



Sucden Financial Limited

MIFIDPRU Disclosure Draft

31st December 2022

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Section 1: Introduction

The Financial Conduct Authority (“FCA” or “Regulator”) in its Prudential Sourcebook for MiFID Investment Firms (“MIFIDPRU”), sets out the detailed prudential requirements that apply to Sucden Financial Ltd (the “Firm”). In particular, 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”). 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; and
- Remuneration policy and practices.

This document has been prepared by the Firm in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are current as at the 31 December 2022 financial year-end.

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 risks; and
- Liquidity.

2.1 Business Strategy

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

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

Trading: As the company is a Ring Dealing Member of the 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. In October it started to make markets in short term interest rate options on 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 nine 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 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 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),
- 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,
- London Metal Exchange (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 CASS rules framework. Segregated client funds received by SFL are held separately from SFL's money in client money bank or transaction accounts.

2.2 Risk Management Structure

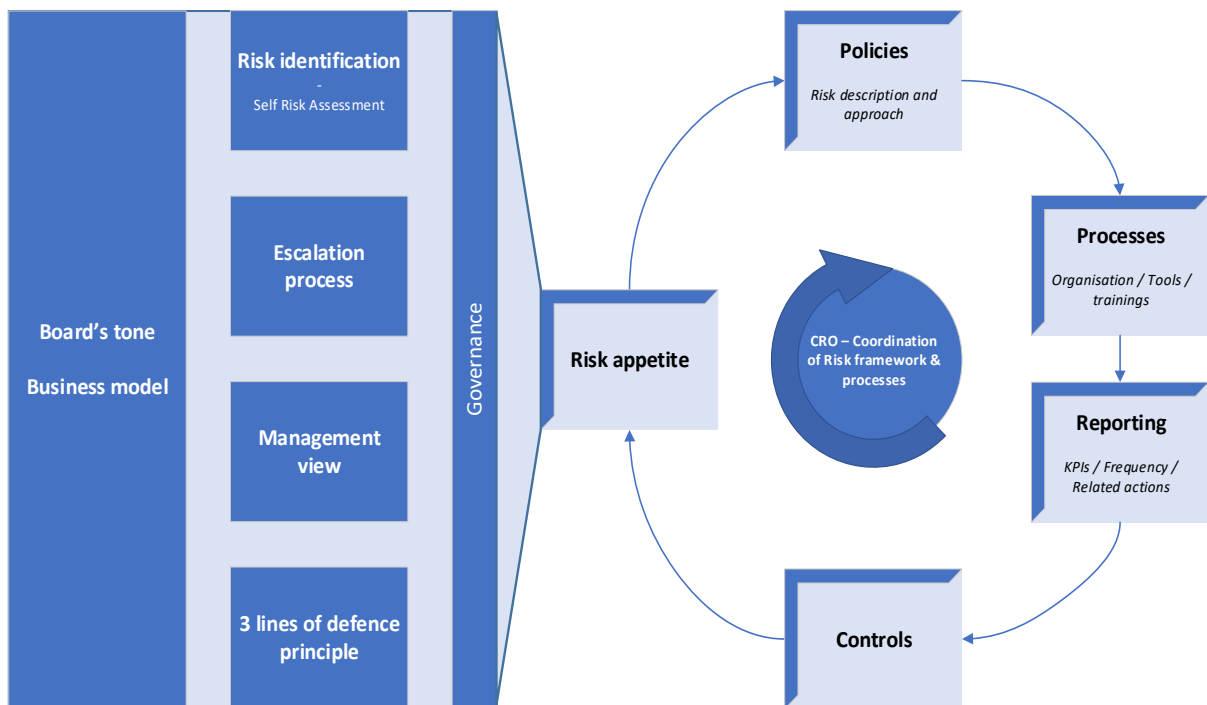
An appreciation and awareness of risk must be appropriately developed and a consistent tone from the top promoted in relation to risk and target culture. This is not only driven day-to-day by the Executive Board Directors and senior management but also supported by the Non-Executive Board Directors who chair the Board committees and attend some of the Management Committees. Non-Executive Board members help to reinforce a consistent tone from the top through the requirement to satisfy themselves as to the integrity of reported financial information, and that financial controls and systems of risk management are robust.

With reference to the flow schematic below all Directors, Senior Management, managers and supervisory staff must play their part in promoting risk awareness and a culture that encourages staff to understand/consider/discuss risks and to raise questions or concerns with their line supervisor/manager, the Risk function or Compliance.

The Firm formally reviews its risks, controls and other risk mitigation arrangements on an annual basis, and assess their effectiveness. This review helps to inform the overall risk appetite of the Firm.

Management accounts demonstrate that the continued adequacy of the Firm's regulatory capital is reviewed on a regular basis.

Appropriate action is taken where risks falling outside of the Firm's tolerance levels, or weaknesses in the Firm's mitigating controls, are identified.



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 responsible for identifying and managing the Firm’s risks. Those that commit liquidity and capital and those that undertake support functions
- Second line – oversight and independent controls
- Third line – independent challenge and 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 Risk Appetite and consider any potential impact on capital adequacy.

2.4 Own Funds Requirement

The Firm is required to always maintain own funds that are at least equal to the Firm’s own funds requirement. The own funds requirements are 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 and, 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 intended to calculate a minimum amount of capital that the Firm would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm’s relevant expenditure; and

- **K-Factor requirement (“KFR”):** The KFR is intended to calculate a minimum amount of capital that the Firm would need available for the ongoing operations of its business.

The Firm’s own funds requirement is currently set by its KFR, as this is the highest of the three metrics. The potential for harm associated with the Firm’s business strategy, based on the Firm’s own funds requirement, is low to medium. This is due to the capital surplus maintained by the company yet recognises the counterparty default risk inherent within a brokerage model. One of the strategies adopted to manage adherence to the Firm’s own funds requirement is by maintaining a healthy own funds surplus above the own funds requirement. In the event that the own funds drop to an amount equal to 112% of the Firm’s own funds threshold requirement, the Firm will immediately consider the necessary steps to be taken to increase the own funds buffer; this may include injecting more own funds into the Firm.

The Firm had pre-MIFIDPRU ICG and therefore under MIFIDPRU TP 10.5 R (3) the Firm’s own funds threshold requirement must be at least equal to the transitional requirement calculated under MIFIDPRU TP 10.5 R (4).

2.5 Concentration Risk

The potential for harm associated with the Firm’s business strategy, based on the Firm’s concentration risk K-CON, is low as it considers only OTC products.

SFL has considered that since the K-Factors have no coverage for the concentration risk within ETDs and that while the risk is within appetite, as defined by the credit risk appetite, that additional own funds should be held against the potential harm to the firm. SFL has elected to use the Herfindahl-Hershmann Index (HHI) methodology for the calculation of concentration risk to single (counterparty) name, geographic and industry sector for calculating the Harms own funds requirement. SFL used this calculation for credit concentration under ICAAP as this was the method prescribed by the PRA. SFL feels it is a tried and tested method for the calculation of this risk.

The Firm deposits its cash with several well-established multinational institutions.

2.6 Liquidity

The Firm is required to maintain sufficient liquidity to ensure there is no significant risk that its liabilities cannot be met as they fall due, and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The Firm had pre-MIFIDPRU ILG and therefore under MIFIDPRU TP 10.11 R (3) the Firm’s liquid asset threshold requirement must be at least equal to the liquidity resources that the firm would need to hold to comply with the pre-MIFIDPRU ILG.

The potential for harm associated with the Firm’s business strategy, based on the Firm’s basic liquid assets requirement, is high. The Firm, as a brokerage, is an intermediary between financial exchanges and liquidity providers that require margin payments and its clients that need, in aggregate, to meet those margin payments. Ensuring the clients meet their obligations in a timely manner is key to maintaining the liquidity of the Firm.

The cash position of the Firm is monitored throughout the day using a variety of reports and is reconciled to the bank accounts daily. The Firm considers intraday management of liquidity to be extremely important and builds its internal stress tests in a highly conservative manner on this basis and plans to cover the immediate stress scenarios using cash and equivalent liquidity resources. The Firm analyses daily the impact of extreme but plausible events on SFLs liquidity resources as part of the liquidity stress testing, ensuring its liquidity position is within the risk appetite set by the Board.

Section 3: Governance Arrangements

3.1 Overview

The Firm believes 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	Number of others Directorships
			Executive	Non-Executive
Michael Overlander	SMF09	Chair (Non-executive)	-	-
Marc Bailey	SMF01	CEO	-	-
Toby Osborne	SMF02	CFO	-	-
Thierry Bourvis	SMF07	Non-Executive	-	-
Sami Demal	SMF12 & 13	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:

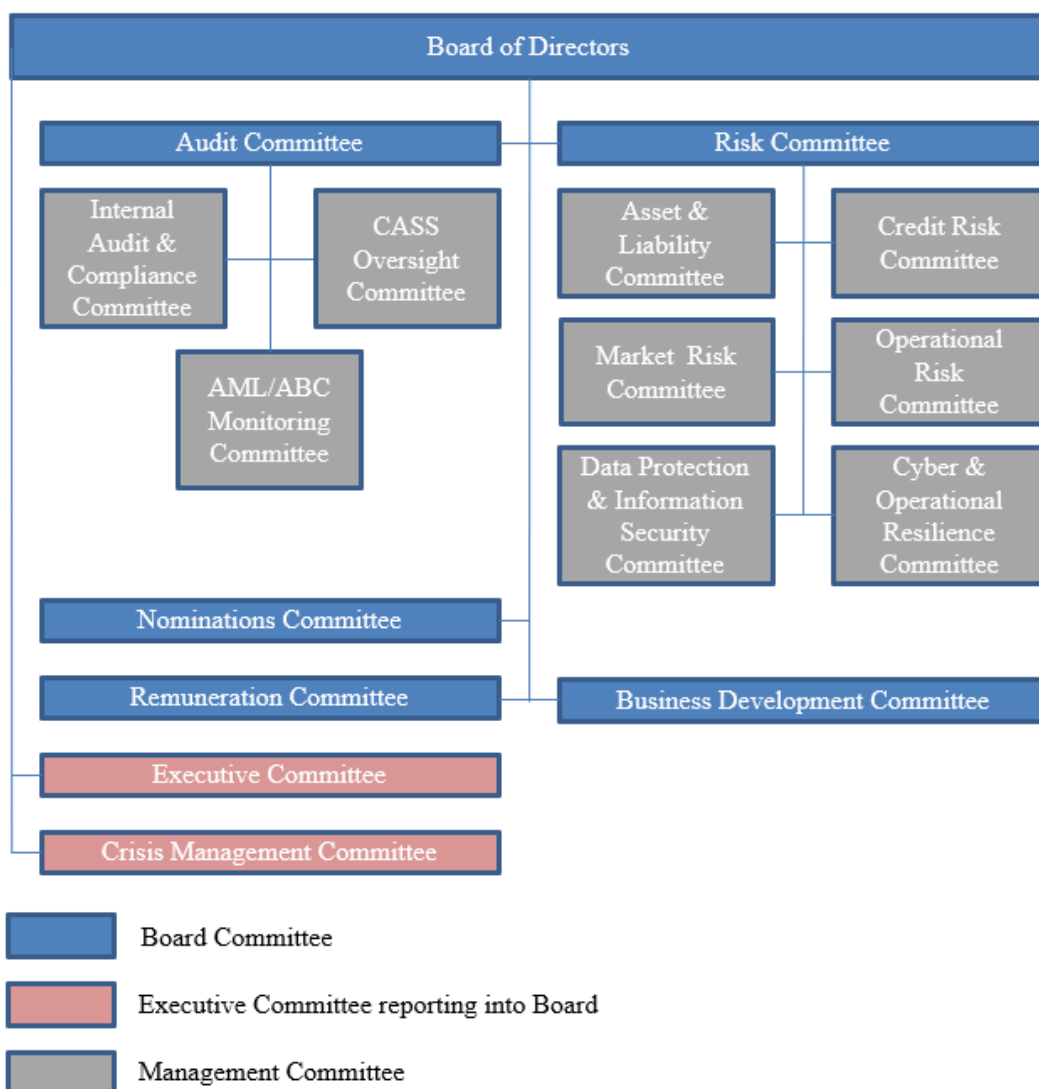
- the organisation of the Firm, including the skills, knowledge and expertise required by staff as well as the Firm's resources, procedures and arrangements;
- a policy regarding the services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Firm and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

- Marc Breillout Chair
- Sami Demal Member
- 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:

- Sami Demal Member
- Thierry Bourvis Member
- Marc Breillout Member

The SFL Remuneration Committee has three members:

- Sami Demal Member
- Thierry Bourvis Member
- Marc Breillout Member

Section 4: Own Funds

As at 31 December 2022, the Firm maintained own funds of £141.1 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	174,481	
2	TIER 1 CAPITAL	156,298	
3	COMMON EQUITY TIER 1 CAPITAL	156,298	
4	Fully paid up capital instruments	16,500	Note 19
5	Share premium		
6	Retained earnings	146,665	Note 20
7	Accumulated other comprehensive income		
8	Other reserves	(2,501)	
9	Accumulated other comprehensive income	-	
10	Accumulated other comprehensive income	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(4,366)	
19	CET1: Other capital elements, deductions and adjustments	(4,366)	
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	18,183	
26	Fully paid up, directly issued capital instruments	18,183	
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 statements	Under regulatory scope of consolidation	Cross-reference to above template
		As at 31 December 2022	As at 31 December 2022	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (in £'000)				
1	Intangible assets	1,637		Item 11
2	Plant and Equipment	858		
3	Right of-use-assets	7,794		
4	Investments	1,250		
5	Fair Value Through P&L	21,468		
6	Investments in Subsidiary Undertakings	714		
7	Deferred Tax Asset	488		Item 11
8	Trade & Other Receivables	580,851		
9	Cash and Cash Equivalents	205,580		
	Total Assets	820,640		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (in £'000)				
1	Finance Liability	18,183		
2	Lease Liability	8,941		
3	Trade & Other Liabilities	616,714		
4	Other accruals & Payables	15,909		
5	Corporation Tax Liabilities	229		Item 11
	Total Liabilities	659,976		
Shareholders' Equity (in £'000)				
1	Share Capital	16,500		Item 4
2	Investment Revaluation Reserve	1,250		Item 8
3	Other Reserves	(3,751)		Item 8
4	Retained Earnings	146,665		Item 6
	Total Shareholders' equity	160,664		

Own funds: main features of own instruments issued by the Firm	
The Firm's own funds consists solely of Comment Equity Tier 1 Capital. The main features of the own funds issued by the Firm issued are highlighted below:	
<i>Placement</i>	<i>Private</i>
<i>Instrument type</i>	
<i>Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)</i>	
<i>Accounting classification</i>	
<i>Perpetual or dated</i>	
<i>Write-down features</i>	<i>Ranks last on winding up</i>

4.1 Own Funds Requirements

The Firm is required to, at all times, maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR, FOR and KFR.

The below table illustrates the various components of the the Firm's own funds requirement:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	750
(B) Fixed Overhead Requirement ("FOR")	11,700
(C) K-factor requirement ("KFR")	38,480
- K-AUM – <i>risk arising from managing and advising on investments</i>	-
- K-CMH – <i>risk from client money held in segregated accounts</i>	236
- K-ASA – <i>risk from financially related broadcast advertisement complaints</i>	-
- K-COH – <i>risk arising from client order handling</i>	-
- K-DTF – <i>risk driven from daily trading flow</i>	954
- K-NPR – <i>net position risk</i>	14,800
- K-CMG – <i>risk arising from portfolio driven proprietary trades</i>	-
- K-TCD – <i>trading counterparty default risk</i>	22,490
- K-CON – <i>concentration risk</i>	-
(D) Own Funds Requirement (Max[A; B; C])	38,480

The Firm is also required to comply with overall financial adequacy rule ("**OFAR**"). This is an obligation on the Firm to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- a. the Firm can remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- b. the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where the Firm determines that the FOR is insufficient to mitigate the risk of a disorderly wind down, the Firm must maintain an 'additional own funds required for winding down', above the FOR, that is deemed necessary to mitigate this risk. Similarly, where the Firm determines that the KFR is insufficient

to mitigate the risk of harm from ongoing operations, the Firm must maintain an 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- the Firm's PMR;
- the sum of the Firm's FOR and its additional own funds required for winding down; and
- the sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that the Firm is required to maintain at any given time to comply with the OFAR.

As the Firm had pre-MIFIDPRU ICG the Firm's own funds threshold requirement, the amount the firm needs to hold to comply with the OFAR, must be at least equal to the transitional requirement calculated under MIFIDPRU TP 10.5 R (4).

To determine the Firm's own funds threshold requirement, the Firm identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and disorderly wind-down, and thereby deduce the appropriate amount of additional own funds required to cover the residual risk.

Overall Financial Adequacy Rule	£'000
(A) Permanent Minimum Capital Requirement	750
(B) Sum of FOR and additional own funds for winding down	57,422
(C) Sum of KFR and Harms	83,542
(D) MIFIDPRU TP10.5 R (4) transitional floor	99,590
OFAR (Max[A;B;C;D])	99,590

Section 5: Remuneration Policy and Practices

5.1 Overview

Sucden 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 do not encourage 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 Sucden'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 and it applies to all Sucden 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 do not encourage 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, Sucden 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. Sucden's Remuneration Committee (the "**Remuneration Committee**") notifies any Sucden member of staff that has been designated as a Material Risk Taker.

In line with regulatory requirements, having been identified as a Material Risk Taker has certain implications in relation to the relevant individuals' 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 any variable remuneration paid to all members of staff, 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

Sucden 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 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 levels and requirements.

5.5 Remuneration Structures

The basic remuneration structure for Sucden'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 Sucden, fixed remuneration comprises basic salary, overtime, shift allowance, on-call allowance, fixed pay allowance and pensions.

Sucden 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 Sucden, 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, Sucden 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, Sucden 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 retention.

Non-cash instrument for these purposes comprises of 'phantom shares' in Sucden. Phantom shares entitle the holder to a cash payment linked to the appreciation or depreciation in the value of the Sucden 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 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 2022 to 31st December 2022 ("FY22"). 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 FY22 was [19].

Total remuneration for FY22

Staff Categorisation	Fixed Remuneration	Variable Remuneration	Total Remuneration
	£'000	£'000	£'000
All Staff	19,490	14,434	33,924
Of which:			
Senior Management MRTs	854	505	1,359
Other MRTs	2,248	1,029	3,277

Other Staff (non-MRTs)	16,388	12,900	29,288
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Guaranteed remuneration and severance payments in FY22.

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 FY22

Staff Categorisation	Vesting	Variable Remuneration in Cash	Variable Remuneration in Non-Cash Instruments
		£'000	£'000
Senior Management MRTs	Non-deferred	364	364
	Deferred	243	243
Other MRTs	Non-deferred	145	30
	Deferred	20	20

Variable remuneration vesting in FY23 and subsequent years

Staff Categorisation	Vesting	Amount	
			£'000
Senior Management MRTs	FY23	Amount due to vest:	280
		Amount subject to performance adjustment:	0
		Amount to be paid:	280
	Subsequent years	Amount due to vest:	371
Other MRTs	FY23	Amount due to vest:	13
		Amount subject to performance adjustment:	0
		Amount due to be paid:	13
	Subsequent years	Amount due to vest:	27

De minimis exemption in SYSC 19G5.9R(2) for MRTs for FY22

Staff Categorisation	Head Count	Fixed Remuneration	Variable Remuneration
		£'000	£'000
MRTs	7	1,210	115

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.