Sucden Financial Hamburg GmbH

Investment Firms Regulation Disclosures

For the Year Ended 31st December 2024

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Section 1: Background and Basis of Preparation

1.1 Business Background

Sucden Financial Hamburg GmbH (hereinafter "the Firm" or "SFH") GmbH is registered in the Hamburg commercial register under the number HRB 179298, as an investment services company within the meaning of Section 2 (1) of the German Securities Trading Act (WpHG). SFH's registered office is located at Kaiserkai in Hamburg. The Firm does not have any subsidiaries or branches.

On 27 March 2024, the German Federal Financial Supervisory Authority (hereinafter "BaFin") granted the Firm permission to provide investment services – investment brokerage, investment advice, proprietary trading - and ancillary services – advising companies on capital structure, foreign exchange, creating recommendations for investment strategies, services related to an underlying asset, acquisition and disposal of financial instruments for its own account, distribution of own financial instruments – in accordance with Section 15 (1) of the German Securities Services Act (hereinafter WpIG). The Firm is registered in the BaFin register under ID 10161993.

The Firm is a majority-owned subsidiary (64%) of Sucden Financial Limited (hereinafter "SFL"). SFL was founded in 1973 and is headquartered in London, United Kingdom of Great Britain and Northern Ireland (UK). SFL is the brokerage arm of Sucden group, a commodity trading group, with its parent company Sucres et Denrées S.A. SFL is authorised and regulated in the UK by the Financial Conduct Authority. The minority shareholder (36%) of the Firm is Varsano, a French soc*iété civile* which has its seat in Paris and which is a shareholder of Sucres et Denrées S.A.

The Firm is a Category four member of the London Metal Exchange (hereinafter "LME") and may trade LME contracts on its own account and for clients but it is not a clearing member of the exchange. Clearing of contracts on the LME is done via the parent company, SFL, who is a Category one member of the LME.

In 2024, the Firm's focus was to complete its operational set-up and it did not engage in trading activities during this year. Trading commenced on 2 January 2025.

1.2 Scope

These disclosures have been prepared to meet the regulatory disclosure requirements set out in Part Six of the Investment Firms Regulation (EU) 2019/2033 (the "IFR"). They relate to the activities and positions of SFH for the year ended 31 December 2024, being the end of the relevant financial reporting period.

The disclosures are published annually, alongside the Management Report and the Annual Financial Statements, in accordance with applicable regulatory guidance, and are available on Sucden's corporate website.

This document has been prepared by the Firm in accordance with the requirements referred to above. Unless otherwise stated, all figures are presented as at the 31 December 2024. The disclosures have not been audited by SFH's external auditors, except where the information corresponds to that included in the audited annual financial statements for the year ended 31 December 2024.

Section 2: Governance

2.1 Overview

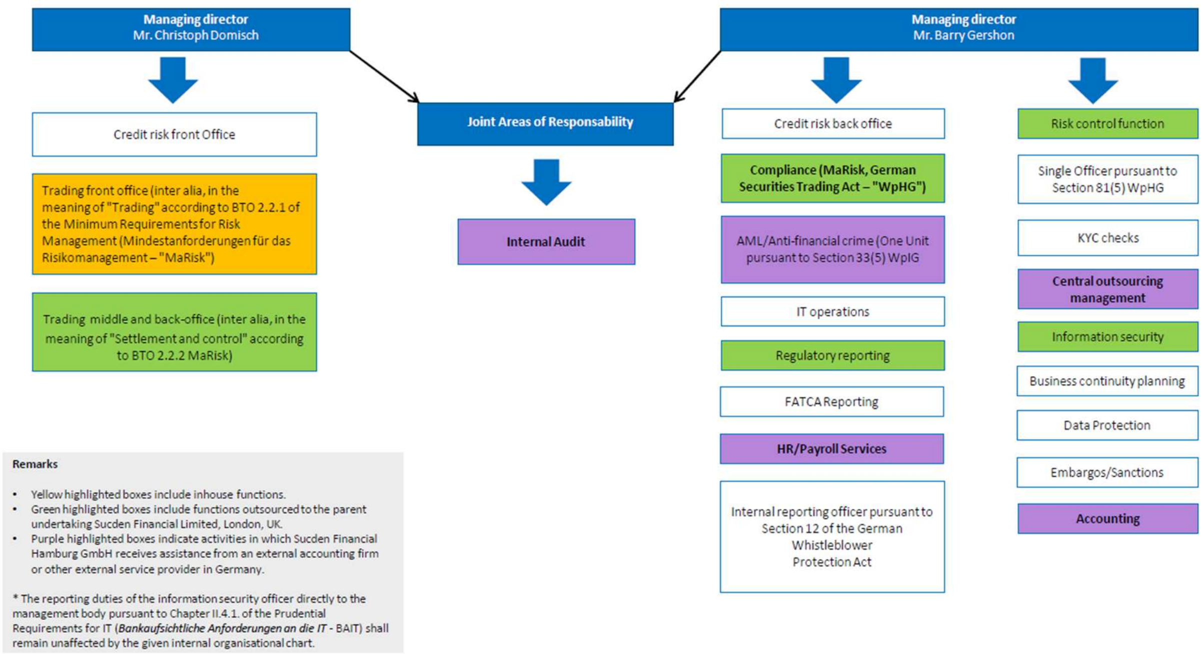
The Firm considers that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that risks to the Firm, its stakeholders and the wider market are identified, managed and mitigated.

The Managing Directors have overall responsibility for the Firm and are therefore responsible for defining and overseeing the governance arrangements at the Firm.

To meet its responsibilities, the Management Board meets periodically as required, and, amongst other things, approves and oversees implementation of the Firm's strategic objectives and risk appetite; ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system; assesses the adequacy of policies relating to the provision of services to clients; and provides oversight of the Firm's senior management.

2.2 The Management Board

The chart below shows the areas of responsibility held by each of the Managing Directors.



The below table provides the number of other directorships held by each member of the Management Board.

Name	Position at Firm	Number of other Directorships	
		Executive	Non-Executive
Christoph Domisch	Managing Director	-	-
Barry Gershon	Managing Director	-	-

2.3 Structure of the Management Board

The Firm ensures that the Management Board:

- has overall responsibility for the Firm;
- approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
- ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- oversees the process of disclosure and communications;
- has responsibility for providing effective oversight of senior management;
- monitors and periodically assesses:
    - the adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
    - the effectiveness of the Firms' governance arrangements; and
    - the adequacy of the policies relating to the provision of services to Clients; and take appropriate steps to address any deficiencies and
- has adequate access to information and documents which are needed to oversee and monitor management decision-making.

The Firm ensures that the Management Board defines, approves and oversees:

- the organisation of the Firm, including the skills, knowledge and expertise required by staff as well as the Firm's resources, procedures and arrangements;
- a policy regarding the services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Firm and the characteristics and needs of the Firm's Clients, including carrying out stress testing, where appropriate; and
- a remuneration policy that aims to encourage responsible business conduct, fair treatment of Clients as well as avoiding conflicts of interest in the relationships with Clients.

Appointments to the management Board will be made on the basis of merit, taking into account technical competence, professional experience and behavioural skills, while also considering the overall balance, diversity and composition of the management body. SFH will value diversity and inclusion in the selection of members, recognising that a mix of skills, experience and perspectives supports effective governance and sound decision-making.

The Firm does not apply quantitative diversity targets. Instead, diversity objectives will be embedded within the suitability and appointment process, through which the collective knowledge, skills, experience and perspectives of the management body will be considered.

Section 3: Risk Management Framework

3.1 Risk Management Objectives

In accordance with the type, scope, complexity and risk content of SFH's business activities, the Firm has policies and procedures regarding the organisational and operational structure and how these risk management and controlling processes (identification, assessment, management, monitoring and communication) are to be set up.

The risk controlling function is outsourced to SFL. The compliance function is outsourced to Schulz & Cie. GmbH.

The risk manager prepares a risk report on a regular basis, at least quarterly, based on a risk inventory, which is carried out annually and on an ad-hoc basis if necessary, and makes it available to the Management Board. It supports the Management Board in all risk policy issues, in particular in the development and implementation of the risk strategy and in the design of the risk-monitoring infrastructure. It is responsible for the ongoing supervision of the risk profile and the risk-bearing capacity of the institution as well as enforcing adherence to the defined risk limits. It is also responsible for the processes for the immediate communication of information to the Management Board that is significant from a risk perspective.

SFH has outlined its risk management in the business plan and in a risk guideline, which defines individual responsibilities. It describes risk management as well as the risk-bearing capacity concept and the calculation of the risk cover funds.

SFH's risk management has four main objectives:

1. Shaping the Firm's risk appetite;
2. Promoting a risk-oriented culture and open communication throughout the Firm;
3. Ensuring that effective and robust risk management procedures are in place; and
4. Assign clear responsibilities and ensure that the risk management framework has been appropriately developed and embedded within the organisation.

Each business area and support function is required to identify, assess and record all risks in their area of responsibility by carrying out a comprehensive risk and control process (RCSA) as set out in the Firm's respective policies. The results of these RCSAs are then combined to form the overall risk register. The risk register is not only part of the risk management framework, but also an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), as it is used to determine whether there are additional risks, that require additional capital coverage beyond the risks addressed in the Pillar 1 capital requirement. This ensures that the ICAAP is consistent with and reflects the risk profile of the Firm. The risk register is reviewed on an ongoing basis and updated by the heads of the firm's business divisions and support functions at least once a year and more frequently if a triggering event (e.g. new business, new regulations, restructuring, identification of a new risk) occurs.

The risk controlling function reports quarterly, annually and as required. Quarterly meetings are also held for the internal monitoring and management of risks. The meetings are chaired by the managing directors and attended by Compliance, Human Resources, Risk Management and other attendees as appropriate.

The firm has not established a separate risk committee, as Article 28(4) of the IFR applies only to investment firms that do not meet the criteria set out in Article 32(4)(a); SFH falls below the asset threshold specified in Article 32(4)(a), with average on- and off-balance sheet assets of EUR 100 million or less over the relevant four-year period, and is therefore not required to establish a separate risk committee.

3.2 Principal Risks

The Firm has a risk management policy in place which identifies, assesses and mitigates risks to maximise business objectives. The policy covers risk to client, risk to market, risk to firm, liquidity risks and other risks.

The risk controlling function of the Firm ensures compliance with the European Central Bank's requirements in respect of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The ICAAP and ILAAP are used to draw practical conclusions and take preventive action, to determine capital allocation and to ensure the continued effectiveness of the Risk Appetite Framework (RAF).

The Firm's main areas of risk as a financial institution are deemed to be:

1. Risk of damage to clients

The Firm does not hold client money or have assets under management or safeguarded. Moreover, the Firm is trading under its own name, therefore there is no risk arising from handling clients' orders.

2. Market risk

Due to hedging all proprietary positions through its parent, the Firm is not subject to net position risk.

3. Counterparty credit risk

The Firm is also not subject to trading counterparty default risk, as the LME-Traded Derivative Contracts are directly or indirectly cleared through LME Clear Ltd, a qualifying third country Central Counterparty.

The Firm is exposed to daily trading flow risk, as all client orders are executed by the Firm through proprietary trading.

Regarding the concentration risk, the Firm has no relevant exposures in its trading book to be considered.

4. Liquidity risk

The Firm monitors its liquidity on a regular basis. Its parent is able to provide additional funding to cover liquidity shortfalls if these were to arise.

5. Operational risk

The Firm has adopted the definition of operational risk used by the Basel Committee on Banking Supervision according to which "operational risk means the risk of loss from inadequate or failed internal processes, people and systems or from external events". The definition refers to ‘loss’ which not only includes financial loss, but also other negative effects on the Firm such as legal, regulatory, business efficiency and reputational impact, all of which are managed in accordance with a specific operational risk management policy.

The management of the Firm has a low overall operational risk appetite. Management recognises that operational risk arises directly from the business strategy of the Firm and cannot therefore be eliminated totally. Through the operational risk management policy, management seeks to promote awareness of operational risk throughout the institution, to enforce the limits of the respective risk appetite, and to assign responsibility for managing, reporting and mitigating operational risk.

6. Capital risk

Capital risk is defined as the risk that the Firm does not meet its regulatory capital requirements, including the own funds requirements. The Firm’s minimum capital requirement is TEUR 750. At 31 December 2024 SFH held TEUR 2.873, significantly in excess of the minimum requirements.

7. Regulatory risk

The Firm has established a corporate governance system in accordance with Section 41 of the German Securities Trading Act (WpIG) (Internal Corporate Governance). This is based on the guidelines on internal governance (Directive (EU) 2019/2034).

The Firm has an independent compliance function that advises management, issues guidance, conducts training on compliance and regulatory issues, and monitors and audits business activities.

8. Cyber risk

Cyber risk is defined as threats to Firm which are posed by modern information and communication technology such as computers and the internet.

Cyber risk is monitored and controlled by IT operations, the information security officer as well as the risk control function, in each case within the scope of their respective responsibility.

Section 4: Regulatory Capital Requirements

4.1 Overview

Pursuant to Article 11(1) IFR, as a medium-sized investment institution, SFH is required to have at all times own funds in accordance with Article 9 IFR which amount to at least the amount of "D", where "D" is defined as the highest of the following:

(1) The permanent minimum capital requirement of SFH calculated in accordance with Article 14 IFR;

(2) The fixed overheads requirement of SFH calculated in accordance with Article 13 IFR; or

(3) The K-factor requirement of SFH calculated in accordance with Article 15 IFR.

In detail:

Permanent minimum capital requirement

The permanent minimum capital requirement amounts to at least the levels of initial capital specified in Article 9 of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (Investment Firms Directive – "IFD") (Article 14 IFR).

For SFH, the initial capital amounts to EUR 750,000 as SFH in line with its licence for proprietary trading.

Fixed overheads requirement

The fixed overheads requirement amounts to at least one quarter of the fixed overheads of the preceding year (Article 13(1) IFR).

Generally, investment firms use figures resulting from the applicable accounting framework. However, where an investment firm has not been in business for one year from the date on which it started providing investment services or performing investment activities, it shall use, for the purpose of the calculation, the projected fixed overheads included in its projections for the first twelve months' trading, as submitted with its application for authorisation (Article 13(3) IFR).

K-factor requirement

Pursuant to Article 15(1) IFR, the K-factor requirement amounts to at least the sum of the following:

(1) The Risk-to-Client (RtC) K-factor requirement calculated in accordance with Article 16 *et seqq*. IFR;

(2) The Risk-to-Market (RtM) K-factor requirement calculated in accordance with Article 21 *et seqq*. IFR; and

(3) The Risk-to-Firm (RtF) K-factor requirement calculated in accordance with Article 24 *et seqq*. IFR.

The RtC K-factor requirement is determined by the sum of K-AUM, K-CMH, K-ASA and K-COH (Article 16 IFR).

The RtM K-factor requirement for the trading book positions of an investment firm dealing on own account, whether for itself or on behalf of a client, shall be either K-NPR or K-CMG (Article 21(1) IFR). The RtM K-factor requirement applies to all trading book positions, which include in particular positions in debt instruments (including securitisation instruments), equity instruments, collective investment undertakings (CIUs), foreign exchange and gold, and commodities (including emission allowances) (Article 21(2) IFR). For the purpose of calculating the RtM K-factor requirement, an investment firm shall include positions other than trading book positions where those give rise to foreign exchange risk or commodity risk (Article 21(3) IFR).

The RtF K-factor requirement is determined by the sum of K-TCD, K-DTF and K-CON (Article 24 IFR).

According to its business model, upon commencement of trading, the various K-factor requirements will be applicable to SFH as follows:

(1) <u>RtC K-factor requirement</u>:

(a) <u>K-AUM</u>: SFH will not be subject to K-AUM as it will have no AUM. 'AUM' or 'assets under management' means the value of assets that an investment firm manages for its clients under both discretionary portfolio management and nondiscretionary arrangements constituting investment advice of an ongoing nature (Article 4(1) point (27) IFR). SFH does have a licence to provide discretionary portfolio management. In addition, SFH is not planning to enter into advisory agreements under which it will provide investment advice on an ongoing basis;

(b) <u>K-CMH</u>: SFH will not be subject to K-CMH as it will not hold client money. 'CMH' or 'client money held' means the amount of client money that an investment firm holds (Article 4(1) point (28) IFR). SFH will not hold any client money;

(c) <u>K-ASA</u>: SFH will not be subject to K-ASA as it will have no ASA. 'ASA' or 'assets safeguarded and administered' means the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts (Article 4(1) point (29) IFR). SFH does not have a licence for the safekeeping and administration of assets;

(d) <u>K-COH</u>: SFH will not be subject to K-COH as it will have no COH. 'COH' or 'client orders handled' means the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients (Article 4(1) point (30) IFR). However, Article 20(2) subparagraph 6 IFR provides that COH shall exclude transactions executed by the investment firm in its own name either for itself or on behalf of a client. Since all transactions in financial instruments will be executed by SFH acting in its name, including in particular where SFH provides the execution of client orders in LME-Traded Derivative Contracts, SFH currently does not plan with any client orders that may result in COH. Instead, all client orders will be reflected in K-DTF (see below);

(2) RtM K-factor requirement:

(a) K-NPR: In accordance with Article 21 IFR, SFH will calculate its RtM K-factor requirement on the basis of K-NPR. However, SFH does not expect to calculate K-NPR as it will not have any NPR. 'NPR' or 'net position risk' means the value of transactions recorded in the trading book of an investment firm (Article 4(1) point (34) IFR). As SFH will not have any net positions in its trading book (due to all proprietary positions being hedged through SFL), the value of NPR is expected to be be zero;

(b) K-CMG: In accordance with Article 21 IFR, SFH will not elect to use K-CMG instead of K-NPR;

(3) RtF K-factor requirement:

(a) K-TCD: SFH will not be subject to K-TCD. 'TCD' or 'trading counterparty default' means the exposures in the trading book of an investment firm in instruments and transactions referred to in Article 25 IFR giving rise to the risk of trading counterparty default (Article 4(1) point (35) IFR). Article 25 IFR however does not apply to derivative contracts directly or indirectly cleared through a central counterparty (CCP) where all of the conditions referred to in Article 25(1) subparagraph 1 point (a)(i) IFR are met. Article 25(1) subparagraph 2 IFR clarifies that, for the purposes of point (a)(i) of the first subparagraph, derivative contracts directly or indirectly cleared through a QCCP shall be deemed to meet the conditions set out in that point. A 'QCCP' or 'qualifying central counterparty' is defined in Article 4(1) point (45) IFR as a qualifying central counterparty within the meaning of Article 4(1) point (88) CRR, which is in turn defined as a central counterparty that has been either authorised in accordance with Article 14 of Regulation (EU) No 648/2012 ("**EMIR**") or recognised in accordance with Article 25 EMIR. All of the LME-Traded Derivative Contracts in relation to which SFH books any exposures in its trading book are directly or indirectly cleared through LME Clear Ltd. LME Clear Ltd. has been recognised by the European Securities and Markets Authority ("**ESMA**") as a qualifying third country CCP in accordance with Article 25 EMIR. Therefore, there are no trading book exposures to be recognised for the purposes of TCD;

(b) K-DTF: SFH will be subject K-DTF. K-DTF refers to DTF. 'DTF' or 'daily trading flow' means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled (Article 4(1) point (33) IFR). As all client orders will be executed by SFH by way of proprietary trading, these will have to be included under DTF. In addition, any foreign exchange hedging transactions carried out by SFH in the form of proprietary business will also be part of DTF;

(c) K-CON: Concentration risk reporting is the risks an investment firm is exposed to through its trading book positions due to the default of counterparties. This leads in to the calculation of K-CON, an additional own funds requirement due to the exposures the investment firm has on its balance sheet. This is in line with the definition of 'concentration risk' in Article 4(1) point (31) IFR where: 'concentration risk' or 'CON' means the exposures in the trading book of an investment firm to a client or a group of connected clients the value of which exceeds the limits in Article 37(1) IFR. Given the fact that SFH does not have K-TCD, as explained above, it has no relevant exposures in its trading book to consider the five largest positions. Similarly, as SFH has no K-NPR as its own proprietary trading is cash settled every day there is no exposure to consider here either. It is therefore considered that SFH will not be subject to K-CON.

As a result thereof, from inception of trading on 2 January 2025, SFH will be subject to K-DTF only from a K-factor requirement perspective.

Relevant own funds requirement

For SFH, the permanent minimum capital requirement is the highest and thus the relevant own funds requirement. Accordingly, SFH was subject throughout 2024 to own funds requirements within the meaning of Article 11(1) IFR (D), being EUR 750,000.

4.2 Approach to capital adequacy assessment

The risk controlling function of the Firm ensures compliance with the European Central Bank's requirements in respect of the Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP is linked to SFH's business and risk strategy, with suitable risk management and risk controlling processes to ensure that the material risks are covered by the risk taking potential at all times, taking into account any correlation between risks where appropriate, and that the Firm is therefore able to bear its material risks.

Section 5: Own Funds – Resources and Requirements at 31 December 2024

5.1 Own Funds Resources

As at 31 December 2024, the Firm maintained own funds of EUR 2,872,745. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Lines	Common Equity Tier 1 (CET1) capital: instruments and reserves	Amount (EUR)	Source based on reference letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	2,872,745	d)
2	**CORE CAPITAL (T1)**	2,872,745	d)
3	**COMMON EQUITY TIER 1 CAPITAL**	2,872,745	d)
4	Fully paid-up capital instruments	750,000	a)
5	Premium		
6	Retained earnings	-727,255	c)
7	Accumulated other comprehensive income		
8	Other reserves	2,850,000	b)
9	Minority interest given recognition in CET1 capital		
10	Deductions and adjustments due to adjustments to common equity tier 1 capital (prudential filters)		
11	Other funds		
12	(-) TOTAL DEDUCTIONS FROM CORE CAPITALISATION		
13	(-) Own instruments of common equity tier 1 capital		
14	(-) Direct holdings in Common Equity Tier 1 instruments		
15	(-) Indirect holdings in Common Equity Tier 1 instruments		
16	(-) Synthetic positions in Common Equity Tier 1 instruments		
17	(-) Losses of the current financial year		
18	(-) Goodwill		
19	(-) Other intangible assets		
20	(-) Deferred tax assets that depend on future profitability and do not result from temporary differences, less related tax liabilities		
21	(-) Qualifying participation outside the financial sector exceeding 15% of own funds		
22	(-) Total amount of qualifying holdings in undertakings other than financial sector undertakings exceeding 60 % of own funds		

23	(-) Common Equity Tier 1 instruments of financial sector entities in which the investment firm does not have a significant investment		
24	(-) Common Equity Tier 1 instruments of financial sector entities in which the investment firm has a significant investment		
25	(-) Assets from defined benefit pension funds		
26	(-) Other deductions		
27	Common Equity Tier 1 capital: Other components of capital, deductions and adjustments		

The Firm does not have Additional Tier 1 or Tier 2 capital.

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to above template**
		As at 31 December 2024	As at 31 December 2024	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in EUR)				
1	Loans and advances to banks, repayable on demand	3,602,142		
2	Investments	144,785		
3	Property, plant and equipment	3,459		
4	Prepaid expenses and deferred charges	6,581		
	Total Assets	**3,756,967**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in EUR)				
1	Other liabilities	750,728		
2	Other provisions	133,494		
	Total Liabilities	**884,222**		
Shareholders' Equity (in EUR)				
1	Subscribed Capital	750,000		a)
2	Capital Reserve	2,850,000		b)
3	Accumulated Loss	-727,255		c)
	Total Shareholders' equity	**2,872,745**		d)

Own funds: main features of own instruments issued by the Firm	
The main features of the own funds issued by the Firm issued are highlighted below:	
Placement	Private
Instrument type	Common Ordinary Shares
Amount recognised in regulatory capital (EUR, as of most recent reporting date)	EUR 750,000
Accounting classification	Allotted, called up and fully paid share capital
Perpetual or dated	Perpetual

5.2 Own Funds Requirements

The below table illustrates the various components of the Firm's Minimum Capital Requirements at 31 December 2024:

Requirement	**EUR**
(A) Permanent Minimum Capital Requirement	750,000
(B) Fixed Overhead Requirement	388,147
(C) K-factor requirement (See Note below)	-
Own Funds Requirement (Max [A; B; C])	**750,000**

Note: As at 31 December 2024, the Firm was not yet trading. Trading activities commenced on 2 January 2025.

Section 6: Remuneration Policy and Practices

6.1 Overview

Due to the provisions of the Ordinance on the Supervisory Requirements for Remuneration Systems of Medium-Sized Securities Institutions (Wertpapierinstituts-Vergütungsverordnung - WpIVergV), SFH is obliged to apply a remuneration system that must fulfil the following legal and regulatory requirements:

- § 41 WpIG Internal corporate governance
- § 46 WpIG Remuneration system
- WpIVergV: Securities Institutions Remuneration Ordinance
- BT 8 MaComp: Requirements for remuneration systems in connection with the provision of investment services and ancillary investment services

6.2 Risk taker identification and risk takers

Risk takers, within the meaning of the Securities Institutions Remuneration Ordinance, are managers as defined in Section 2(36) of the Securities Institutions Act, as well as all employees of a securities institution whose professional activities have a material impact on the risk profile of the institution or on the assets it manages.

Investment firms are required to identify all risk takers under their own responsibility, based on a risk analysis. The criteria set out in Delegated Regulation (EU) 2021/2154 are determinative for the assessment of risk takers. Where the specific characteristics of an investment firm's risk profile so require, the firm must apply additional internal criteria to ensure that all risk takers are appropriately identified.

Based on the quantitative and qualitative criteria set out in Articles 3 and 4 of Delegated Regulation (EU) 2021/2154, SFH has identified the following key risk takers and the basis on which they are currently contracted to provide services:

SFH Employed Functions:

- Managing Directors

Outsourced Functions:

- MaRisk compliance function;
- WpHG compliance function;
- MLRO and AFCO;
- Embargo / Sanctions Officer;
- Outsourcing Officer.
- Information risk manager;
- CISO;
- Business Continuity Manager;
- Internal audit;
- Risk controlling function;
- Finance;
- Regulatory Reporting and Transaction Reporting;
- Human Resources;

- FATCA Reporting Officer;
- Head of Back Office Operations; and
- Single officer function.

All outsourced functions are conducted under formal agreements that align with SFH's risk management principles and safeguard the independence of critical functions. These agreements ensure that the individuals performing outsourced activities are not subject to variable remuneration linked to the financial performance of SFH. As a result, no incentives exist that could compromise the quality or effectiveness of the risk control environment.

6.3 Remuneration systems

6.3.1 Objective criteria for the appropriateness of remuneration

Fixed and variable (performance-related) remuneration is combined in the remuneration of SFH managers and employees.

Total remuneration is geared towards sustainable corporate development.

The total remuneration of the managing directors and employees must be both objective and appropriate in an internal and external comparison.

The remuneration of an employee is objectively appropriate if, from an objective economic point of view, it is proportionate to the value added by the employee within SFH or the parent's group as a whole. The following factors, among others, must be taken into account:

- Actual performance of the employee,
- Qualifications, experience and performance of the employee,
- Type and scope of the activities assigned to him/her,
- The responsibilities associated with the position and the importance of the position in the SFH business model,
- range of services and management responsibility.

The total remuneration of employees is appropriate in an internal comparison if the following criteria are met:

- The remuneration of comparable employees within the Firm and the parent's group is at a similar level.
- There is an appropriate gradation upwards or downwards compared to other employees.
- Employee remuneration takes account of personal development over time.

The total remuneration of employees is appropriate in an external comparison if the remuneration (taking into account any leeway) corresponds to the remuneration of corresponding employees at comparable institutions (small and medium-sized investment firms).

The total remuneration for the employees of the control units must also be calculated in such a way that, on the one hand, appropriate qualitative and quantitative staffing is ensured and, on the other hand, the focus is on fixed remuneration. To avoid conflicts of interest, the fixed remuneration for members of the control functions is disproportionately weighted in comparison to the market units.

The total remuneration of the managing directors must be commensurate with the tasks, the situation of the Firm and the performance of the respective managing director. It must not exceed the customary remuneration. The level of customary remuneration must be assessed in an internal (vertical) and external (horizontal) comparison.

If, after the total remuneration of the managing directors has been determined, the situation of SFH deteriorates to such an extent that the continued payment of the managing directors' remuneration would be unreasonable, the supervisory body may reduce the remuneration to an appropriate level. At SFH, these are the shareholders.

6.3.2 Fixed remuneration components

The fixed remuneration components form the main part of the remuneration.

The fixed remuneration components are calculated in such a way that managers and employees have a sufficient and reliable entitlement that meets their personal needs and binds them to the Firm in the long term. This ensures that there is no significant dependence on variable remuneration components.

The fixed remuneration includes the following components in particular:

- The monthly fixed salary,
- In individual cases, the payment of employer contributions to voluntary Firm pension schemes, subsidies for private health, dental and accident insurance and other comparable benefits.
- Payment of D&O insurance premiums for managing directors and risk takers.

The volume of the fixed remuneration components must be both objective and appropriate in an internal and external comparison.

6.3.3 Variable remuneration components

The fixed remuneration components are supplemented by variable, performance-related payments (bonus).

The total annual amount of variable remuneration for the managing directors is determined by the supervisory body. The managing directors are generally responsible for the total annual amount for other employees.

When determining the total annual amount of variable remuneration for the Managing Directors and employees, the Managing Directors and the shareholders of SFL take the following factors into account:

- The Firm's risk-bearing capacity, multi-year capital planning and earnings situation,

- Whether the Firm is able to maintain or restore adequate capital and liquidity in the long term.

The allocation of the bonus pool to employees is at the discretion of the managers (discretionary bonus). The basis for the individual allocation of variable payments to employees is the achievement of the personal targets agreed in the regular employee appraisals, the results of the business divisions and the results of the Firm as a whole. Particular attention must be paid to consistency with the business and risk strategy. In addition, performance that contributes to the sustainable development of the institution in line with its strategy is to be given greater consideration than short-term contributions.

Neither minimum premiums nor guaranteed premiums may be set.

Payment of the variable remuneration is subject to a review of compliance-compliant and proper conduct in accordance with the provisions of the SFH Compliance Manual and other organisational guidelines. In the event of breaches of compliance rules or serious misconduct (e.g. non-discriminatory behaviour, immoral behaviour), the bonus may be reduced or cancelled entirely.

Non-financial criteria (e.g. contribution to the achievement of the institution's strategic objectives, leadership qualities, teamwork, cooperation with other organisational units, etc.) are taken into account when assessing the individual's contribution to performance.

Bonuses for employees who exercise a control function or belong to the administrative area may not be directly dependent on the results of the business unit.

In individual cases, special payments may be granted for special achievements. The amount of the voluntary special payments must not provide an incentive to take disproportionately high risks.

The variable remuneration for the managing directors of SFH is determined by the supervisory body, i.e. the shareholders, at their discretion (discretionary bonus). It is based, among other things, on the contribution to sustainable corporate development in terms of the corporate strategy, the economic situation and future prospects of the Firm, the quality of the organisation, risk-oriented actions and personal performance (including non-financial criteria as listed above). The shareholders also based their assessment on the development of the Firm over the last three financial years (multi-year assessment basis). In addition, the requirements for appropriate total remuneration also apply ("Total remuneration and remuneration components").

The bonus payment for the managing director, who has been given responsibility for back office, monitoring and risk management, must not be directly dependent on the Firm's results.

Variable remuneration components are only paid if, among other things, SFH does not receive extraordinary financial support from public funds within the meaning of the German Reorganisation and Winding-up Act pursuant to Section 46 para. 2 WpIG.

6.3.4 Regulation for severance payments

SFH implements the requirements of Section 6 (4) and Section 13 (1) sentence 2 no. 3 Securities Institution Remuneration Regulation (WpIVergV) and Article 32 of the Investment Firms Directive (IFD)

SFH's shareholders are responsible for determining and approving severance payments. The MaRisk Compliance Officer verifies that the approval procedures are properly followed and meet the requirements of the remuneration system. Regulations are agreed with the MaRisk Compliance Officer's control plan, which is updated annually.

All severance payments are reviewed and approved by the shareholders of SFH. Severance payments that exceed the threshold of €200,000 (Section 6 (4) no. 3 WpIVergV) require the separate approval of BaFin.

6.4 Quantitative Remuneration Disclosures

During 2024 the Firm had not commenced its trading activities. Accordingly there were no employees at SFH in the 2024 financial year; and there were no employees whose remuneration amounted to 1 million € or more in the financial year and who had to be disclosed in accordance with Art. 450 (1) (i) Regulation (EU) 575/2013.

Section 7: Investment Policy

For the financial year ending 31 December 2024, SFH did not have any investments meeting the requirements laid out in Article 52 (2) of IFR. As such, SFH has not prepared the template provided in Annex II – Instructions on disclosure of investment policy by investment firms - of the IFR.