



Sucden Financial Limited

MIFIDPRU 8 Disclosure

31st December 2024

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Section 1: Introduction

The Financial Conduct Authority (“FCA”) in its Prudential Sourcebook for MiFID Investment Firms (“MIFIDPRU”), sets out the detailed prudential requirements that apply to Sudden Financial Ltd (“the Firm” or “SFL”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out 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.

This document has been prepared by the Firm in accordance with the requirements of MIFIDPRU 8. Unless otherwise stated, all figures are current as at the 31 December 2024 financial year-end. These disclosures have not been audited by SFL’s external auditors except where the information is equivalent to that included in the 31 December 2024 audited annual accounts.

Section 2: Risk Management Objectives and Policies

This section describes the Firm’s risk management objectives and policies for the following categories of risk:

- Own funds requirements;
- Concentration risk; and
- Liquidity.

2.1 Business Strategy

The Firm acts principally as broker and dealer. The Firm has structured its business into two main business lines:

Brokerage: The Firm is a leading provider of derivative brokerage services providing access to a broad range of markets covering both exchange traded and over-the-counter (OTC) instruments across Commodities, FX, Precious Metals and Fixed Income products. The Firm has a diverse global customer base that ranges from large investment banks and funds to a variety of corporates.

Trading: As the Firm is a Ring Dealing Member of the London Metals Exchange (LME) it makes markets in Base Metals products predominantly to its corporate customer base. It also makes markets in FX, predominantly for its corporate customer base and has a small proprietary trading unit. It also makes markets in short term interest rate options on Intercontinental Exchange (ICE) Futures Europe.

Standard brokerage is the main business as well as the main source of income of SFL. 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 LME and is also a member of the ICE. In

addition, SFL is a member of two significant Central Clearing Parties – LME Clear and ICE Clear Europe.

Having access to the world's major exchanges, SFL enables its clients to trade a wide range of derivative products on exchange and OTC:

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

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.

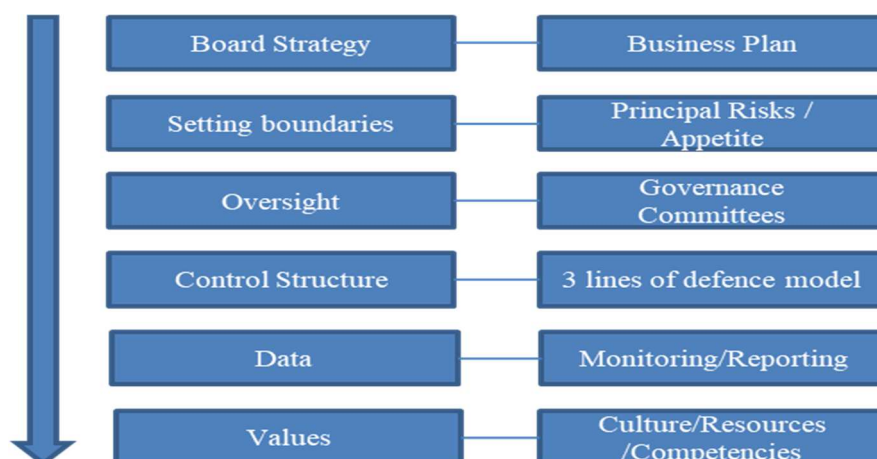
SFL does not act as a deposit taking institution, however in its capacity as a broker on listed derivatives markets clients may leave excess margin deposits which are treated under the FCA Client Assets Sourcebook (CASS). Segregated client funds received by SFL are held separately from SFL's money in designated client money bank or transaction accounts.

2.2 Risk Management Structure

SFL has developed a successful, profitable and financially sound 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 appropriate 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 (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 Firm's 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 3 lines of defence 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 Risk and Compliance functions oversee and report on risk themes and control exceptions to the Management Committees and the Risk and Audit Committees.
- The 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.

2.3 Three Lines of Defence

SFL has implemented a 'three lines of defence' model that ensures segregation of duties, responsibilities, and accountabilities for risk control.

- First line – those who own and manage the Firm's risks on a day-to-day basis
- Second line – oversight and challenge
- Third line – independent assurance

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 the risk appetite and consider any potential impact on financial resources.

2.4 Own Funds Assessment Approach

Under MIFIDPRU 8.5 (Own funds requirement), SFL must disclose the following information:

- a) A breakdown of its K-Factor Requirements (KFR) and Fixed Overheads Requirement (FOR) (MIFIDPRU 4.3).
- 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 Own Funds Requirement (OFR). The OFR is the higher of the Firm's:

- **Permanent minimum capital requirement ("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 currently has permission to undertake, is set at £750,000.
- **Fixed overhead requirement ("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.

- **K-Factor requirement (“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

The Firm is required to comply with overall financial adequacy rule (“**OFTR**”) and hence the Overall Financial Adequacy Rule (OFAR). The Own Funds Threshold Requirement (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 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 its 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 concentration risk, SFL considers holding additional own funds against the potential harm to the firm.

2.5 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 3: Governance Arrangements

3.1 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 Board has overall responsibility for the Firm and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

To meet its responsibilities, the 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.

3.2 The Board of Directors

The below table provides the number of directorships held by each member of the Board. Under MIFIDPRU 8.3.2 R 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 at Firm	Number of other Directorships	
			Executive	Non-Executive
Michael Overlander	SMF09	Chair (Non-executive)	-	-
Marc Bailey	SMF01	CEO	-	-
Toby Osborne	SMF02	CFO	-	-
Bruno Almeida	SMF03	Executive Director		
Thierry Bourvis	SMF07	Non-Executive	-	-
Marc Breillout	SMF11	Independent Non-Executive	-	-
Claire Bridel	SMF10	Independent Non-Executive	-	-
Jean-Baptiste Lescop	-	Non-Executive	-	-

3.3 Diversity of the Board

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

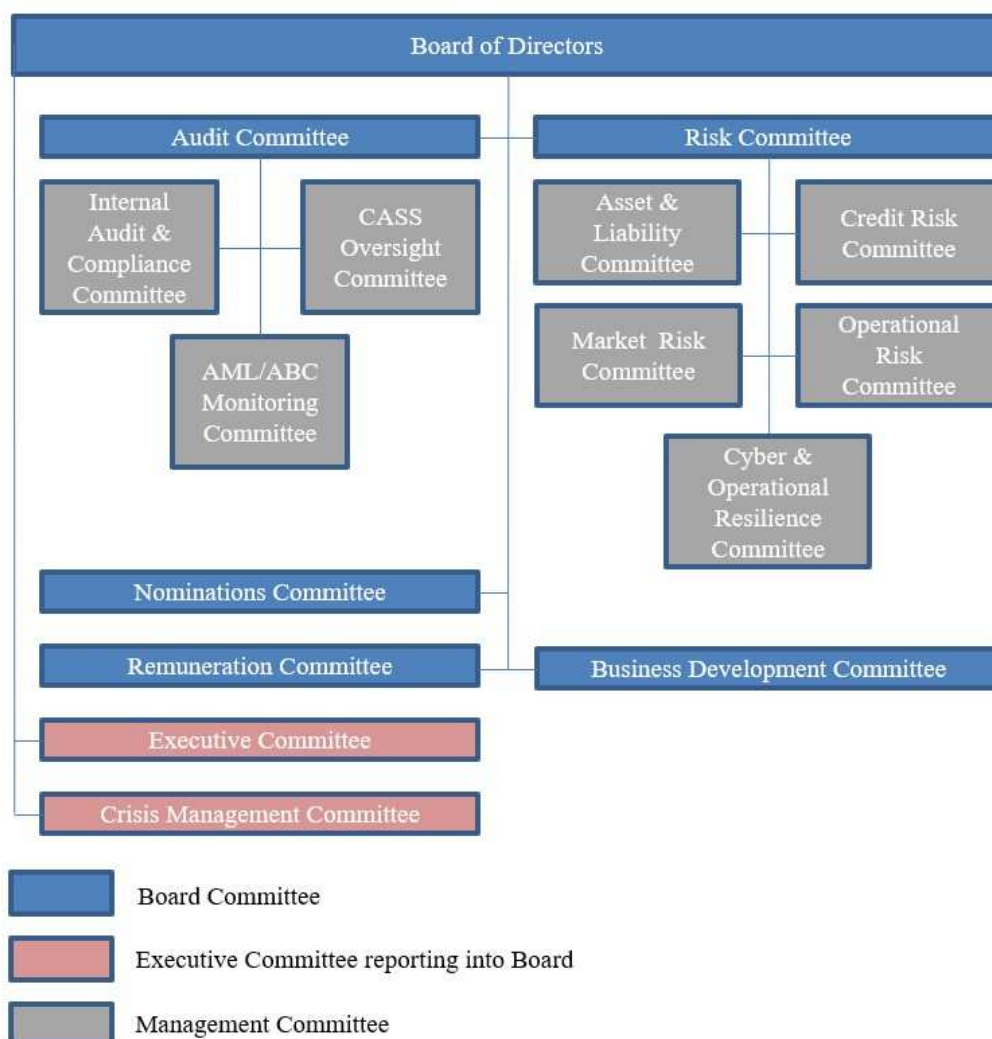
- the organisation of the Firm, including the skills, knowledge and expertise required by staff as well as the Firm's resources, procedures and arrangements;
- a policy regarding the services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Firm and 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.

3.4 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.
- 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 Senior Management.



3.5 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 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 firm, the membership of these committees is comprised solely of 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:

- Claire Bridel Chair
- Thierry Bourvis Member

- Marc Breillout Member
- Jean-Baptiste Lescop 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 firm, the membership of these committees is comprised solely of 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 three members:

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

The SFL Remuneration Committee has four members:

- Thierry Bourvis Chair
- Marc Breillout Member
- Michael Overlander Member
- Claire Bridel Member

Section 4: Own Funds – Resources and Requirements at 31 December 2024

4.1 Own Funds Resources

As at 31 December 2024, the Firm maintained own funds of £164.9 million. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	164,927	
2	TIER 1 CAPITAL	147,345	
3	COMMON EQUITY TIER 1 CAPITAL	147,345	
4	Fully paid up capital instruments	16,500	(a)
5	Share premium		
6	Retained earnings	139,755	(b)
7	Accumulated other comprehensive income	(3,361)	(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	(5,548)	
19	CET1: Other capital elements, deductions and adjustments	(5,548)	(e) and (f)
20	ADDITIONAL TIER 1 CAPITAL	-	
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	-	
25	TIER 2 CAPITAL	17,581	
26	Fully paid up, directly issued capital instruments	17,581	(g)
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 2024	As at 31 December 2024	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in £'000)				
1	Intangible assets	3,191		(e)*
2	Plant and Equipment	947		
3	Right of-use-assets	6,298		
4	Investments	1,250		(f)*
5	Fair Value Through P&L	3,253		
6	Investments in Subsidiary Undertakings	3,529		
8	Trade & Other Receivables	479,244		
9	Cash and Cash Equivalents	265,928		
	Total Assets	763,640		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in £'000)				
1	Finance Liability	17,581		(g)
2	Lease Liability	7,337		
3	Trade & Other Liabilities	544,646		
4	Other accruals & Payables	221		
5	Pension Liability	1,456		
6	Short term bank loans	11,987		
	Total Liabilities	583,228		
Shareholders' Equity (in £'000)				
1	Share Capital	16,500		(a)
2	Investment Revaluation Reserve	1,250		(c)
3	Other Reserves	(4,611)		(d)
4	Retained Earnings	167,273		(b)**
	Total Shareholders' equity	180,412		

* The difference of £1,107 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 £27,518 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 2024. At that date, the 2024 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 28 March 2025, as reflected in the audited financial statements.

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 (GBP thousands, as of most recent reporting date)	£16,500
Accounting classification	Allotted, called up and fully paid share capital
Perpetual or dated	Perpetual

4.2 Own Funds Requirements

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

Requirement	£'000
(A) Permanent Minimum Capital Requirement	750
(B) Fixed Overhead Requirement	16,000
(C) K-factor requirement	35,525
- K-AUM, K-CMH, K-ASA	555
- K-COH, K-DTF	679
- K-NPR, K-CMG, K-TCD, K-CON	34,291
Own Funds Requirement (Max [A; B; C])	35,525

Section 5: Remuneration Policy and Practices

5.1 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.

5.2 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 more detail in section 3.5 above.

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.

5.3 Material Risk Takers

Under the Remuneration Code, SFL is required to identify those staff members who it considers to be “Material Risk Takers” (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.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 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.

5.14 Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year 1st January 2024 to 31st December 2024 ("FY24"). 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 (including Senior Management MRTs and Other MRTs) identified for FY24 was 22.

Total remuneration for FY24

Staff Categorisation	Fixed Remuneration	Variable Remuneration	Total Remuneration
	£'000	£'000	£'000
All Staff	22,219	10,370	32,590
Of which:			
Senior Management MRTs	1,755	763	2,518
Other MRTs	1,512	818	2,330
Other Staff (non-MRTs)	18,952	8,790	27,742

Guaranteed remuneration and severance payments in FY24

Staff Categorisation	Head Count	Guaranteed Variable Remuneration	Severance Payments
		£'000	£'000
Senior Management	N/A	Nil	Nil
Other MRTs	N/A	Nil	Nil

Variable remuneration awarded in FY24

Staff Categorisation	Vesting	Variable Remuneration in Cash	Variable Remuneration in Non-Cash Instruments
		£'000	£'000
Senior Management MRTs	Non-deferred	385	162
	Deferred	108	108
Other MRTs	Non-deferred	425	168
	Deferred	112	112

Variable remuneration vesting in FY25 and subsequent years

Staff Categorisation	Vesting	Amount	
			£'000
Senior Management MRTs	FY25	Amount due to vest:	162
		Amount subject to performance adjustment:	-
		Amount to be paid:	162
	Subsequent years	Amount due to vest:	216
Other MRTs	FY25	Amount due to vest:	168
		Amount subject to performance adjustment:	-
		Amount due to be paid:	168
	Subsequent years	Amount due to vest:	224

De minimis exemption in SYSC 19G5.9R(2) for MRTs for FY24

Staff Categorisation	Head Count	Fixed Remuneration	Variable Remuneration
		£'000	£'000
MRTs	18	2,300	480

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 disapplied.

Section 6: Investment Policy

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

Whilst SFL does not meet the conditions in MIFIDPRU 7.1.4R, for the financial year ending 31 December 2024, 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.