committee
NII	Net Interest Income
NPE	Non-performing exposures
NSFR	Net Stable Funding Ratio
OBS	Off-balance sheet
OC	Operations Committee
OCR	Overall Capital Requirement
OLAR	Overall Liquidity Adequacy Rule
P&L	Profit & Loss
PGC	Product Governance Committee
PRA	Prudential Regulation Authority
RACI	Responsible, Accountable, Consulted and Informed
RBD	Retail Banking Director
RMF	Risk Management Framework
ROE	Return on Equity

RW	Risk Weight
RWA	Risk Weighted Assets
SAAT	Stichting Administratiekantoor Aandelen Triodos Bank N.V
SREP	Supervisory Review and Evaluation Process
T2	Tier 2
TBNV	Triodos Bank NV
TBUK	Triodos Bank UK
TCR	Total Capital Requirement
TIR	Triodos Internal Regulations
TOA	Tokens of appreciation

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1. OVERVIEW

Background and Regulatory Guidance

The Basel Committee on Banking Supervision (BCBS) has developed an internationally agreed set of measures that aims to strengthen the regulation, supervision, and risk management of the banking sector, known as Basel III. It consists of three main pillars: minimum capital requirements (Pillar 1), supervisory review (Pillar 2) and market discipline (Pillar 3). Pillar 3 of the Basel framework aims to promote market discipline through disclosure requirements for banks. This means that banks must disclose certain qualitative and quantitative information publicly on a regular basis, either as part of their financial reports or in separate Pillar 3 reports.

Following the exit of the UK from the European Union on 31 January 2020 the UK's Prudential Regulation Authority (PRA) now has full authority over defining how BCBS measures are to be followed in the UK. The PRA has on-shored the EU's Capital Requirements Regulations (CRR) with effect from 1 January 2021 via published final versions of EU Exit Instruments to ensure a legal UK framework is in place. The on-shored UK version of 'CRR article 4 – Definitions' sets out criteria for classifying a firm based on its size and complexity in note 145. A firm which meets the criteria set out in note 145 can be considered as a 'small and non-complex institution'. Triodos Bank UK (TBUK) has reviewed itself against these criteria and determined that it is eligible for this classification.

Article 433b of the PRA rulebook sets out the disclosure requirements for 'small and non-complex institutions' and it is with regard to these requirements that this Pillar 3 disclosure has been prepared.

Disclosures

The TBUK policy is to meet all required Pillar 3 disclosure requirements for a 'small and non-complex institution' as set out under article 433b of the PRA rulebook. As such this document provides the following information:

- TBUK's Risk Management objectives and policies for each separate category of risk;
- Information regarding TBUK's Own Funds;
- Information regarding TBUK's Own Funds Requirements and Risk-Weighted Exposure Amounts;
- Information regarding the Combined Buffer Requirement which TBUK is required to hold in accordance with regulation 35 of the CRR (Capital Buffers and Macro-Prudential Measures);
- Information regarding TBUK's Leverage Ratio and Total Leverage Exposure Measure;
- Information regarding TBUK's Liquidity Coverage Ratio (LCR);
- Information regarding TBUK's Net Stable Funding Ratio (NSFR); and
- Information regarding TBUK's Remuneration Policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions.

The basis of these disclosures may differ from similar information in the Annual Report and Accounts prepared in accordance with EU International Financial Reporting Standards (IFRS), therefore the information in these disclosures may not be directly comparable with that information.

Frequency of Disclosure

The following sets out TBUK's frequency of disclosures including the location and verification of disclosure.

Frequency: TBUK's policy is to publish the disclosures on an annual basis in conjunction with the publication of the Annual Report and Accounts, which should be read jointly with this document.

Article 433b of the PRA rulebook sets out that 'small and non-complex institutions' that are non-listed institutions shall only be required to submit this information on an annual basis.

Medium and location of publication: TBUK's Pillar 3 disclosure is published on TBUK's corporate website https://www.triodos.co.uk.

Verification: These disclosures have been subject to internal review and validation by TBUK's Audit Committee (AC) prior to being submitted to the Board for approval. These disclosures have not been, and are not required to be, subject to independent external audit, and do not constitute any part of TBUK's audited financial statements.

Non-material, proprietary or confidential information: This document has been prepared to meet the Pillar 3 disclosure requirements set out by the PRA. TBUK does not seek any exemption from disclosure on the basis of materiality, proprietary or confidential information, unless specifically stated in the document.

Scope of Disclosure

TBUK is a UK registered bank authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). TBUK trades as a 100% owned UK subsidiary of Triodos Bank NV (TBNV) and has no trading subsidiaries. The information disclosed in this document relates to TBUK unless otherwise stated.

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2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Objective

The Risk Management Objective for TBUK is to create an environment within which it can pursue its mission within its risk appetite in a sustainable and prudent way, to its fullest extent. This is supported by its Risk Management Framework (RMF).

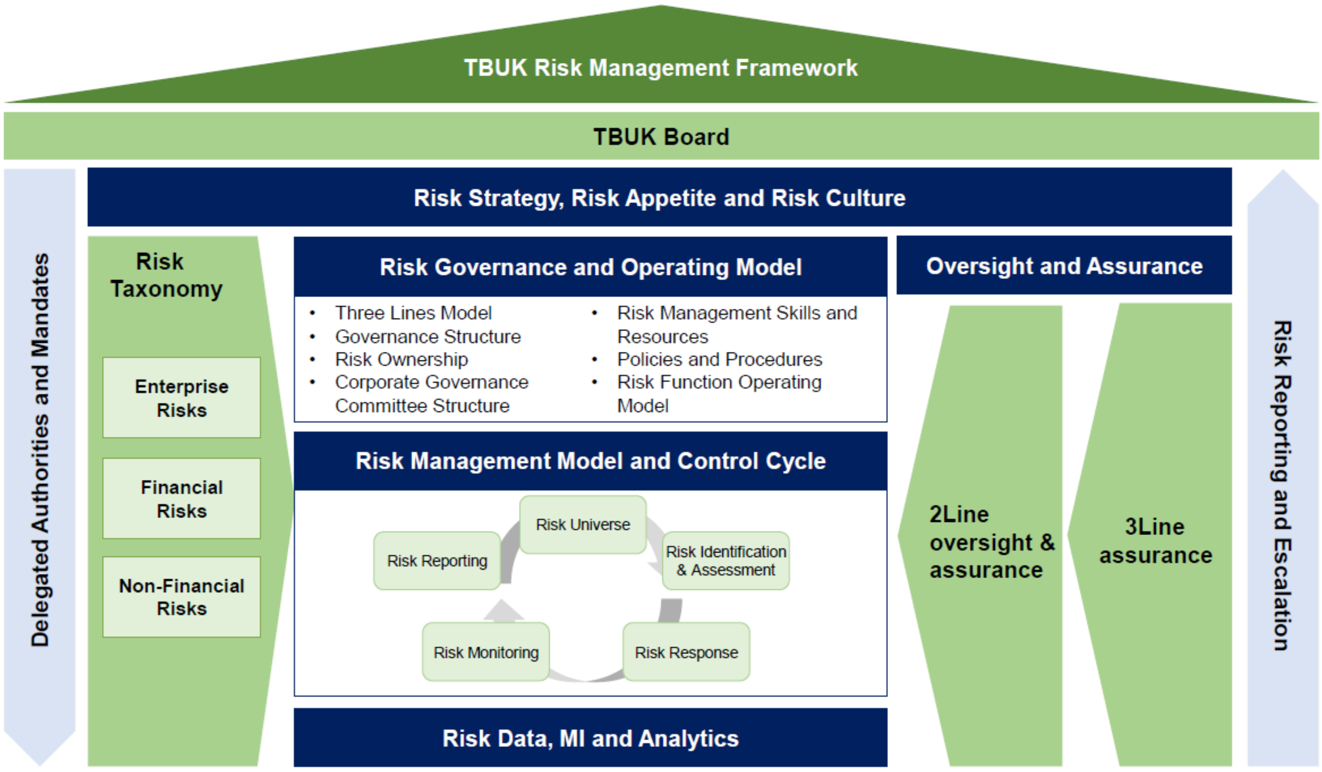
The RMF articulates the Risk Management strategy, Governance, approach, and control framework that identifies, assesses, responds, monitors, and reports on risk exposures faced by TBUK. It is owned operationally by the Chief Risk Officer (CRO) and approved by the Board.

TBUK's RMF seeks to align to the Triodos Bank Group Risk Management Framework. However, it also reflects the UK regulatory environment where necessary, and is guided and approved by the Risk Committee (RC).

The Board sets clear risk appetite statements, driven in conjunction with the 3-year strategic planning process and both inputs support TBUK's approach to risk management. The CRO also undertakes an annual review that seeks to confirm that TBUK's RMF remains fit for purpose.

The core components of TBUK's RMF are summarised below in Figure 1.

Figure 1: Risk Management Framework

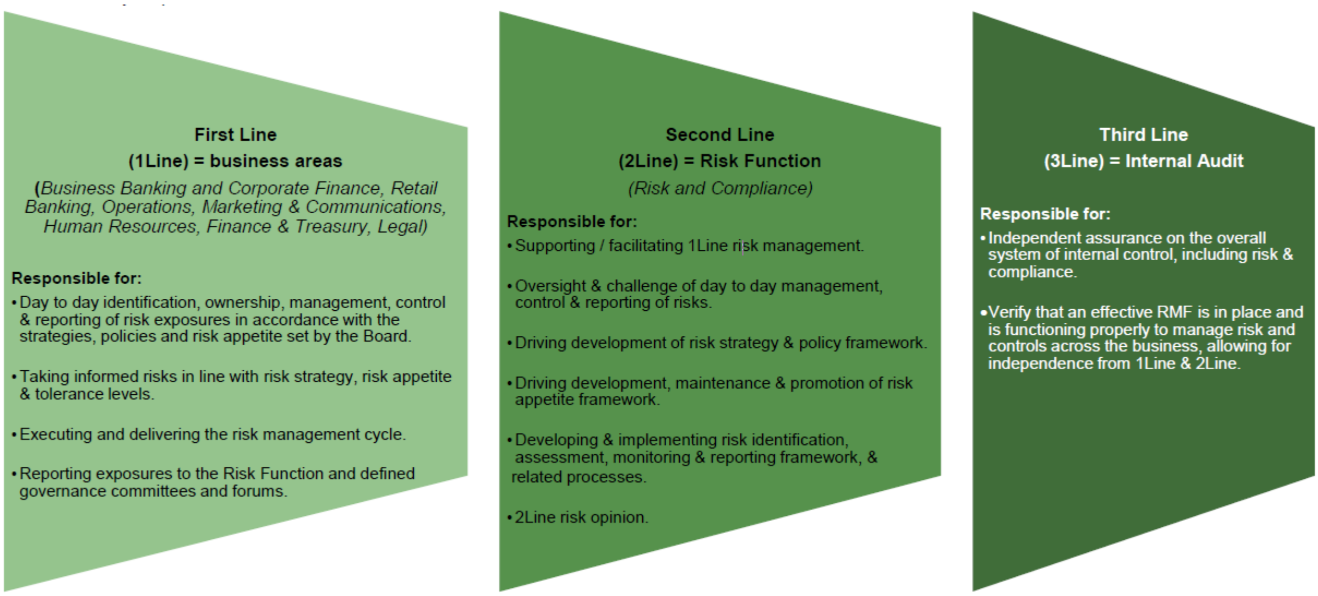


Three Lines Model

An industry-standard Three Lines model is incorporated in the RMF and applied within TBUK to provide clarity of responsibilities based on an appropriate segregation of duties across each line. Operating in such a way allows each function to understand the boundaries of its responsibilities and how they fit into the internal control and Risk Management system. Application of this model provides a structure for periodic Risk and Internal Audit assurance activity around the RMF.

Primary responsibilities across the Three Lines model are summarised in Figure 2:

Figure 2: Three Lines Model



Governance Structure

TBUK's Risk Governance is supported through the Corporate Governance Committee structure and designed considering the Three Lines model. A summary of the Corporate Governance Committee structure, and details of each Committee's primary duties, authority, and membership, is included below.

The Risk Governance Committee structure seeks to ensure that TBUK has a clear organisational structure in place with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks inherent in operations, and robust internal controls. The committee arrangements are designed to be proportionate to the nature, scale and complexity of the business model and the risks TBUK is exposed to.

The members of the Board are collectively responsible for the long-term success of TBUK and provide oversight and challenge across all Three Lines. Key Risk Management responsibilities of the Board include setting business and risk strategy, defining and overseeing risk appetite, and monitoring the risk profile of TBUK. There are clearly defined escalation and reporting routes that ensure the information flows through the Risk Governance Committee structure to ultimately provide the Board with assurance on the effectiveness of TBUK's Risk Management practices. The Board may delegate certain matters to the Audit Committee and Risk Committee (RC) however the Board remains ultimately accountable for the fulfilment of responsibilities.

A summary of the Risk Governance Committee structure is outlined in Figure 3:

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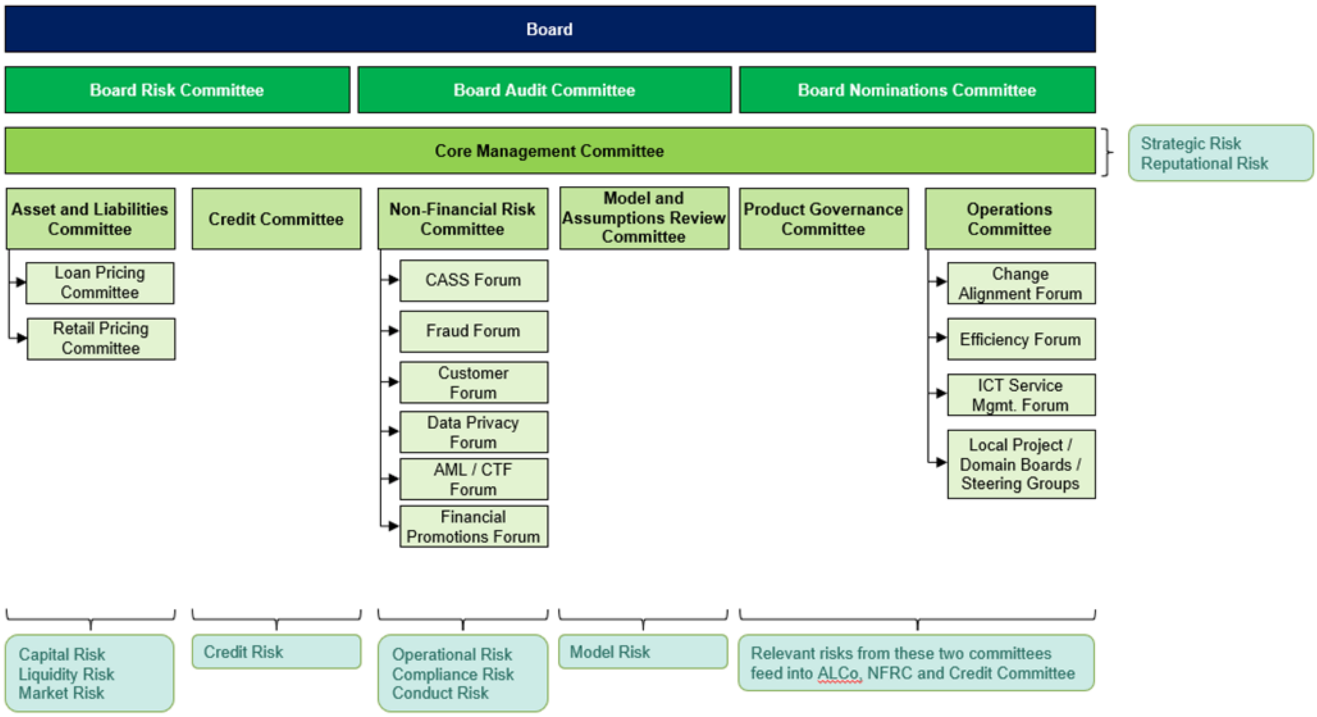
Figure 3: Triodos Bank UK Board, Audit Committee, Risk Committee, and Core Management Committee Structure



*Product Governance Committee, and, Operations Committee, may also discuss and monitor secondary operational and conduct risk categories, however, NFRC retains ultimate accountability for monitoring operational and conduct risk at a primary risk level.

Details of Board members, Board meetings, recruitment and diversity strategy can be found on Page 31 and 32 of the Annual Report and Accounts.

The **Audit Committee** is responsible for overseeing and reviewing the independence and effectiveness of internal and external audit functions, assisting the Board in fulfilling its oversight responsibilities and advising the Board on whether the half-yearly and annual report and accounts are fair, balanced, and understandable. The Audit Committee has a responsibility to provide information necessary for shareholders to assess the Company's position and performance, business model and strategy, conducting the tender process and making recommendations to the Board as to the external auditor, their terms of engagement, and remuneration, as well as developing and implementing a policy on the engagement of the external auditor to supply non-audit services, in addition to maintaining effective working relationships with the Board, the Company's management and external auditors.

The **Risk Committee (RC)** is responsible for assisting the Board in fulfilling its oversight responsibilities, advising the Board on the current risk exposures and future risk strategy, and supporting the Board in the embedding and maintaining the desired risk culture across the Company, as well as overseeing the effectiveness of the process for managing risk and compliance issues and policy across the Company's business, and to make recommendations to the Board so as to ensure appropriate steps are taken to monitor and address overall risk exposures and compliance

The **Core Management Committee (CMC)** has been established to enable the Chief Executive Officer (CEO) to discharge his/her duties. Reporting into CMC are the Tier 1 committees: Credit Committee; Asset and Liability Committee; Non-Financial Risk Committee; Product Governance Committee; and Operations Committee. The CMC assists the CEO in the performance of his/hers duties within the bounds of their authority. Members include the CEO, Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Risk Officer (CRO), Business Banking Director (BBD) and Retail Banking Director (RBD). The Internal Audit Director attends to present a monthly Internal Audit report and has a Standing Invitation to attend the full meeting.

CMC is responsible for the oversight of all risks, with primary responsibility for strategic and reputational risks.

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The purpose of the **Asset and Liability Committee (ALCo)** is to monitor development of the balance sheet (including off-balance sheet positions) of TBUK in order to determine whether capital, market and liquidity risks are, and will remain, within the defined Risk Appetite. ALCo sets the desired balance sheet risk positions (within the defined Risk Appetite) to optimise the risk return trade off.

The purpose of the **Loan Pricing Committee (LPC)** is to manage pricing (interest rates, fees and charges) of TBUK's Loan range of products.

The purpose of the **Retail Pricing Committee (RPC**) is to manage the pricing (interest rates, fees and charges) of TBUK's Retail Deposit range of products.

The **Credit Committee (CC)** is responsible for setting, assessing, measuring, and monitoring the management of the credit risk portfolio, at portfolio and individual loan level, in line with the defined credit risk appetite. It takes decisions on loans that have an increased impact on TBUK's balance sheet and assesses the alignment of loans with TBUK's credit risk policies.

The **Non-Financial Risk Committee (NFRC)** monitors and challenges the development of the non-financial risk profile of TBUK to determine whether operational, conduct and compliance risks are and will be in line with the defined non-financial risk appetite.

The **Model and Assumptions Review Committee (MARC)** monitors and decides upon approval of the review of models and underlying assumptions used for Asset & Liability Management (ALM) and credit risk within TBUK in order to make sure the related model risks are and will be in line with the defined Risk Appetite.

The **Product Governance Committee (PGC)** is responsible for a well-functioning product approval and review process, including approval of new and existing products. PGC will make decisions in accordance with agreed mandates. PGC will make recommendations to CMC as appropriate on matters outside of agreed mandates and will escalate medium and high risks to NFRC, or any other appropriate governance body.

The **Operations Committee (OC)** has been established to take decisions on issues and risks relating to operational (customer) services, office and IT services, vendor management, change management, business continuity, HR operations, and information security. OC is responsible for the oversight and monitoring of the day-to-day operational areas of TBUK and will recommend to CMC operational outcomes aligning to TBUK's mission and business strategy.

TBUK operates in accordance with the context, strategy and founding principles of Triodos Bank Group and applies Group policies, including the Triodos Internal Regulations (TIR), amending and adopting them as is suitable for local business. This alignment with Group takes place through regularly scheduled discussions between Group COO and TBUK Chairman, between Group COO and TBUK CEO, and between Group CRO and TBUK CRO.

Governance committees are allocated responsibility for monitoring and ensuring appropriate management within risk appetite of specific risk types. The allocation of primary risk types to each of these Committees is shown at the bottom of Figure 1.

Risk Ownership

Each risk type identified is allocated a Risk Owner. Risk Owners are responsible for the management and reporting of their respective risks.

With support from the Second Line Risk Function where necessary, the Risk Owner is responsible for ensuring the:

- Identification of risks and design, and implementation and embedding of appropriate controls;
- Development, maintenance, monitoring and reporting of risk appetite statements, measures and triggers;
- Development, implementation, and monitoring of compliance with risk specific policies and operating procedures, ensuring alignment to the relevant risk type frameworks and risk appetite;
- Identification, assessment, escalation, management, and monitoring of risk events;
- Production of risk reports to support Governance Committee decision making and challenge of First line;
- Development and execution of quality monitoring processes as required; and
- Embedding of Risk Management competencies and expected behaviours within their business areas.

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Policies and Procedures

The Policy Framework is designed to support the clarification of internal controls by defining minimum operating standards, limits, and expectations which TBUK must operate within, aligned to TBUK's risk appetite. Policies and procedures are designed to provide sufficient coverage to direct the management and control of TBUK's risks. Policies are approved by the relevant committees on a periodic basis or if material changes are required.

Risk Strategy

The Risk Strategy supports TBUK's mission and business objectives by clearly identifying the types of risk the business strategy raises for TBUK, together with how those risks will be effectively managed; the Risk Strategy therefore provides key linkage from business strategy to RMF coverage.

The Risk Strategy is owned by the Board and is developed in parallel with TBUK's business strategy. The Board delegates the development and day-today implementation of the Risk Strategy to the CRO. Support in developing and reviewing the Risk Strategy is sought from TBUK's Board and Senior Management, with oversight provided by the Audit and Risk Committees. The Risk Strategy, supported by high level Risk Appetite Statements, documents the desired risk management capability and approach for each of TBUK's Primary Risk types. Required Risk Management enhancements, generally or per individual risk type, e.g. in terms of available risk capacity, will also be documented to support progression towards the desired capability.

TBUK's overall objective in defining its Risk Strategy is to guide the construction and enable the delivery of the Business Plan in a sustainable, prudent and compliant way, supported by an effective and efficient RMF.

Risk Culture

Risk Culture is a sub-component of corporate culture and defined by the Basel Committee on Banking Supervisions (BCBS) as "norms, attitudes and behaviours related to risk awareness, risk-taking and management and controls that shape decisions on risks".

TBUK's Board and Senior Management are committed to establishing a positive risk intelligent culture, where everyone understands the approach to risk, takes personal responsibility to manage risk, and ensures fair customer outcomes in everything they do. Transparency of risk reporting and effective, open challenge is strongly encouraged which is in direct alignment with the Triodos Bank values. Risk Culture is therefore a key component of TBUK's RMF.

Risk Appetite

TBUK defines Risk Appetite as "the aggregate level and types of risk TBUK is willing to assume within its currently available risk capacity to achieve its strategic objectives and business plan".

The Risk Appetite documents the settings for effective management of risks identified that might endanger TBUK's strategic goals, and which the RMF needs to manage too. Risk Appetite is set for each Primary Risk by TBUK Board and is articulated through a mix of qualitative and quantitative statements and measures. In addition to the Primary Risks, a Risk Appetite Statement is also maintained for Climate Change Financial Risk.

TBUK's Risk Appetite is reviewed on (at least) an annual basis and is set with full consideration to the Group Risk Appetite Statement. High-level Risk Appetite Statements are supported by relevant sets of KRIs also set by the Board.

Significant Risks

TBUK's principal risks and uncertainties, as at 31st December 2022, are set out in the Strategic Report on pages 16 to 25 of the Annual Report and Accounts 2022.

TBUK maintains a risk taxonomy to support the structure for managing risks with the RMF as outlined in table 1 below:

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Table 1: Risk Categories

Overarching Risk Category	Primary Risk	2022 Performance	Risk mitigation / review
Enterprise Risks	**Strategic Risk** The risk of a lack of achievement of the institution's overall objectives due to internal and/or external causes. Incorporates: Selection, Execution, Modification and Governance Risks.	Strategic risk has increased through 2022. The key drivers for this have been the external environment (cost of living and inflationary impacts faced by our customers) and challenges on loan originations. Overall business performance has nevertheless been strong.	Related solvency metrics are assessed and managed within the Board-approved Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and Recovery Planning requirements that incorporate appropriate stress testing to maintain the Bank's balance sheet strength in this regard. This provides focus on capital levels, liquidity levels and Profit & Loss (P&L) achievement.
	Reputational Risk The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, regulators, or other stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Incorporates: People-related, Process-related, and External world interaction Risks.	Reputational risk has increased slightly through 2022 but overall remains low. This has predominantly been driven by the Depository Receipt developments affecting the wider Group.	Aggregated risk metrics are monitored and are derived from a range of potential sources of TBUK's reputational risk, e.g., complaints received and negative press coverage / social media sentiment / current net promoter score. To mitigate the risk, a range of actions are in place such as proactive communications with Depository Receipt holders, careful consideration of complaints received with prompt action taken in response and comprehensive monitoring of media coverage.
	Capital Risk The risk of solvency failure due to insufficient capital reserves. Incorporates: Regulatory Capital, Capital Management and Financial Reporting Risks.	Capital risk has remained low throughout 2022. TBUK remains well-capitalised and achieved a return on equity of 4.80% vs the 4.88% budgeted. There has been a continued focus on financial regulatory reporting risk, with additional processes, oversight and controls implemented through the year.	TBUK maintains capital levels to ensure a prudent level of solvency and seeks to create a sustainable business model that generates stable income so that it can organically accumulate capital in line with the Risk Weighted Assets (RWA) growth and deliver returns to shareholders in line with the Group's mission. The Treasury team maintains effective processes to manage and control capital on a day-to-day basis with oversight from the Risk team. Capital ratios relating to both the quantity and quality of capital are regularly reviewed as part of the Bank's Risk Appetite. The annual ICAAP stress tests the Bank's capital ratios across its business planning horizon. Assessment of the UK's proposed implementation of Basel 3.1 will be a key focus of 2023.

Financial Risks	**Credit Risk** Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Incorporates: Obligor Risk, Counterparty Risk and Concentration Risk.	Credit risk has deteriorated through 2022 given the UK's economic challenges. The portfolio overall is well collateralised and remains focused on three core sectors that are resilient in the current economic environment – renewables, social housing and healthcare.	Business lending is a core activity of the Bank and a key risk area, which in response has an experienced 2nd line Credit Risk team established to review proposals from 1st line relationship managers in accordance with the established Board-approved lending and sector policies. TBUK has a conservative and diversified portfolio, in line with the Bank's mission and desired impact, supporting customers through the economic cycle and generating return on equity (ROE) aligned with the Bank's mission, business plans and impact.
	Liquidity Risk Liquidity risk is the failure to be able to meet liabilities as they fall due. Incorporates: Liquidity Funding Risk and Liquidity Market Risk.	Liquidity risk has remained low throughout 2022. TBUK continues to benefit from a strong liquidity position due to the nature of its customer base and having no reliance on wholesale funding.	Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR). The Board provides liquidity risk oversight through the approved Internal Liquidity Adequacy Assessment Process (ILAAP) and regular review of liquidity ratios. These requirements incorporate appropriate stress testing to maintain TBUK's balance sheet strength. The Treasury team develops effective processes to manage and control liquidity and funding on a day-to-day basis with oversight from the Risk team. TBUK aims to always hold sufficient liquid assets (deposits with other institutions, and high-quality liquid assets such as Gilts) to cover client commitments and meet regulatory requirements. TBUK maintains a conservative liquidity profile with the quality, quantity, and stability of funding sources to survive a 90-day severe but plausible stress at all times. In addition, the Bank uses other key measures including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Liquidity risk management is supported by active funding planning, and the maintenance of liquidity contingency plans as part of the Recovery Plan.
	Market Risk The risk of losses in on and off-balance sheet positions arising from movements in market prices and changes in interest rates, foreign exchange rates, and equity and commodity prices. Market risk is often driven by other forms of financial risk such as credit and market-liquidity risks. Incorporates: Interest Rate and Foreign Exchange Risks.	Market risk has remained low throughout 2022. The majority of TBUK's risk arises from changes in interest rates as the Bank has minimal foreign exchange exposure.	Interest rate related risks are modelled and managed monthly in accordance with regulatory requirements, principally via Economic Value of Equity (EVE) and Net Interest Income (NII) limits, and maintains very limited other market risk exposure, with no proprietary trading.

	Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk. Incorporates: Legal, Process, Product, People, Internal Fraud, Technology, Information Security & Cyber, Operational Resilience, Business Continuity, Data Management, Outsourcing, Change, and Physical Security & Safety Risks.	Operational risk has remained moderate throughout 2022, with actions in place to reduce this over time. Particular focus has been on enhancing the control environment, managing resourcing (attrition levels and ensuring training & competence), change management (extent of regulatory and internal change programs), data (progressing maturity of data risk management) and vendor management (achieving compliance with the UK regulatory Supervisory Statement 2/21).	The RMF sets out the systems, controls, and processes in place to manage Operational Risk, including risk & control assessments, risk event reporting and root cause analysis. There is continued evolution of risk & Control Self Assessments (RCSAs) across a range of customer journeys and support processes. Key control testing has been (and will continue to be) expanded with robust monitoring and follow-up in place to support execution and effectiveness. A new Group-wide operational risk management system (ServiceNow governance risk & control tool) commenced implementation in 2022 and this will continue through 2023. TBUK also continues to further strengthen the established operational resilience framework as part of a multi-year programme.
Non-Financial Risks	**Model Risk** The potential for negative consequences arising out of the decisions made based on incorrect or misused model outputs and reports. It can result in financial loss, poor decision making, and reputation damage. The two main sources of model risk are fundamental errors in the model and incorrect or inappropriate use of the model.	Model risk has been introduced as a new primary risk (previously in Operational Risk) from Q1 2023. Model Risk Management has been enhanced through 2022 and will continue to be an area of focus in 2023.	Strong model risk management is recognised by the Bank as a key component of its RMF, which sets expectations for model risk management through a dedicated model risk management framework and associated policies.
	Compliance Risk The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities. Incorporates: Integrity (incorporating Conflict of Interest), Financial Crime Risk (includes Money Laundering & External Fraud) and Regulatory Compliance Risks.	Compliance risk has remained moderate throughout 2022, with actions in place to reduce this over time. Particular focus has been on enhancing on-going customer due diligence and managing financial crime risks (in particular given increasing levels of card fraud and sophistication of other fraud types, balanced with managing risks and alerts effectively without negatively	The RMF sets out the systems, controls, and processes in place to manage Compliance Risk, including risk & control assessments, risk event reporting and root cause analysis. The 2nd Line Compliance team supports regulatory compliance through a combination of advisory and monitoring activity. Monitoring activity includes both thematic and specific deep dive reviews to complement 1st Line Quality Assurance (QA) and monitoring activity.

		impacting customer experience)	
	Conduct Risk The risk that the firm or an individual's behaviour will result in poor customer outcomes. This may be because of product design, distribution and sales of products or product servicing. Incorporates: Culture, Product & Services and Customer Treatment & Protection Risks (including Sales & Post Sales Risks).	Conduct risk has remained moderate throughout 2022, with actions in place to reduce this over time. Particular focus has been on improving customer contact performance (in particular call handling) and responding to complaints fairly and promptly.	Key risk aspects monitored and actively managed include: • Working with its customers and service providers to ensure that our products are simple, fair and transparent. • Customer satisfaction research, with a program established to support driving further enhancements and improvements to customer service. • Complaints monitoring, with a broad range of other conduct risk metrics at Executive and Board Committees on a monthly basis. • Product governance maturity • Particular consideration is given to the treatment of Vulnerable Customers. All of these aspects are being considered additionally as part of TBUK's preparation for Consumer Duty implementation in 2023.

Climate change risk has been considered within the Risk Taxonomy in line with "Supervisory Statement 3/19 Enhancing banks' and insurers' approaches to managing the financial risks from climate change," and with our own view of the best approach for managing climate risk. TBUK embeds new environmental risks throughout the existing secondary risks to ensure the appropriate accountability for risk is in place, with the right opportunity to monitor and manage.

Risk Statement

TBUK provides banking services and related financial services within the UK with the aim of enabling individuals, institutions and businesses to use money more consciously in ways that benefit people and the environment and promote sustainable development.

TBUK's strategy is based on that purpose, to be the ethical finance provider of choice in the UK market, delivered through a strategy to increase the impact of the organisation by serving more customers, with the products they want us to provide.

Underpinning this, TBUK sets a clear risk appetite to operate within and seeks to deliver best-in-class execution through highly engaged colleagues, working together to deliver its goals.

Risk Management Overview

Effective enterprise-wide risk management is a core component of our strategy and operations. We adopt a holistic, end to end view of risk, ensuring that the key risks arising from our activities are effectively identified, assessed and controlled. Our objective is to support the strategy of TBUK by thinking broadly about risks and managing them in an appropriate manner relative to the size and complexity of our business.

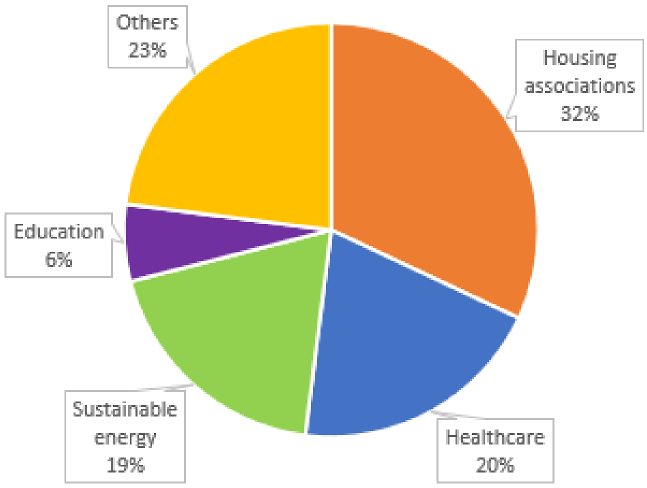
The strategies and processes in place to manage these categories or risks can be found in table 1 Risk Categories.

Table 2 and Figure 4 below provide a high level summary of TBUK's key ratios and figures for risk management purposes:

Table 2: Overview of key risk management ratios and figures

Key figures (£'000)	31-Dec-22	31-Dec-21
Total exposure measure	1,939,704	1,909,460
Total Risk Weighted Exposure amount	861,273	840,391
Total own funds	191,467	183,600
Key ratios		
Common Equity Tier 1 ratio	21.6%	21.2%
Tier 1 ratio	21.6%	21.2%
Total Capital ratio	22.2%	21.8%
Overall Capital Ratio Requirement	18.1%	16.9%
Leverage ratio	11.7%	11.6%
Liquidity Coverage Ratio	442.7%	413.6%
Net Stable Funding Ratio	181.2%	161.0%

Figure 4: Summary of key loan book sectors (% of total drawn loans and undrawn commitments)



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3. CAPITAL RESOURCES

Overview

The CRR sets out measures to protect financial markets and customers from the risk of banks failing by requiring banks to have sufficient capital to be able to absorb unexpected losses and remain financially resilient.

CRR requires banks to hold minimum amounts of capital, set by reference to its Risk Weighted Assets (RWAs). RWA is a banking term used to link the minimum amount of capital that banks must have, with the risk profile of the bank's lending activities (and other assets). It converts exposure amounts into an RWA figure by multiplying the exposure by the applicable Risk Weight % (RW%), where the RW% is set in terms of the riskiness of the exposure. The more risky the lending, the higher the RWA and, hence, the higher the capital requirement.

CRR recognises three tiers of capital that can be held by a bank to meet capital requirements which are classified according to their quality and accessibility: Common Equity Tier 1 Capital (CET1), Additional Tier 1 Capital (AT1) and Tier 2 Capital. These are collectively known as 'Own Funds'. TBUK is required to hold an amount of Own Funds which sufficiently minimise the chance of TBUK becoming insolvent.

Total Capital Resources

TBUK 's regulatory capital of £191.5m as at 31 December 2022 consisted of CET1 (£185.8m) in the form of ordinary share capital (£172m) and reserves (£14.9m) with regulatory deductions (-£1.1m), and Tier 2 capital representing subordinated debt (£5.7m).

The table below show the total available capital resources of TBUK.

Table 3: Total Capital Resources

	31-Dec-22 £'000	31-Dec-21 £'000
Common Equity Tier 1 (CET1) capital		
Ordinary share capital	172,000	172,000
Retained earnings[1]	14,892	7,051
CET1 capital before regulatory adjustments[2]	**186,892**	**179,051**
Regulatory adjustments to CET1 capital		
Intangible assets[3]	(£899)	(£1,146)
Insufficient coverage for non-performing exposures[4]	(£221)	
Total regulatory adjustments to CET1 capital	**(£1,120)**	**(£1,146)**
CET1 capital	**185,772**	**177,905**
Additional Tier 1 capital	**-**	**-**
Tier 2 capital		
Subordinated loan notes (unlisted)[5]	5,695	5,695
Tier 2 capital	**5,695**	**5,695**
Total capital	**191,467**	**183,600**

[1] Retained earnings includes £55k merger reserve

[2] CET1 capital before regulatory adjustments agrees to equity and reserves in the Annual Report.

[3] An amount is deducted from capital for any intangible assets held on the balance sheet which are being amortised over a period of more than 3 years.

[4] The CRR introduced a 'prudential backstop' for non-performing exposures (NPE) which seeks to set a minimum level of provisions which should be held against NPEs 2 years after default. Where this provision level exceeds the actual provisions the institution is holding, a capital deduction is made to cover the difference.

[5] TBUK issued £5.69m of subordinated debt on 23 December 2020 with a maturity of 10 years. The full £5.69m was eligible as Tier 2 capital as at 31 December 2022.

4. CAPITAL REQUIREMENTS

Capital Requirements are set in relation to RWAs where the requirement is set as a minimum ratio between an institution's Total Capital and it's total RWA.

Credit Risk Exposure RWAs

TBUK uses the standardised approach to calculate its RWA value for its exposures. Under this approach the exposure value after taking into account value adjustments and credit conversion factors (CCFs) is converted into an RWA by multiplying the exposure value by a risk weight as set out by the relevant authority. There are different risk weights for different types of exposures (asset classes).

A summary of TBUK's RWAs and corresponding minimum Pillar 1 capital requirements for each of the asset classes is provided below in Table 4.

Table 4: Credit Risk RWAs broken down by Asset Class

	Risk-weighted assets		Pillar 1 Capital requirements[1]	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Exposure class	**£'000**	**£'000**	**£'000**	**£'000**
Central governments or central banks	-	-	-	-
Public sector entities	725	1,126	58	90
Multilateral development banks	-	-	-	-
Institutions	10,892	14,281	871	1,142
Corporates	331,179	322,090	26,494	25,767
Retail	44,463	45,620	3,557	3,650
Secured by mortgages on immovable property	310,096	316,133	24,808	25,291
Exposures in default	62,144	58,556	4,972	4,684
Covered bonds	0	1,001	-	80
Items associated with particularly high risk[2]	10,027	90	802	7
Other items	15,797	16,341	1,264	1,307
Total	**785,323**	**775,238**	**62,826**	**62,019**

[1] Pillar 1 requirements are set at 8% of RWAs.

[2] As part of the 2022 Internal Capital Adequacy Assessment Process it was determined that TBUK would classify any development lending to Community Land Trusts as 'Items associated with particularly high risk', an asset class which received a risk weight of 150% reflecting the higher level of risk with such exposures and, as such, these are not all new exposures this year but reclassifications.

Operational Risk RWAs

TBUK uses the Basic Indicators Approach (BIA) to determine its Operational Risk capital requirement. The capital which must be held for an institution under the BIA is determined by multiplying the 3-year average of the annual relevant indicator by a factor of 15%. For TBUK the relevant indicator is the sum of its net interest income, net fee and commission income, and other operating income. This capital figure is then converted into an RWA by dividing it by the 8% Pillar 1 requirement. Table 5 below shows the calculation of TBUK's Operational Risk.

Table 5: TBUK Operational Risk Requirement

	31-Dec-22	31-Dec-21
	£'000	**£'000**
2019 Relevant indicator		30,586
2020 Relevant indicator	34,552	34,552
2021 Relevant indicator	39,108	39,108
2022 Relevant indicator	47,860	
3 year average income figure	40,507	34,749
Capital requirement	6,076	5,212
Operational risk RWA	75,950	65,154

Market Risk

Market Risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. TBUK does not have a trading book and the risks subject to market risk capital charges for banking book instruments are limited to foreign exchange and commodities risk.

Article 351 of the CRR sets out that an institution only needs to calculate an Own Funds requirement for foreign exchange risk if the sum of an institution's overall net foreign-exchange position and its net gold position, calculated in accordance with the procedure set out in Article 352, exceeds 2% of its Total Own Funds. TBUK manages its foreign exchange risk by maintaining a net mismatch in currencies below £500k. This is done by matching any euro loan positions with a corresponding intercompany euro loan in which TBUK borrows euros from TBNV. This is below the 2% of Own Funds criteria (circa £3.6m) so no Market Risk capital requirement needs to be calculated for foreign exchange risk. There are no significant exposures to any currencies other than sterling and euro.

As at 31 December 2022 TBUK had an intercompany loan based in euros from TBNV with a sterling value of £24.7m (€27.8m) for the purposes of managing TBUK's foreign exchange risk.

TBUK has no commodity exposures in its banking book and hence no Market Risk capital requirement needs to be calculated for commodities risk.

Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions, or portfolio of transactions with the counterparty, have a positive economic value at the time of default. Unlike a firm's exposure to Credit Risk through a loan, where the exposure to Credit Risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

CCR arises from a bank's exposure to derivatives, margin lending, securities lending, repurchase and reverse repurchase, or long settlement transactions before final settlement of the transaction's cash flows and where the exposure at default is crucially dependent on market factors. TBUK does not hold any such instruments and, as such, has no capital requirement for CCR.

TBUK's Capital Requirements

The required capital ratio is split out into different components as below

- Pillar 1 which is set at 8% of RWAs for all banks;
- Pillar 2a which is institution specific and aims to cater for any risks in the business not adequately covered under Pillar 1;
- Pillar 2b also referred to as the PRA buffer is a buffer to absorb losses that may arise under a severe stress scenario;
- Regulatory Capital Buffers which are mandatory buffers set by Regulators that financial institutions are required to hold in addition to other minimum capital requirements;
- Pillar 2a and 2b are both set by the relevant Regulator which for TBUK is the PRA;
- The total of the Pillar 1 and Pillar 2 requirements gives the Total Capital Requirement (TCR); and
- The total of the TCR and Regulatory Capital Buffers gives the Overall Capital Requirement (OCR).

As at 31 December 2022, and throughout the period, the TBUK has complied with the OCR in force as set out by the PRA.

Pillar 2 Capital Requirements

Specific capital requirements for institutions are set by the PRA as part of the Pillar 2 requirement. Both Pillar 2a and Pillar 2b are set during the PRA's Supervisory Review and Evaluation Process (SREP). For TBUK this process takes place every 2 to 3 years due to the size of TBUK. The process for setting the Pillar 2 requirement involves each bank conducting an internal review of its risk profile through an Internal Capital Adequacy Assessment Process (ICAAP). In this process each bank calculates its Pillar 1 requirements and then considers any risks they face which are not adequately covered by the Pillar 1 requirements. The ICAAP will also consider the capital impact of a severe and plausible stress and whether the bank would need additional capital in order to deal with this scenario. If the results of this stress test indicate that additional capital over the Pillar 2a requirement is needed, then a Pillar 2b add-on will be set. The PRA review ICAAP documentation, methodologies and calculations to form a view on whether the ICAAP calculations can be considered as reliable. The ICAAP calculations – where deemed reliable or partially reliable – will then be the starting point for the determination of the Pillar 2 requirements by the PRA.

As at 31 December 2022 TBUK had a Pillar 2 requirement of 6.62%.

This gave TBUK a TCR of 14.62% made up as follows:

Table 6: TBUK Total Capital Requirement

	31-Dec-22
Pillar 1	8.00%
Pillar 2a	6.62%
Pillar 2b	0.00%
TCR	14.62%

REGULATORY CAPITAL BUFFERS

Credit institutions are also required to hold capital buffers as set by the competent authority. For TBUK the competent authority is the PRA and these buffers are as follows:

The Capital Conservation Buffer (CCoB)

The CCoB is a buffer which is required to be held by all institutions under Capital Requirements Directive (CRD) IV. The CCoB is designed to ensure that institutions build sufficient capital buffers outside a period of stress so that these can be used to drawdown against under a stressed period. This has been set at 2.5%.

The Countercyclical Buffer (CCyB)

The CCyB is a country-specific buffer and is designed to be used as a macro-prudential tool, implemented in ‘overheating’ economies to ensure that financial institutions have additional capital in place to absorb potential losses.

Institutions are required to calculate an institution-specific CCyB as a weighted average of the CCyB rates that apply in the countries where that institution’s credit exposures are located. For TBUK, 98% of the exposures are in the UK with the only other material exposures being in Ireland. As such the TBUK CCyB is determined by calculating 98% of the CCyB in place in the UK and summing this with 2% of the CCyB in place in Ireland. In the UK, parliament has delegated the role of setting the CCyB to the Financial Policy Committee (FPC). The FPC decided to increase the CCyB from 0% to 1% effective from 31 December 2022. In Ireland, as at 31 December 2022, the CCyB rate remained at 0%.

Overall Capital Requirement (OCR)

When combined with the TCR, the above buffers give TBUK an OCR of 18.1%.

Table 7: TBUK Overall Capital Requirement

	31-Dec-22
TCR	14.62%
CCoB	2.50%
CCyB	0.98%
OCR	18.10%

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TBUK Capital Ratios

Table 8, below, shows TBUK's Total RWAs broken down by their risk type as well as TBUK's Total Capital Ratio and OCR

Table 8: TBUK RWAs and Capital Ratios

	31-Dec-22 £'000
Credit risk	785,323
Operational risk	75,950
Market risk	-
Counterparty Credit risk	-
Total	861,273
TBUK Total capital ratio (%)	22.20%
OCR	18.10%

Composition of Capital Requirements

The CRR sets out that the various elements making up a bank's OCR must be met by minimum levels of each of the three categories of capital: CET1, Additional Tier 1 (AT1) and Tier 2 (T2). Table 9, below, shows the minimum amount of each tier of capital that the OCR must be met with. Table 10 then shows these requirements translated into TBUK's OCR with the bottom row showing TBUK's actual CET1, Tier 1 and TCR position:

Table 9: Minimum Capital Requirements by Type of Capital

		31-Dec-22	
	CET1	AT1 + CET1	Total capital (CET1, AT1, T2)
Pillar 1	56.25%	75.00%	100.00%
Pillar 2a	56.25%	75.00%	100.00%
CCoB	100.00%	100.00%	100.00%
CCyB	100.00%	100.00%	100.00%

Table 10: TBUK Minimum Capital Requirements by Type of Capital

		31-Dec-22	
	CET1	Additional Tier 1 + CET1	Total capital (CET1, AT1, T2)
Pillar 1	4.50%	6.00%	8.00%
Pillar 2a	3.72%	4.97%	6.62%
CCoB	2.50%	2.50%	2.50%
CCyB	0.98%	0.98%	0.98%
TCR requirement	8.22%	10.97%	14.62%
OCR requirement	11.70%	14.45%	18.10%
TBUK capital ratios	21.57%	21.57%	22.23%

As can be seen in Table 9, there is little difference between TBUK's CET1 ratio and Total Capital Ratio, this is because a very high proportion of TBUK's capital is in the form of CET1. The most important ratio for consideration of TBUK's capital adequacy is the TCR as opposed to the CET1 or AT1 ratios.

Pillar 2 developments

TBUK was subject to a Capital-SREP (C-SREP) in 2022, the outcome of which was a reduction in the Pillar 2a requirement from 6.62% to 3.84%. This new requirement is effective from 18th January 2023.

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5. LEVERAGE

As per Supervisory Statement SS45/15 TBUK does not meet the criteria set out in 1.A.1 or 1.A.2 as deposits are significantly lower than £50bn. As such TBUK must only comply with 1.A.5 which states that 'Firms that are not in scope of the leverage ratio requirement are nevertheless expected to manage their leverage risk so that their leverage ratio – to be calculated based on the same rules as the in-scope firms - does not ordinarily fall below 3.25%.' The PRA expects banks not in scope of the leverage ratio requirement to meet the expectation with 75% CET1, i.e. the highest quality of capital.

Although not in scope for strict leverage ratio requirements, TBUK considers its ability to meet the above ratio as part of its core regulatory requirements.

The ratio is calculated as:

$$\frac{\text{Tier 1 capital after deductions}}{\text{Leverage ratio exposure measure}}$$

Where the leverage ratio exposure measure is the total of:

- On balance sheet assets as per financial statements excluding;
  - amounts held with the Bank of England; and
  - amounts deducted from capital as per notes 3 & 4 of Table 3.
- Off balance sheet items after application of the relevant Credit Conversion Factors (CCFs).

Table 11 below, shows information regarding TBUKs leverage ratio for the last 2 years. These are year-end, point-in-time leverage positions as opposed to averages over the year. A reconciliation of the Leverage ratio exposure measure to the on balance sheet :

Table 11: TBUK Leverage Ratio

	31-Dec-22 £'000	31-Dec-21 £'000
Leverage ratio	11.73%	11.56%
Tier 1 capital after deductions	185,772	177,905
Leverage ratio exposure measure	1,583,516	1,538,917
On balance sheet assets as per financial accounts	£1,876,832	£1,834,464
Central bank assets excluded from leverage ratio exposure measure	(£355,967)	(£371,286)
Amounts deducted from capital	(£1,120)	(£1,146)
Off balance sheet items after application of CCFs	£63,771	£76,885

6. LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR) is defined by the LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61), which also sets out the eligibility criteria for High Quality Liquid Assets ("HQLA"), and the stressed parameters for inflows and outflows.

The aim of the LCR is to ensure that Institutions have sufficient liquid assets to withstand a short-term liquidity stress of 30 days by comparing the Institution's HQLA holdings to its net outflow in a period of stress.

The LCR is calculated as follows: $\frac{\text{Liquidity buffer (HQLA)}}{\text{Net cash outflows over 30 day stress scenario}}$

Where the net liquidity outflow is determined by calculating a stressed outflow value and subtracting from this the stressed inflow which will take place over the next 30-day period. The stressed outflow is determined by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the supervisory rates at which they are expected to run off or be drawn down in the 30 day stress period. The stressed inflow is determined by applying inflow rates to the outstanding balances of various contractual receivables.

TBUK has an LCR requirement of 100%, and the ratio should not drop below this level.

As at 31 December 2022, TBUK's LCR was 442.7%. This is calculated as a total HQLA of £668.9m divided by net cash outflows of £151.1m.

Table 12, below, shows the average LCR based on end-of-month observations over the preceding 12 months for each quarter:

Table 12: TBUK Average Annual Liquidity Coverage Ratio by Quarter-End

	31-Mar-22 £'000	**30-Jun-22 £'000**	**30-Sep-22 £'000**	**31-Dec-22 £'000**
LCR	443%	419%	415%	416%
Liquidity buffer	593,150	608,957	621,424	581,332
Stressed outflow	176,713	184,950	187,441	172,484
Inflow	40,782	38,647	36,897	31,505
Net stressed outflow	135,931	146,303	150,544	140,979

As can be seen in Table 12, above, the average LCR over the last year has significantly exceeded the regulatory minimum. The minimum ratio was also exceeded in each of the individual months on which the average has been calculated.

7. NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to an Institution's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off-balance sheet items, and promotes funding stability.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") of a specific Institution is a function of the liquidity characteristics and residual maturities of the various assets held by that Institution as well as those of its off-balance sheet (OBS) exposures.

The NSFR is calculated as follows: $\frac{\text{Available stable funding}}{\text{Required stable funding}}$

Where Available stable funding is calculated by multiplying an Institution's different types of funding by an applicable weight which is representative of the stickiness of the funding and Required stable funding is calculated by multiplying each type of an Institution's assets by an applicable weight which takes into account the assets quality, tenor and liquidity value as well as bank behaviour.

Table 13, below, shows the average NSFR based on end-of-quarter observations over the preceding 12 months for each quarter of 2022:

Table 13: TBUK Average Annual Net Stable Funding Ratio by Quarter End

	31-Mar-22 £'000	**30-Jun-22 £'000**	**30-Sep-22 £'000**	**31-Dec-22 £'000**
NSFR ratio	161%	166%	171%	176%
Available stable funding	1,578	1,594	1,609	1,615
Required stable funding	979	962	944	919

As can be seen by Table 13, above, the average NSFR ratio over the last year has significantly exceeded this regulatory minimum.

The basis for calculating the NSFR changed in 2022 hence the first 3 quarters of the information in table 13 contain data points where a different approach was used. For clarity the point in time quarter end NSFR ratios for each of the 4 quarters in 2022 are shown below:

Table 14: TBUK Quarter end Net Stable Funding Ratios for 2022

	31-Mar-22 £'000	**30-Jun-22 £'000**	**30-Sep-22 £'000**	**31-Dec-22 £'000**
NSFR ratio	172%	173%	177%	181%
Available stable funding	1,598,926	1,602,416	1,621,241	1,637,537
Required stable funding	931,983	925,927	915,287	903,741

8. REMUNERATION POLICY AND PRACTICES

These disclosures are made in accordance with Article 450) 1) parts a) – d), h) & i) of the CRR.

Remuneration Policy

As a wholly owned subsidiary of Triodos Bank N.V., TBUK is closely aligned to the existing mission and business strategy of Triodos Bank. As a global pioneer in sustainable banking, Triodos Bank supports projects that benefit people and the planet and believes that banking can be used as a powerful force for good. As a value led organisation, the International Remuneration & Nomination Policy (the Policy) is based on the principle of human dignity and aims to enhance social coherence within the organisation. The policy applies to all business units of Triodos Bank, which includes TBUK. It applies to all co-workers with local interpretations at a country level to ensure compliance with local legislation and practices.

The key principles of the policy are:

Fair remuneration and social coherence

Remuneration within Triodos Bank aims to be gender neutral. Our view is that remuneration enables co-workers to earn a decent living and contribute to the organisation and society at large. Remuneration practices within Triodos Bank need to be within scope of what is expected in the financial sector, but at the same time maintain a relatively low ratio between the lower and higher level of salaries paid. Variable remuneration components are modest and discretionary and are not an incentive to favour the co-workers or Triodos Bank's own interest to the detriment of Triodos Bank's customers. This contributes to a strong sense of co-workers being jointly responsible for realising the mission of Triodos Bank.

Risk mitigation and avoiding conflicts of interest

The Policy aims to encourage business practice that lies within the risk appetite of Triodos Bank. Triodos Bank chooses not to have bonuses (variable remuneration based on predetermined targets or achievements) as this can enhance a culture of taking unjustified risk. The Policy recognises fixed salaries and limited variable remuneration on a discretionary basis.

The Policy is reviewed on an annual basis. The Group Director for Human Resources (HR) will assess the Policy in view of the values of Triodos Bank and the relevant regulations in the countries where Triodos Bank operates. At Group level, the Legal Department will monitor the legal developments and notify HR of any changes in regulation related to remuneration that need to be included in this Policy.

The Group Director of HR will present the reviewed Policy to the Group Executive Board after consultation with the Group Director for Internal Audit, Group Director for Compliance and Group CRO. After approval, the Remuneration Committee is consulted, who recommend to the Group Supervisory Board to approve the Policy. Execution of the Policy is audited by Internal Audit on an annual basis.

Link Between Pay and Performance

There are two main elements of remuneration for co-workers:

Fixed remuneration

- Fixed salaries – each co-worker's salary is based on the position of the role in the Job Family Framework. A salary table operates in each country and is based on the Job Family Framework. Co-worker salary levels aim to be within a median range, with the same scale for men and women; and
- Benefits (including pension and non-cash non-contractual benefits such as private healthcare).

Variable remuneration

- Tokens of appreciation (TOAs) – Triodos Bank believes linking performance to financial awards does not lead to desired results and behaviour. The TOAs can be individual or collective. Individuals are granted TOAs in retrospect for extraordinary achievements and the TOA cannot exceed one month's salary up to a maximum of €10,000 gross in one year. Collective TOAs may be paid for the overall achievements and contribution of all co-workers with a maximum €500 per year per co-worker. The

TOAs are subject to clawback arrangements. The members of Triodos Bank's Executive Board are excluded from these awards; and
- Severance payments – should be modest and follow local legislation or generally accepted norms. Severance payments to members of Triodos Bank's Executive Board do not exceed one year's salary.

Triodos Bank does not offer bonus or share option schemes to members of the Executive Board, the Supervisory Board, the Board of Stichting Administratiekantoor Aandelen Triodos Bank N.V (SAAT) or to co-workers.

Local Application of International Remuneration & Nomination Policy

At a local level, the UK Board is responsible for remuneration policy and governance of all matters relating to remuneration within TBUK. The UK Remuneration Guidelines provide a local interpretation of core elements of the Policy with respect to fixed salaries and TOAs. Remuneration was a specific agenda item for discussion at board a total of 7 times in 2022.

The total overall increase in TBUK's combined salaries is determined each year by the HR Director, CFO and CEO, who have the necessary skills to exercise the appropriate judgement with regards to remuneration policy and practices. Remuneration of locally defined roles, CEO, CMC and Local directors, is approved according to the RACI responsibilities outlined in the Policy.

Quantitative Disclosures

This section provides details of the remuneration of Material Risk Takers (MRTs) at TBUK for the year ending 31 December 2022. A detailed breakdown of all staff costs can be found in Note 5 of the Annual Report and Accounts.

MRTs are those individuals whose professional activities have a material impact on TBUK 's risk profile. MRTs are defined in the remuneration section of the PRA rulebook under section 3.1 (1) as follows:

- All members of the management body and senior management;
- Employees with managerial responsibility over the firm's control functions or material business units;
- Employees entitled to significant total remuneration in the preceding financial year, where:
    - that total remuneration was equal to or greater than £440,000 and equal to or greater than the average remuneration awarded to the members of the firm's management body and senior management referred to in (a); and
    - the employee performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the risk profile of a material business unit;
- Employees whose professional activities are deemed to have a material impact on the firm's risk profile under 3.2A and 3.3A

A re-assessment of which individuals are considered to be MRTs was conducted at TBUK this year with a narrowing of the scope to include just individuals who have the power to make decisions which could materially impact the risk profile of TBUK. This led to a reduction in the number of individuals identified as MRTs from the 27 in 2021 to 19 for 2022. This figure includes all members of the Board, Senior Management Team, Heads of relevant control functions and members of the Business Banking team with significant decision making responsibilities. The prior year figures have been restated to show the remuneration for this updated list.

Table 15 below, provides the breakdown of remuneration for the individuals who held these roles at year end. Fixed remuneration is defined as base salary and other benefits (such as pension and healthcare). Variable remuneration is defined as TOAs made in the financial period.

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Table 15: Remuneration

	31-Dec-22	31-Dec-21
	MRTs	**MRTs**
Number of staff	19	19
Fixed remuneration (£'000)	1,979	1,794
Variable remuneration (TOAs) (£'000)	2	-

No co-worker received variable or total remuneration in excess of £500,000.

Table 16 below provides information on any severance payments made to any individuals who were acting in MRT identified roles during the 2 reference periods.

Table 16 Severance payments

	31-Dec-22	31-Dec-21
	MRTs	**MRTs**
Number of staff	2	0
Severance pay	30	0
Highest amt paid	24	0

* All severance payments relate to Payment in Lieu of Notice

** The 2 individuals who received severance payments in 2022 are not included in the figure of 19 staff reported in Table 14 as this figure is representative of the number of MRT roles as opposed to the number of staff who held the roles at any point during the year