



**Sucden Financial Limited**

**MIFIDPRU 8 Disclosure**

**31<sup>st</sup> December 2025**

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## Glossary

Term / Abbreviation	Definition
1LoD	First Line of Defence – business units and support functions responsible for identifying, owning and managing risks on a day-to-day basis.
2LoD	Second Line of Defence – independent oversight functions responsible for risk oversight, challenge and monitoring, including Risk, Compliance, Cyber & Resilience functions.
3LoD	Third Line of Defence – Internal Audit, providing independent assurance over governance, risk management and internal controls.
ALCO	Asset and Liability Committee.
BLAR	Basic Liquid Assets Requirement under MIFIDPRU.
Board	The Board of Directors of Sucden Financial Limited.
CASS	Client Assets Sourcebook issued by the FCA.
CET1	Common Equity Tier 1 Capital.
FCA	Financial Conduct Authority.
FOR	Fixed Overheads Requirement, being one of the components of the Own Funds Requirement under MIFIDPRU.
FY25	Financial year from 1 January 2025 to 31 December 2025.
ICE	Intercontinental Exchange.
KFR	K-Factor Requirement, being the capital requirement calculated under the K-Factor methodology prescribed by MIFIDPRU.
LATR	Liquid Assets Threshold Requirement.
LME	London Metal Exchange.
MRT	Material Risk Taker, as defined under the FCA Remuneration Code.
MIFIDPRU	The FCA Prudential Sourcebook for MiFID Investment Firms.
MIFIDPRU 8	Chapter 8 of MIFIDPRU, setting out public disclosure requirements for investment firms.
Non-SNI	Non-Small and Non-Interconnected investment firm, as defined in MIFIDPRU.
OFAR	Overall Financial Adequacy Rule under MIFIDPRU.
OFR	Own Funds Requirement, being the highest of the PMR, FOR or KFR.
OFTR	Own Funds Threshold Requirement, determined through the ICARA process and representing the level of own funds required to meet regulatory requirements.
PMR	Permanent Minimum Requirement, being the minimum level of own funds required under MIFIDPRU.
RMF	Risk Management Framework.
S&D	Sucres et Denrées Group.
SFL	Sucden Financial Limited.
SMF	Senior Management Function under the FCA Senior Managers and Certification Regime (SM&CR).
ToR	Terms of Reference.

<b>Term / Abbreviation</b>	<b>Definition</b>
Wind-Down	The process of ceasing regulated activities in an orderly manner while meeting obligations to clients, counterparties and regulators.
ICARA	Internal Capital Adequacy and Risk Assessment process required under MIFIDPRU, through which firms assess their own funds and liquidity adequacy.
Own Funds	Regulatory capital resources available to meet prudential requirements under MIFIDPRU.
Liquidity Assessment A	Assessment of liquid assets required to support ongoing operations, including stressed conditions.
Liquidity Assessment B	Assessment of liquid assets required to facilitate an orderly wind-down of the business.
Own Funds Assessment A	Assessment of additional own funds required to address risks and harms not adequately captured by the K-Factor Requirement.
Own Funds Assessment B	Assessment of additional own funds required to support an orderly wind-down of the business.

## Section 1: Purpose

The Financial Conduct Authority ('FCA') in its Prudential Sourcebook for MiFID Investment Firms ('MIFIDPRU'), sets out the detailed prudential requirements that apply to Sucden Financial Ltd ('the Firm' or 'SFL'). Chapter 8 of MIFIDPRU ('MIFIDPRU 8' or the 'public disclosures requirements') sets out the public disclosure obligations with which the Firm must comply.

The Firm is classified under MIFIDPRU as a non-small and non-interconnected investment firm ('non-SNI MIFIDPRU investment firm') £750k firm. Accordingly, MIFIDPRU 8 requires the Firm to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements;
- Remuneration policy and practices; and
- Investment policy.

These disclosures have been prepared on an individual basis for SFL and cover the financial position for the year starting on 1st of January 2025 and ending 31st of December 2025. These disclosures have not been audited by SFL's external auditors except where the information is equivalent to that included in the 31 December 2025 audited annual accounts. These disclosures have been reviewed by the relevant business areas of SFL and taken through the appropriate governance with the final approval of SFL Board. All the figures provided were subject to four eyes check conducted by the relevant functions.

## Section 2: Overview of Sucden Financial Ltd

Established in 1973 as the London brokerage subsidiary of Sucres et Denrées, SFL is one of the largest independently owned brokers.

SFL's main business and main source of income is standard brokerage. SFL primarily aims to offer clients global access to markets (market intelligence, execution, clearing, and market making) through its own exchange memberships and through third party broker relationships. SFL is one of the eight Category 1 Ring-dealing members on the London Metals Exchange ('LME') and is also a member of the Intercontinental Exchange ('ICE'). In addition, SFL is a member of three Central Clearing Parties – LME Clear, ICE Clear Europe and Eurex Exchange.

Having access to the world's major exchanges, SFL enables its clients to trade on a wide range of markets:

- Industrial Commodities (aluminium, copper, lead, nickel, zinc, tin),
- Foreign Exchange (exchange traded, over-the-counter, deliverable),
- Softs and Agriculturals (coffee, cocoa, sugar, cotton),
- Energy (crude oil, heating oil, gas oil, natural gas, unleaded gasoline),
- Equities (UK, US, and European options),
- Financials (stock index futures & options, currency futures & options, interest rate products),
- OTC Commodities.

SFL also offers a broad range of trading solutions tailored to its clients' needs:

- E-Trading,
- API Trading Solutions,
- White Label Opportunities,
- Voice Brokerage,

- Introducing Brokerage,
- LME Floor.

SFL does not have regulatory permissions to act as a deposit taking institution, however in its capacity as a broker on listed derivatives markets, clients may leave excess funds which are treated under the CASS rules framework. Segregated client funds received by SFL are held separately from SFL’s money in client money designated bank accounts.

## Section 3: Risk Management Objectives and Polices

### 3.1 Risk Management Structure

SFL has developed a successful, profitable and financially resilient business with scale and a strong market position. However, risk is inherent in SFL’s activities and critical to SFL’s continued success is the ability to manage risk in a manner that is commensurate to its business activities and objectives.

SFL’s risk strategy is focused on implementing an effective control framework to manage risk which is based around the three lines of defence model (‘3LoD’) (described further below) that seeks to achieve a positive ‘no surprises’ risk approach throughout the Firm by promoting risk awareness and a culture that encourages staff to understand/consider/discuss risks and to raise questions or concerns with management, the Risk function, Compliance or Internal Audit.

At a high level the RMF is designed to operate as follows:



- As a result of the Firms strategy and business plan the Board identifies the Principal Risks and sets/ approves SFL’s Risk Appetite, as developed and recommended by the Risk Committee.
- As part of a 3LoD control structure, individual business lines, corporate support functions and Management Committees formally identify, assess and manage all risks and escalate risk incidents to the Risk and Compliance functions.
- The Board Risk and Compliance functions oversee and report on risk themes and control exceptions to the Management Committees and the Risk and Audit Committees.
- The Board Risk and Audit Committees review all risks including those that have been escalated. Risks that cannot be appropriately mitigated/managed or are outside of approved risk appetite are escalated to the Board.

The reporting and escalation processes enables the Board and its committees to review and challenge adherence with Risk Appetite, where necessary direct action to reduce risk to within risk appetite or accept risks and assess any consequent impact on capital adequacy and capital planning.

### 3.2 Three Lines of Defence

SFL operates a Three Lines of Defence model, in which risk management, risk oversight, and independent assurance are distinct and separate activities. This structure enables clarity around risks and control processes, supporting the delivery of effective risk management practices. The responsibilities of each line within SFL Three Lines of Defence model are outlined in the table below.

Line of Defence	Description
<p><b>The first line of defence ('1LoD')</b></p> <p><b>Own &amp; Manage</b></p>	<ul style="list-style-type: none"> <li>• <b>Who:</b> Business units, operational managers and staff</li> <li>• <b>Scope of Activities:</b> <ul style="list-style-type: none"> <li>○ Identify, own and manage risks on a day-to-day basis.</li> <li>○ With reference to the firm's Risk Register and Risk Control Self-Assessment process, implement and maintain effective internal controls.</li> <li>○ Ensure compliance with relevant policies, standards, and procedures.</li> <li>○ Report operational risk incidents and near misses.</li> <li>○ Implement corrective actions to address process and control deficiencies.</li> </ul> </li> <li>• <b>Purpose:</b> To act as the primary layer of control by embedding risk management directly into business operations.</li> </ul>
<p><b>The second line of defence ('2LoD')</b></p> <p><b>Oversight &amp; Challenge</b></p>	<ul style="list-style-type: none"> <li>• <b>Who:</b> Regulatory and Financial Risks Function, Risk Management Function, Cyber &amp; Resilience and Compliance teams</li> <li>• <b>Scope of Activities:</b> <ul style="list-style-type: none"> <li>○ Provide guidance, oversight and challenge to the 1LoD (risk owners) regarding risk management practices.</li> <li>○ Develop risk policies and frameworks.</li> <li>○ Monitor and report on the effectiveness of risk management and control activities in the 1LoD.</li> <li>○ Ensure adherence to regulatory requirements and organisational standards.</li> </ul> </li> <li>• <b>Purpose:</b> Independent to 1LoD, it challenges and supports the 1LoD, ensuring risks are effectively managed and regulatory obligations are met.</li> </ul>
<p><b>The third line of defence ('3LoD')</b></p> <p><b>Independent Assurance</b></p>	<ul style="list-style-type: none"> <li>• <b>Who:</b> Internal Audit</li> <li>• <b>Scope of Activities:</b> <ul style="list-style-type: none"> <li>○ Provide independent assurance on the overall effectiveness of the organisation's governance, risk management, and control processes.</li> <li>○ Assess whether the first and second lines are functioning as intended.</li> <li>○ Report findings and recommendations directly to the board or its audit committee.</li> </ul> </li> <li>• <b>Purpose:</b> To provide independent assurance that the firm's risk management framework is robust and effective.</li> </ul>

The table below provides a summary of the key responsibilities by each line of defence:

Line of Defence	Key Responsibility
1LoD	Own and manage risks on a day-to-day basis.
2LoD	Oversee, challenge, and support risk management activities in the first line. Report on risk to Board on risk and control environment.
3LoD	Provide independent assurance that the firm's risk management framework is robust and effective.

The three lines of defence model is designed to ensure that there is no conflict of interest in the management of risk and to ensure that the business lines and corporate support functions, whilst managing day to day risk are subject to oversight and challenge. This helps ensure the integrity and effectiveness of the implemented systems and controls.

Each of the functions making up the second and third lines of defence provides management information to the governance committees and the Board to enable them to oversee and challenge whether SFL's activities are being managed in accordance with Risk Appetite and consider any potential impact on financial resources adequacy.

### 3.3 Own Funds Assessment Approach

Under MIFIDPRU 8.5, Own Funds Requirement ('OFR') SFL must disclose the following information:

- a) A breakdown of its Permanent minimum capital requirement ('PMR'), Fixed Overheads Requirement ('FOR') and K-Factor Requirements ('KFR').
- b) SFL's approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule ('OFAR') (MIFIDPRU 7.4.7R).

The Firm is required to always maintain own funds resources that are at least equal to the Firm's OFR. The OFR is the higher of the Firm's:

- **PMR:** The PMR is the minimum level of own funds required to operate at all times. Based on the MiFID investment services and activities the Firm has permission to undertake, is set at £750,000.
- **FOR:** The FOR is "an amount equal to one quarter of the firm's relevant expenditure during the preceding year". If there has been a material change, per MIFIDPRU 4.5.7R, SFL will use the project relevant expenditure for the upcoming financial year.
- **KFR:** The KFR are minimum regulatory own funds calculations based on the activities an investment firm undertakes. MIFIDPRU 8.5 specifies a breakdown for the disclosure of the KFRs, split into the sum of each of the following groupings, which reflect:
  - assets for which the firm is responsible for: K-AUM, K-CMH and K-ASA
  - execution activity undertaken by the firm: K-DTF and K-COH
  - its exposure-based risks: K-NPR, K-CMG, K-TCD, K-CON

SFL is required to comply with Own Funds Threshold Requirement ('OFTR') and hence the OFAR. The OFTR is determined by comparing OFR, Own Funds Assessment A and Own Funds Assessment B:

- OFR – Determined as the highest of the PMR, FOR or KFR.
- Own Funds Assessment A – The additional own funds required to cover risk and harm (unexpected losses) not already accounted for by the KFR.
- Own Funds Assessment B – The additional own funds needed, in addition to the FOR, to facilitate an orderly wind-down of the business.

The higher of these three assessments determines the OFTR, with the firm's risk appetite set above the OFTR.

SFL defines concentration risk as the risk of losses arising as a result of concentration of exposures due to imperfect diversification. SFL is exposed to credit concentration risk from the industry it operates in, the geography of its clients and the credit granted to clients.

SFL monitors concentrations risks within the overall credit portfolio. Concentrations of credit risk can take many forms and can arise whenever a significant number of clients/counterparties have similar risk characteristics, including a single or a group of connected clients/counterparties, individual country or geographic region and identification of business activity/sector exposures basis of business activity.

SFL assesses credit concentration risk via industry standard methodologies. As there is limited coverage in the KFR for credit concentration risk, SFL considers holding additional own funds against the potential harm to the firm.

### **3.4 Liquid Assets Assessment Approach**

The Liquid Assets Threshold Requirement ('LATR') is determined by comparing Liquidity Assessment A and Liquidity Assessment B:

- Liquidity Assessment A – The liquid assets required to fund ongoing operations, including stress events.
- Liquidity Assessment B – The liquid assets necessary to facilitate an orderly wind-down of the business.

The higher of these two assessments plus the basic liquid assets requirement ('BLAR') determines the LATR, with the firm's risk appetite set above the LATR.

Where the FCA issues guidance or regulatory requirements to the firm, these will be applied as appropriate. However, the firm's risk appetite will always be set above any regulatory guidance or requirements if this is the ultimate driver of liquidity requirements.

## **Section 4: Governance Arrangements**

### **4.1 Overview**

The Board's responsibility is for the long-term success of the Firm by creating sustainable value for Sucres et Denrées (the sole shareholder) whilst also achieving the Firm's shorter-term targets. The Board sets business strategy and oversees its implementation.

As an essential part of fulfilling these objectives, the Board is responsible for ensuring that the Firm has appropriate governance arrangements in place, commensurate with the Firm's business strategy, complexity and size, and that adequate financial resources are held. The Board is responsible for setting the risk appetite of the Firm, and the general principles for risk management, ensuring that they are cascaded through the Firm and that they are fully embedded, and their effectiveness monitored.

The Board establishes oversight through the following:

- Specifying the risk governance structure of Board/Board Committees/Management Committees to assess, monitor and control risk.
- Setting the terms of reference for the Board committees detailing their delegated authority, duties, responsibilities and membership.
- Assigning responsibility for monitoring and maintaining policies on each of the Principal Risks.
- Ensuring that a strong Risk function, informed Compliance and robust control culture is embedded within the Firm so that staff are aware of their risk responsibilities.

The SFL Board aims to meet at least four times a year. It monitors performance and progress against strategic business plans as part of its meeting cycle that includes reports from the business. Significant new factors are brought to the attention of the Board through escalation, reporting and approval obligations in business policies and practices such as significant new business initiatives or capital expenditure, which enables risk and financial impact to be considered. The Board approves SFL's accounts, financial statements and dividend payments, the latter on the recommendation of the Audit Committee after taking account of SFL's regulatory financial resources position.

### **4.2 The Board of Directors**

The below table provides the number of directorships held by each member of the Board. Under MIFIDPRU 8.3.2R executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives have been excluded as well as executive and non-executive

directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

Name	SMF Function	Position	Number of other Directorships	
			Executive	Non-Executive
Michael Overlander	SMF09	Chair (Non-Executive Director)	1	-
Marc Bailey	SMF01 SMF03	Executive Director	-	1
Bruno Almeida	SMF02 SMF03	Executive Director	-	-
Thierry Bourvis	SMF12	Non-Executive Director	-	-
Marc Breillout	SMF11 SMF13 SMF14	Non-Executive Director	-	1 <sup>1</sup>
Christine Coudray		Non-Executive Director	1	-
Jean-Baptiste Lescop	SMF10	Non-Executive Director	-	-

### 4.3 Diversity

SFL recognises the value that diversity of background, experience, skills and perspectives brings to effective decision-making and governance. The Firm is committed to fostering an inclusive culture in which individuals are treated fairly and with respect, and where appointments are made on merit.

When considering appointments to the Board, SFL assesses a broad range of qualities, skills, knowledge, experience and competencies. Diversity is one of the factors taken into account in order to support an appropriate balance of perspectives and expertise on the Board and to promote effective challenge and decision-making.

SFL is committed to providing equal opportunities and seeks to ensure that no individual is subject to unlawful discrimination, harassment or less favourable treatment. SFL aims to attract, retain and develop talented individuals from a wide range of backgrounds and experiences, recognising that diversity contributes to the long-term success of the Firm.

### 4.4 Board Committees

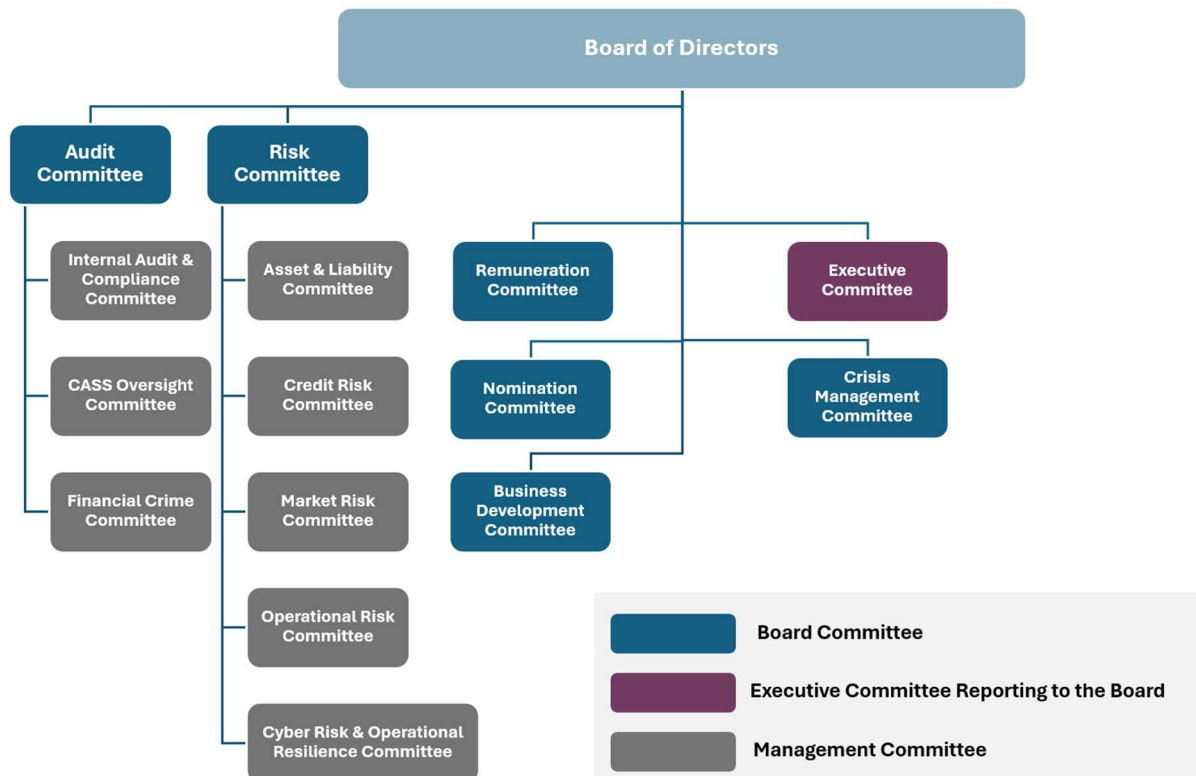
The Board has established a structure of committees to which day-to-day oversight of specified activities is delegated, with the objective of enabling an effective risk governance structure. This further enables the Board to:

- Communicate effectively with the business lines and senior management that are charged to deliver the Firm's agreed business strategy whilst, on a day-to-day basis, effectively managing the Firm's risks.
- Establish a robust control framework to manage risk effectively across the business, whilst providing for effective challenge, oversight and decision making.
- Receive management information on compliance with risk appetite.

<sup>1</sup> The non-executive directorship of Marc Breillout ended in May 2026.

- Establish clear escalation procedures to enable effective actions/decision making.

Decision making responsibility rests ultimately with the Board and is then cascaded through delegation of responsibility to its committees that in turn delegate certain functions to management committees, with the support of executive management.



#### 4.5 Role of the Governance Committees

Delegation of responsibility is conferred to each committee through a Terms of Reference ('ToR') document that formally identifies roles and responsibilities. The Operating Guidelines for Governance Committees sits alongside each ToR and provides a standard template of operating guidelines that is designed to ensure that each committee can appropriately demonstrate and evidence its corporate and regulatory responsibilities as delegated. The ToRs and records of each meeting are stored centrally.

##### **Board Committees**

###### **Risk and Audit Committees**

The Risk and Audit Committees provide independent oversight and challenge of SFL's financial and risk management. As SFL is a non-SNI MIFIDPRU investment firm, the membership of these committees must be comprised of at least 50% by Non-Executive Directors. The committee members will routinely invite certain SFL staff to attend and may also invite non-SFL staff to attend should they consider it necessary.

The SFL Risk Committee has four members:

- Jean-Baptiste Lescop      Chair
- Thierry Bourvis          Member
- Marc Breillout            Member
- Christine Coudray        Member

The SFL Audit Committee has three members:

- Marc Breillout            Chair
- Thierry Bourvis          Member

- Jean-Baptiste Lescop Member

#### Nominations and Remunerations Committees

The Nominations Committee primarily identifies and recommends candidates to senior management vacancies, whilst the Remuneration Committee oversees the Firm's remuneration policies and procedures. As SFL is a non-SNI MIFIDPRU investment firm, the membership of these committees must be comprised of at least 50% by Non-Executive Directors. The committee members will routinely invite certain SFL staff to attend and may also invite non-SFL staff to attend should they consider it necessary.

The SFL Nominations Committee has four members:

- Marc Breillout Chair
- Thierry Bourvis Member
- Michael Overlander Member
- Jean-Baptiste Lescop Member

The SFL Remuneration Committee has four members:

- Thierry Bourvis Chair
- Marc Breillout Member
- Christine Coudray Member
- Michael Overlander Member

## **Section 5: Own Funds – Resources and Requirements at 31 December 2025**

### **5.1 Own Funds Resources**

As at 31 December 2025, the Firm maintained own funds of £174.7 million. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

<b>Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	<b>174,700</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>158,373</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>158,373</b>	
4	Fully paid up capital instruments	16,500	(a)
5	Share premium		
6	Retained earnings	152,274	(b)
7	Accumulated other comprehensive income	(3,866)	(c) and (d)
8	Other reserves		
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(6,535)	
19	CET1: Other capital elements, deductions and adjustments	(6,535)	(e), (f) and (g)
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>-</b>	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
<b>25</b>	<b>TIER 2 CAPITAL</b>	<b>16,327</b>	
26	Fully paid up, directly issued capital instruments	16,327	(h)
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

**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 2025	As at 31 December 2025	

**Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in £'000)**

1	Intangible assets	3,720	(e)*
2	Plant and Equipment	705	
3	Deferred Tax Assets	589	(f)*
4	Right of-use-assets	5,549	
5	Investments	1,250	(g)*
6	Fair Value Through P&L	0	
7	Investments in Subsidiary Undertakings	3,529	
8	Trade & Other Receivables	469,795	
9	Cash and Cash Equivalents	282,044	
	<b>Total Assets</b>	<b>767,181</b>	

**Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in £'000)**

1	Finance Liability	16,327	(h)
2	Lease Liability	6,484	
3	Trade & Other Liabilities	531,280	
4	Other accruals & Payables	24,145	
5	Pension Liability	1,233	
6	Short term bank loans	0	
	<b>Total Liabilities</b>	<b>579,469</b>	

**Shareholders' Equity (in £'000)**

1	Share Capital	16,500	(a)
2	Investment Revaluation Reserve	1,250	(c)
3	Other Reserves	(5,116)	(d)
4	Retained Earnings	175,078	(b)**
	<b>Total Shareholders' equity</b>	<b>187,712</b>	

\* The difference of £976 thousand in the total CET1 deductions compared to the linked balance sheet items is due to the prudent valuation adjustment applied to the Firm's trading book positions measured at fair value. This deduction does not have a direct cross-reference to a balance sheet item.

\*\* The difference of £22,804 thousand between retained earnings on the balance sheet and item 6 "Retained earnings" in the Composition of Regulatory Own Funds table above reflects a point-in-time difference as at 31 December 2025. At that date, the 2025 profits were included in the balance sheet retained earnings but excluded from the composition of regulatory own funds, as they had not yet been audited. These profits were subsequently audited on 26 March 2026, as reflected in the audited financial statements.

<b>Own funds: main features of own instruments issued by the Firm</b>	
The main features of the own funds issued by the Firm issued are highlighted below:	
<b>Placement</b>	Private
<b>Instrument type</b>	Common Ordinary Shares
<b>Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)</b>	£16,500
<b>Accounting classification</b>	Allotted, called up and fully paid share capital
<b>Perpetual or dated</b>	Perpetual

## 5.2 Own Funds Requirements

The below table illustrates the various components of the Firm's Minimum Capital Requirements at 31 December 2025:

<b>Requirement</b>	<b>£'000</b>
(A) Permanent Minimum Capital Requirement	750
(B) Fixed Overhead Requirement	13,784
(C) K-factor requirement	32,135
- K-AUM, K-CMH, K-ASA	569
- K-COH, K-DTF	641
- K-NPR, K-CMG, K-TCD, K-CON	30,925
<b>Own Funds Requirement (Max [A; B; C])</b>	<b>32,135</b>

## Section 6: Remuneration Policy and Practices

### 6.1 Overview

SFL is committed to recruiting and retaining talented individuals and to maintaining responsible and effective remuneration structures that promote sound and effective risk management, responsible business practices and prevent excessive risk taking.

The objective of the Firm's Remuneration Policy is to set out the Firm's approach to remuneration, in compliance with the regulatory rules that apply to it, and to articulate the principles and structures that have been adopted. The way in which members of staff are remunerated is designed to meet the following key objectives:

- deliver pay for sustainable performance;
- align remuneration with the interests of SFL's shareholders and clients;
- attract and retain top talent; and
- prevent excessive risk-taking.

The Remuneration Policy is designed to be aligned with the business strategy, objectives, values and long-term interests of the Firm, its shareholders, and clients. It applies to all SFL employees, executives (including former employees and executives) and secondees. All decisions in respect of the Firm's staff remuneration are made in accordance with the Remuneration Policy.

In addition, the Firm recognises that remuneration is a key component in how the Firm attracts, motivates and retains staff and sustains consistently high levels of performance, productivity and results. As such, the Firm's remuneration philosophy is consistent with the belief that its people are the most important asset and greatest competitive advantage.

The Firm is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for clients. From a remuneration perspective, this means performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude and results. Through the established variable remuneration arrangements, risk adjustment may be applied to ensure that the Firm's remuneration policies and practices prevent excessive risk-taking and do not reward failure.

## 6.2 Governance and Oversight

The Remuneration Committee is responsible for setting and overseeing the implementation of the Firm's remuneration policy and practices. The Remuneration Committee is comprised solely of non-executive directors as set out in Section 4.5.

To fulfil its responsibilities, the Remuneration Committee:

- is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies, practices and the incentives created for managing risk, capital and liquidity;
- prepares decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Firm;
- ensures the remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Firm; and
- ensures the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the Firm and of its clients.

The Firm's remuneration policy and practices are reviewed periodically (and at least annually) by the Remuneration Committee.

## 6.3 Material Risk Takers

Under the Remuneration Code, SFL is required to identify those staff members who it considers to be Material Risk Takers ('MRT') (as defined in SYSC 19G.5.1R) in accordance with the requirements of the Remuneration Code.

In general, Material Risk Takers include members of the Firm's management body (in its management and supervisory function), senior management, staff that have authority to approve or veto the introduction of new products and staff that have managerial responsibility for:

- the Firm's regulated activities\*;
- the Firm's control function;
- the Firm's money laundering prevention;
- managing material risk within the Firm; and
- managing the Firm's IT, information security and/or the outsourcing of critical or important functions.

*\*The Firm applies this to the Heads of Trading desks that generate significant revenue.*

The Firm maintains a list of those individuals who it considers to be Material Risk Takers and it reviews and updates the list at least annually. The Firm's Remuneration Committee (the "Remuneration Committee") notifies any member of staff that has been designated as a Material Risk Taker.

In line with regulatory requirements, being identified as a Material Risk Taker has certain implications in relation to the relevant individual's variable remuneration, namely:

- Variable to fixed remuneration ratio: an appropriate ratio between variable and fixed remuneration for different categories of Material Risk Takers will be set by the Firm. Such ratios will be reviewed annually and may be updated for each performance period as the Remuneration Committee determines appropriate.
- Performance adjustment: although the Firm has the ability to apply malus and clawback to variable remuneration, extended provisions for the application of malus and clawback apply in respect of Material Risk Takers.
- Deferral: at least 40% of variable remuneration paid to a Material Risk Taker (or 60% where total remuneration exceeds a certain threshold) must be deferred for a period of not less than three years.
- Payment in non-cash instruments and retention: 50% of any upfront and deferred element of a Material Risk Taker's variable remuneration must be paid in 'non-cash instruments', i.e. shares or share-linked instruments, which must be subject to an appropriate retention policy.

With the exception of the additional provisions applicable only to Material Risk Takers noted above, the Remuneration Principles and Remuneration Structures outlined in the Firm's Remuneration Policy apply equally to all members of staff.

#### 6.4 Risk-adjusted approach to remuneration

SFL aims to maintain remuneration policies and practices that are consistent with and promote prudent, sound and effective risk management and which take into account the type of risks and the degree of risk that an individual may take on behalf of the Firm. Through the Firm's Remuneration Policy (hereunder the performance adjustment provisions), members of staff are discouraged from, and will not be rewarded for, taking excessive risks.

In addition, in determining any bonus pool available, the Remuneration Committee takes into account current and future risks or anticipated risks, the cost and quantity of the capital and the Firm's liquidity requirements.

When evaluating annual staff performance, factors such as adherence to the ethics of the Firm and its compliance policies, including the Firm's conflicts of interest policy, are considered and any breach will be taken into account in determining variable remuneration.

The Firm's Remuneration Policy and practices under it ensure that variable remuneration does not limit the Firm's ability to maintain and strengthen its capital base. Bonuses are paid out of annual realised profits with such profits having no market risk and only limited credit risk. In addition, the Remuneration Committee has discretion to reduce the bonus pool if it is concerned about the current or future capital and liquidity position of the Firm.

The timing of payments for deferred variable remuneration in conjunction with the performance adjustment provisions in the Firm's Remuneration Policy ensure that the Remuneration Committee can adequately consider and monitor applicable capital and liquidity levels and requirements.

#### 6.5 Remuneration Structures

The basic remuneration structure for SFL's staff typically consists of:

- fixed remuneration; and
- variable remuneration.

**Fixed remuneration:** Fixed remuneration reflects a staff member's professional experience and organisational responsibilities, as set out in their job description and terms of employment. It is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance. At SFL, fixed remuneration comprises basic salary, overtime, shift allowance, on-call allowance, fixed pay allowance and pensions.

SFL does not have enough staff to warrant implementing pay grades or bands. Instead, the Remuneration Committee is responsible for setting staff remuneration to the market range for an individual in an equivalent position, with equivalent experience and equivalent skills and qualifications.

**Variable remuneration:** Variable remuneration is generally based on performance (or, in exceptional cases, other conditions) and reflects the performance of the staff member, the relevant team and the Firm. At SFL, variable remuneration comprises discretionary bonuses and a Long-Term Incentive Plan.

Variable remuneration is awarded only if applicable performance conditions have been satisfied and always in accordance with the policies and practices set out in the Remuneration Policy.

## **6.6 Balance and ratio between variable and fixed remuneration**

In accordance with the Remuneration Policy and the Firm's practices under it, steps are taken to ensure that fixed remuneration represents a sufficiently high proportion of the total remuneration payable to staff members to ensure that the Firm can operate a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration in the event of a financial downturn or other exceptional events.

In accordance with regulatory requirements, SFL has set the ratios between variable and fixed remuneration for categories of its Material Risk Takers. This information is confidential and the Firm will inform the Material Risk Taker of the ratio that applies to the individual.

The Remuneration Committee will review and revise the ratios once a year (prior to the commencement of the next performance period) taking into consideration this Remuneration Policy and the FCA's rules and guidance.

## **6.7 Performance criteria**

The Firm's variable remuneration arrangements are operated on the basis of financial performance of the Firm and/or the relevant desks as well as the performance of eligible staff, including their personal contribution to the well-being of the Firm, good conduct and compliance with applicable compliance manuals and policies. The application of deferral and payment in non-cash instruments as set out below ensures that variable remuneration is assessed in the context of a multi-year framework.

Financial performance is assessed in respect of overall firm performance as measured by the Firm's profits. In addition, the Firm's bonus arrangements consider the profits and performance of the individual business units (desks) of the Firm which affect awards made to individuals engaged in such units.

Individual performance is assessed both on a financial and non-financial basis. In particular, the individual's contribution to the achievement of relevant profitability targets set for the relevant business unit in which the individual staff member works and, in respect of non-financial performance, by reference to the individual's contribution to compliance and conduct in accordance with the requirements of the FCA, risk management, training and competence outcomes, contribution to corporate and social responsibility and any other factors considered by the Remuneration Committee to be relevant.

## **6.8 Deferral**

As a large non-SNI investment firm, SFL is required under the Remuneration Code to apply deferral of variable remuneration paid to Material Risk Takers. However, to ensure that the Firm's remuneration structure encourages sound and effective risk management and in line with best practice, the Firm requires that any individual who has accrued bonuses in excess of certain performance thresholds to defer half of their bonus in excess of the relevant threshold for a period of six months. Relevant individuals are notified of any deferral in connection with their bonus award for the relevant performance period.

For Material Risk Takers, at least 40% of any variable remuneration must be deferred over a period of not less than three years from the date of award. The proportion of variable remuneration subject to deferral will vest and be paid annually on a pro-rata basis over the three-year deferral period.

Where a Material Risk Taker's variable remuneration is £500,000 or more, 60% of any variable remuneration will be subject to deferral on the basis set out above.

Performance adjustment provisions (described in more detail below) apply throughout any deferral period.

## **6.9 Payment in non-cash instruments and retention**

In accordance with Remuneration Code requirements, 50% of any upfront and deferred component of variable remuneration payable to a Material Risk Taker will be paid in non-cash instruments which will be subject to a retention period.

Non-cash instrument for these purposes comprises of 'phantom shares' in SFL. Phantom shares entitle the holder to a cash payment linked to the appreciation or depreciation in the value of the SFL ordinary shares over the period from award until payment.

The retention period for the non-cash instruments awarded in respect of the upfront and deferred component of variable remuneration awarded to a Material Risk Taker is six months. The Firm has assessed its risk profile in light of its deferral policy and concluded that a retention period of six months is appropriate to enable it to operate a fully risk-adjusted framework for the award of variable remuneration.

#### 6.10 De minimis Material Risk Taker exemption

Where a Material Risk Taker's annual variable remuneration does not exceed £167,000 and it does not represent more than one-third of the Material Risk Taker's total annual remuneration, the provisions on deferral for three years, and payment in non-cash instruments and retention do not apply.

#### 6.11 Performance adjustment

Performance adjustment, in the form of malus and clawback, may be applied to all elements of variable remuneration awarded to any staff member on the basis set out below. As a result, in order to deliver risk-adjusted variable remuneration, the Firm applies the requirements in respect of malus and clawback to a wider group of staff than required under the Remuneration Code.

**Malus:** is the reduction of any amount of variable remuneration which has been awarded but not yet been paid, for example during any applicable deferral or retention period. Malus may be applied, as determined by the Remuneration Committee, in its absolute discretion, to take account of certain events, crystallised risks or matters of an adverse nature which occur or come to light (each a "Performance Adjustment Matter"). These include where:

- an individual participated in or was responsible for conduct which resulted in significant losses to the Firm;
- an individual failed to meet appropriate standards of fitness and propriety;
- there is reasonable evidence of staff misbehaviour or material error;
- the Firm or the relevant desk suffers a material downturn in its financial performance; and/or
- the Firm or the relevant desk suffers a material failure of risk management.

**Clawback:** is the recovery or recoupment of any variable remuneration which has been awarded and paid to any member of staff. Clawback may be applied to any amount of variable remuneration where the Remuneration Committee, in its absolute discretion, determines that:

- an individual participated in or was responsible for conduct which resulted in significant losses to the Firm; and/or
- an individual failed to meet appropriate standards of fitness and propriety.

It is expected that clawback will always be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses. Clawback may apply even if the relevant event, risk or matter occurs or comes to light after an individual has ceased to be an employee or otherwise connected with the Firm.

The Remuneration Committee's determination on the application of malus and/or clawback will always consider the seriousness of the event, risk or matter and the role and proximity of any staff member in scope. Any affected member(s) of staff will be informed and be given an opportunity to make representations before any final decision is made.

#### 6.12 Guaranteed variable remuneration

The Firm does not provide guaranteed variable remuneration unless in exceptional circumstances.

In particular, the types of guaranteed variable remuneration set out below will only be awarded to Material Risk Takers where the Firm has a strong capital and liquidity base and on the following basis:

- **Sign-on** - the Firm permits the payment of sign-on bonuses only in exceptional circumstances and where any such payment is limited to the recipient's first year of service.

- **Buyouts** - the Firm permits the payment of buyout bonuses only in exceptional circumstances and any such payment will be subject to such provisions relating to deferral, retention, vesting and performance adjustment as applied to the variable remuneration which the buyout bonus is replacing.
- **Retention** - the Firm will only pay retention awards where:
  - there is a restructuring or other material change to the business of the Firm;
  - a Material Risk Taker is deemed to be material to the operations of the Firm and the business of the Firm is likely to be materially affected if the Material Risk Taker were to leave their position; and
  - the Material Risk Taker in question has met their performance criteria for the last performance period (including both financial and non-financial metrics).

Any guaranteed variable remuneration awarded will be subject to the same deferral and performance adjustment terms as outlined in this Remuneration Policy.

### 6.13 Severance Pay

Payments of variable remuneration to a Material Risk Taker in connection with their termination of employment or services may only be made where such payment reflects performance achieved over time and it does not reward failure or misconduct.

In determining early termination payments, the Firm will have regard to the performance of the staff member over an appropriate period. In reviewing that person's performance, the Firm will have regard to both financial and non-financial performance. Any adjustments will be approved and documented by the Remuneration Committee. The Firm will ensure that any payment does not impact materially on the Firm's capital or liquidity requirements and considers the principal that any payment is not to reward failure.

### 6.14 Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year 1<sup>st</sup> January 2025 to 31<sup>st</sup> December 2025 ('FY25'). For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, employees of other entities in the group and secondees. The total number of MRTs identified for FY25 was 24.

#### **Total remuneration for FY25**

Staff Categorisation	Fixed Remuneration (£'000)	Variable Remuneration (£'000)	Total Remuneration (£'000)
All Staff	23,570	12,797	36,367
<b>Of which:</b>			
Senior Management	2,596	933	3,529
Other MRTs	1,393	1,471	2,864
Other Staff (non-MRTs)	19,580	10,394	29,974

#### **Guaranteed remuneration and severance payments in FY25**

Staff Categorisation	Head Count	Guaranteed Variable Remuneration (£'000)	Severance Payments (£'000)
Senior Management	-	Nil	N/A <sup>2</sup>
Other MRTs	-	Nil	

<sup>2</sup> For the financial year ending 31 December 2025, SFL has applied the exemption in MIFIDPRU 8.6.8R(7) in relation to the disclosures required by MIFIDPRU 8.6.8R(5) (severance payments), in order to avoid the identification of individuals.

**Variable remuneration awarded in FY25**

Staff Categorisation	Vesting	Variable Remuneration in Cash (£'000)	Variable Remuneration in Non-Cash Instruments (£'000)
Senior Management	Non-deferred	496	188
	Deferred	125	125
Other MRTs	Non-deferred	525	405
	Deferred	270	270

**Variable remuneration vesting in FY26 and subsequent years**

Staff Categorisation	Vesting	Amount (£'000)	
Senior Management	FY26	Amount due to vest:	188
		Amount subject to performance adjustment:	-
		Amount to be paid:	188
	Subsequent years	Amount due to vest:	250
Other MRTs	FY26	Amount due to vest:	405
		Amount subject to performance adjustment:	-
		Amount due to be paid:	405
	Subsequent years	Amount due to vest:	540

**De minimis exemption in SYSC 19G5.9R(2) for MRTs for FY25**

Staff Categorisation	Head Count	Fixed Remuneration (£'000)	Variable Remuneration (£'000)
MRTs	19	2,565	428

Where the exemption in SYSC 19G5.9R(2) applied to the above MRTs, the provisions relating to payment in non-cash instruments, retention, deferral and discretionary pension benefits were all disappplied.

## Section 7: Investment Policy

Per MIFIDPRU 8.7.1R there are a number of disclosures that firms not meeting the conditions in MIFIDPRU 7.1.4.R, need to disclose.

Whilst SFL does not meet the conditions in MIFIDPRU 7.1.4R, for the financial year ending 31 December 2025, SFL did not have any investments meeting the requirements laid out in MIFIDPRU 8.7.6R. As such, SFL has not prepared the template provided in MIFIDPRU 8 Annex 2R.