SOCIETE GENERALE INTERNATIONAL LIMITED

PUBLIC DISCLOSURE DOCUMENT

As at 31 December 2021

THE FUTURE IS YOU

SOCIETE GENERALE

TABLE OF CONTENTS

1. INTRODUCTION 3
1.1. Background 3
1.2. Disclosure Policy 3
1.3. Business Overview 3
2. SGIL GOVERNANCE & ORGANIZATION 7
2.1. SGIL Board of Directors 7
2.2. SGIL Executive Level (Senior Management) 9
3. RISK MANAGEMENT FRAMEWORK 14
3.1. Organisation of internal controls (3 lines of defence) 16
3.2. Risk Appetite 17
3.3. Risk identification and assessment 20
3.4. Risk monitoring and reporting 21
4. CAPITAL ADEQUACY 26
4.1. Own funds 26
4.2. Capital requirements 28
4.3. Internal Capital Adequacy ('ICARA') 28

1. INTRODUCTION

1.1. BACKGROUND

The purpose of this document is to outline the public disclosures for Societe Generale International Limited ('**SGIL**').

- SGIL is a UK based MiFID Investment Firm authorised and regulated by the Financial Conduct Authority (FCA) and is designated as 'significant SYSC' and a non-SNI MIFIDPRU investment firm under the FCA's Prudential Sourcebook for MIFID Investment Firms. Until end of 2021, SGIL was designated as a Limited Activity Firm ('LAF') and significant IFPRU Firm under the FCA's Prudential Sourcebook for Investment Firms ('IFPRU') and a BIPRU firm under the FCA's Prudential sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The new Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) replaces the existing prudential sourcebooks IFPRU and BIPRU and classifies the Investment Firms into two broad categories: a) 'small and non interconnected' (SNI) Investment Firm & b) non- SNI Investment Firm.

SGIL became a large Non-SNI MIFIDPRU Investment Firm based on the following criteria:

- SGIL is a clearing member or an indirect clearing firm (MIFIDPRU 10.2.1);
- SGIL has permission to deal on its own account (it should be noted that this permission is only used to facilitate client activities); and
- SGIL meets a number of triggers related to K-factors, balance sheet, off-balance sheet and total annual gross income1 (MIFIDPRU 1.2.1).

MIFIDPRU 8 sets out specific disclosure requirements. This document is intended for SGIL to meet those requirements therein.

1.2. DISCLOSURE POLICY

SGIL has adopted a formal policy to comply with the disclosure requirements and has policies for assessing the appropriateness of the disclosures, including their verification and frequency. The disclosures comprehensively convey our risk profile to other market participants.

SGIL publishes this disclosure annually on its website:
https://sgildisclosure.societegenerale.com/en/useful-information/ifpr/

1.3. BUSINESS OVERVIEW

SGIL is a wholly owned subsidiary of Societe Generale S.A ('SG SA'), a global systemically important bank ('G-SIB'), incorporated in France.

SOCIETE GENERALE

SG SA is organised into 16 Business Units and 9 Service Units :

• SGIL runs as a standalone entity with a dedicated governance and specific regulatory requirements incorporating some of the staff and processes of these Business and Service Units.

• SGIL benefits from increased financial and operational support and an integrated business platform. All the Service Units support SGIL directly with a dedicated department or via a Client Service Level Agreement ('CSLA') between SGIL and SG SA.

• As part of SG SA, SGIL is part of the sub-business unit Equity Derivatives ('**EQD**') under the Global Market Business Unit ('**MARK**').

• SGIL works with other BUs mainly with Global Banking and Advisory BU ('**GLBA**'), to develop Business synergies and client coverage.

MARK groups together all global market activities within SG Group Global Banking and Investor Solutions ('**GBIS**') division, regardless of the underlying (equity, interest rates, credit, foreign exchange, commodities) and the type of product (cash or derivatives, vanilla or complex).

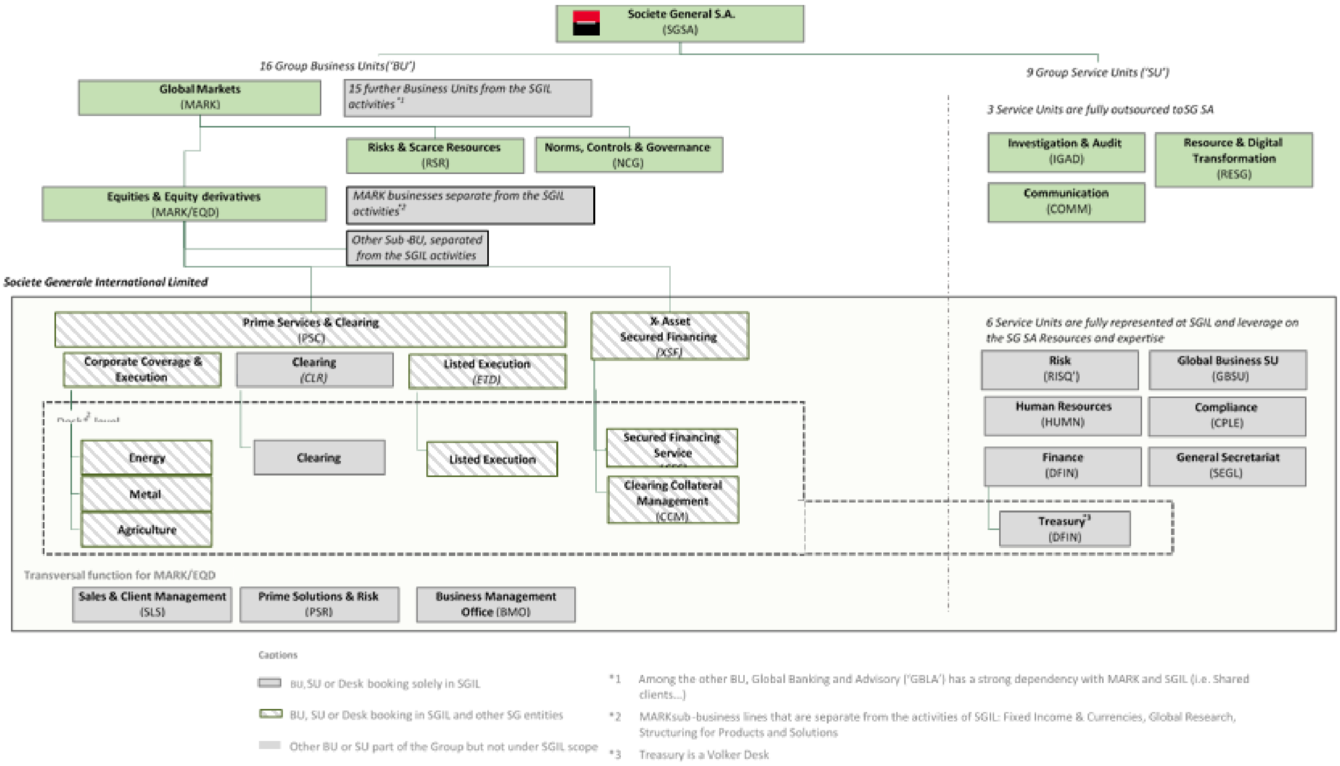
At Group level, MARK/EQD markets all equity products, equity derivative products and indices, funds (options, futures, structured products listed on equities and indices, funds, index-linked bonds, swaps on underlying equities or equity derivatives, OTC products, etc.) to a client base of professional and individual investors. It acts as a broker to execute its clients' orders.

To this end, it relies on a team of traders and acts either as an intermediary, through its access to the various markets, or as a counterparty for its clients' interests. MARK/EQD is also responsible for equity or fund refinancing. As part of MARK, SGIL is fully integrated into EQD and is divided into two main Business Units: Prime Services & Clearing ('**EQD/PSC'**) and X-Asset Secured Service ('**EQD/XSF'**).

The SGIL Front office is divided into two main Business Units:

1. **Prime Services & Clearing** ('PSC') organised into four sub-business lines:
- Corporate Coverage & Execution sub-business line ('COR')
- The Clearing sub-business line ('CLR')
- Listed Execution sub-business line ('ETD')
- Clearing Collateral Management sub-business line ('CCM')

2. **X-Asset Secured Service** ('XSF').
The Treasury function (which is part of the Finance department) is a Service Unit with a desk mandate.



Related to regulatory permission, SGIL will:

- Not deal with, or for, Retail Customers (as defined by the 2004/39/EC Directive on markets in financial instruments);
- Not take proprietary speculative positions (as defined by IFPRU[2] 1.1.5 R);
- Not undertake any securitisation activities or invest in any securitisation assets;
- Not arrange or carry out contracts of insurance; and
- Not undertake any insurance underwriting activities.

Related to SG Group Code, SGIL will:

- Not engage in jurisdictions or business relationships presenting an unacceptable level of risk, as defined by the Compliance, Financial Crime Unit ('**FCU**') and Risk guidelines from SGIL risk management policies;
- Ensure that all employees have the right level of knowledge and understanding of SGIL's cultural values and principles, and that proper operational processes and controls are in place to mitigate the risk of fraud and regulatory breaches;
- Protect the data of its customers;

- Ensure that conduct risk policies and training are in place to ensure that conflicts of interests are avoided and that customers are treated fairly;
- Continually monitor the risk profile of the Company to ensure adherence to its risk appetite, as documented in the SGIL Risk Appetite Statement (‘**RAS**’);
- Ensure ongoing compliance with all laws and regulation governing the activity of SGIL;
- Ensure that effective and appropriate governance is maintained across the entity in order to keep senior management and the SGIL Board apprised of all relevant matters;
- Maintain open and collaborative relationships with all Regulators of SGIL both in the UK and globally; and
- Ensure collaboration and ongoing engagement with Exchanges and Central Clearing Counterparties(‘**CCPs**’) where SGIL holds memberships.

2. SGIL GOVERNANCE & ORGANIZATION

SGIL has established a robust corporate governance structure as part of an overall framework to enable the effective management of all risks within the organisation. In 2019 SGIL implemented the Senior Managers and Certification Regime ('SMCR') which aims at reducing harm to customers and strengthening market integrity by making individuals more accountable for their conduct and competence.

SGIL has identified its Senior Management Functions ('SMF') by reviewing its governance structures, BUs and SUs with regard to key areas of responsibility and accountability.

Prescribed Responsibilities and overall responsibilities for Business Activities ('BAs') have been allocated in line with the rules as applicable to FCA solo-regulated Enhanced SMCR Firms.

Throughout 2021, SGIL further embedded this regime within the Company by applying for additional SMF approval in the front office and consolidating responsibility for treasury and finance under the CFO, inclusive of liquidity risk.

Furthermore, SGIL understands that its governance arrangements should be comprehensive and proportionate, taking into consideration the nature, scale and complexity of the firm and the risks inherent in the activities it undertakes.

2.1. *SGIL Board of Directors*

a. Board Roles and Responsibilities

The Company's strategy, performance and operations are overseen by a Board of Directors. As part of its responsibilities, the Board oversees sound risk management and internal controls to enable risks to be assessed and managed.

The Board's main responsibilities include:

- Establishing a sustainable business model for SGIL and a clear strategy consistent with that model;
- Reviewing and approving SGIL's financial reporting and controls;
- Exercising effective oversight of SGIL's corporate governance, risk management and control framework;
- Providing leadership within a framework of prudent and effective controls which enables risk to be assessed
- and managed; and
- Articulating and overseeing the embedding by executive management of a culture of risk awareness and ethical behaviour that SGIL should follow in the pursuit of its business goals.

The ongoing development of the Board is fostered through a Board and individual training programmes. Over the course of the 2021 and into 2022 the Board has undertaken the following training and/or presentation aimed at improving the overall knowledge and skills of the Board and its members, and ultimately its effectiveness:

- Ongoing updates on operational resilience;
- Training on IFPR; and
- Environmental, Social and corporate Governance ('ESG'), non-financial reporting and stakeholder engagement.

Finally, the Directors have selected the Wates Corporate Governance Principles for Large Companies as SGIL's Corporate Governance Code.

b. Membership and structure

The Board of SGIL is made up of the Chair who is a Non-Executive Director ('NED'), three other NEDs, two Independent Non-Executive Directors ('INEDs') and two Executive Directors, namely the CEO (SMF1 and SMF3) and Chief Administrative Officer ('CAO') (SMF3/SMF24). The NEDs and INEDs provide challenge and independent oversight over the Company's strategy and operations.

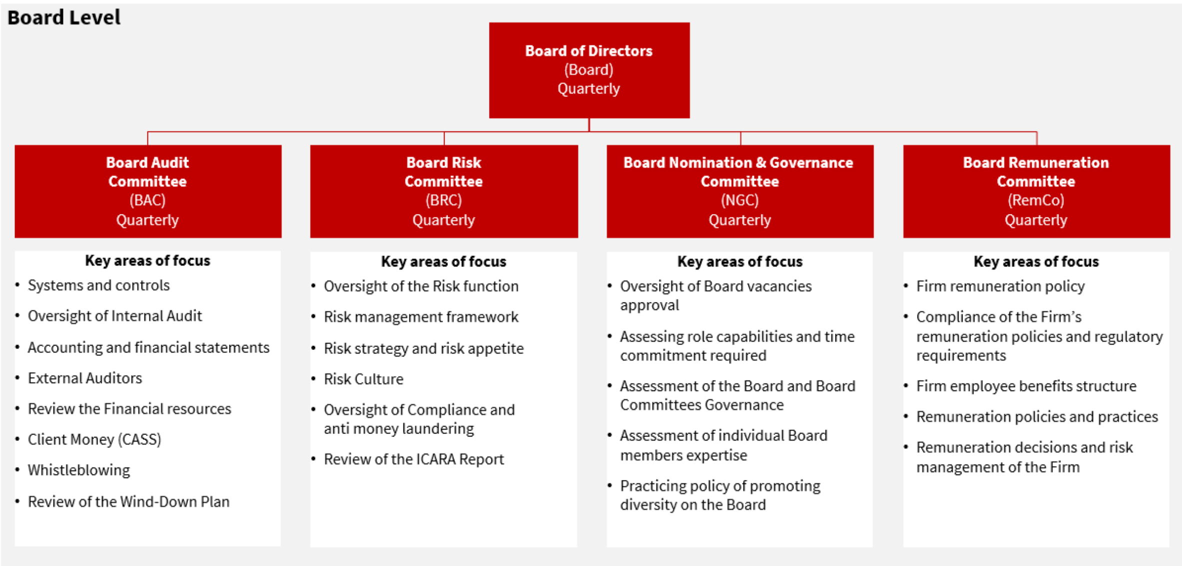
c. Matters reserved for the Board

The following matters shall be reserved for decision by the Board:

1. Strategy and Objectives;
2. Capital and Corporate Structure;
3. Financial / Regulatory Reporting and Transactions;
4. Systems of Risk Management, Internal Controls and Governance;
5. Corporate Governance;
6. Board Membership and other Appointments;
7. Remuneration; and,
8. Any other matter reserved for the Board by law or regulation.

The Board has established four technical Board Committees to assist the Board in fulfilling its responsibilities:

- The Board Audit Committee ('**BAC**');
- The Board Nomination Committee ('**NomCo**');
- The Board Risk Committee ('**BRC**'); and,
- The Board Remuneration Committee ('**RemCo**').



2.2. SGIL EXECUTIVE LEVEL (SENIOR MANAGEMENT)

a. Overview

SGIL Senior Management is responsible for the day-to-day management of SGIL and executing the strategy and objectives approved by the Board. Risk Management within SGIL must be managed according to the Risk Appetite approved by the Board utilising the Risk Management Framework.

SGIL is organised into Business Units and Service Units. The management within each business unit has various delegated authority to execute and manage their business objectives, according to approved policies and procedures.

b. Senior Management Regime

The Senior Managers and Certification Regime ('SMCR') applies to all firms authorised under the Financial Services and Markets Act 2000 (FSMA) and aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals to account.

SGIL is classified as an enhanced firm under the SMCR for solo regulated firms and is therefore required to:

• Assign a number of Senior Management Functions (SMFs) to appropriate individuals alongside a set of applicable Prescribed Responsibilities (PR) and 'Overall Responsibilities' ensuring there are no gaps in accountability

• Produce and maintain Statements of Responsibilities (SoRs) for the SMF population

• Produce and maintain a firm Management Responsibilities Map

• Identify, maintain and annually certify individuals as fit, proper and competent where they undertake roles classified as a Significant Harm Function (SHF) by the FCA, or where the individual is classified as a Material Risk Taker (MRT)

• Train SMFs and Certified Persons (CP) and remaining staff in the FCA Conduct Rules

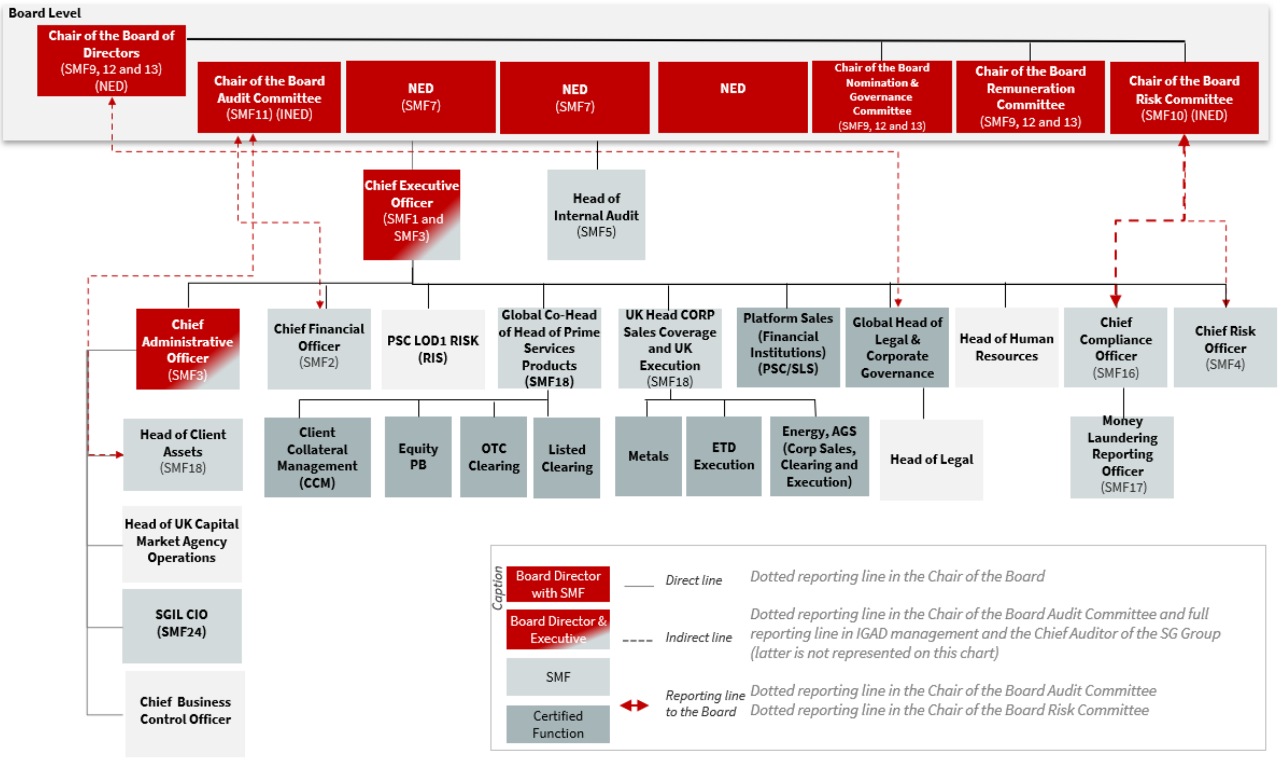
• Ensure individuals adhere to the FCA's applicable Conduct Rules, and report breaches

• Provide 'Regulated References' for CPs and SMFs who leave the firm

• Put in place a handover procedure for incoming / exiting SMFs, or those re-allocating their responsibilities or part thereof

c. Membership and structure

The executive level organisation is summarised as follows



SOCIETE GENERALE

d. *Executive and Internal level*

The ExCo is the most senior executive committee of SGIL and is responsible for delivering the Board approved strategy and the organisational performance of SGIL subject to the defined policies and risk appetite of the firm. It is accountable for discharging SGIL legal and regulatory duties and carries the obligation to ensure that the reputation of SGIL is assured and that the stakeholders and the staff of SGIL are treated with the professionalism and respect consistent with SGIL's values.

To achieve this objective the committee oversees:

- Management decisions pertaining to SGIL's operational and commercial activities, resources and controls
- Oversight and action transversal co-ordination for SGIL, such as monitoring and management of SGIL's operational platform
- Co-ordination of actions across SGIL departments
- Embedding of the Risk and Conduct Culture with SGIL

The Committee is led by and accountable to the CEO and has delegated authority to manage and oversee the proper functioning of the firm on a day-to-day basis.

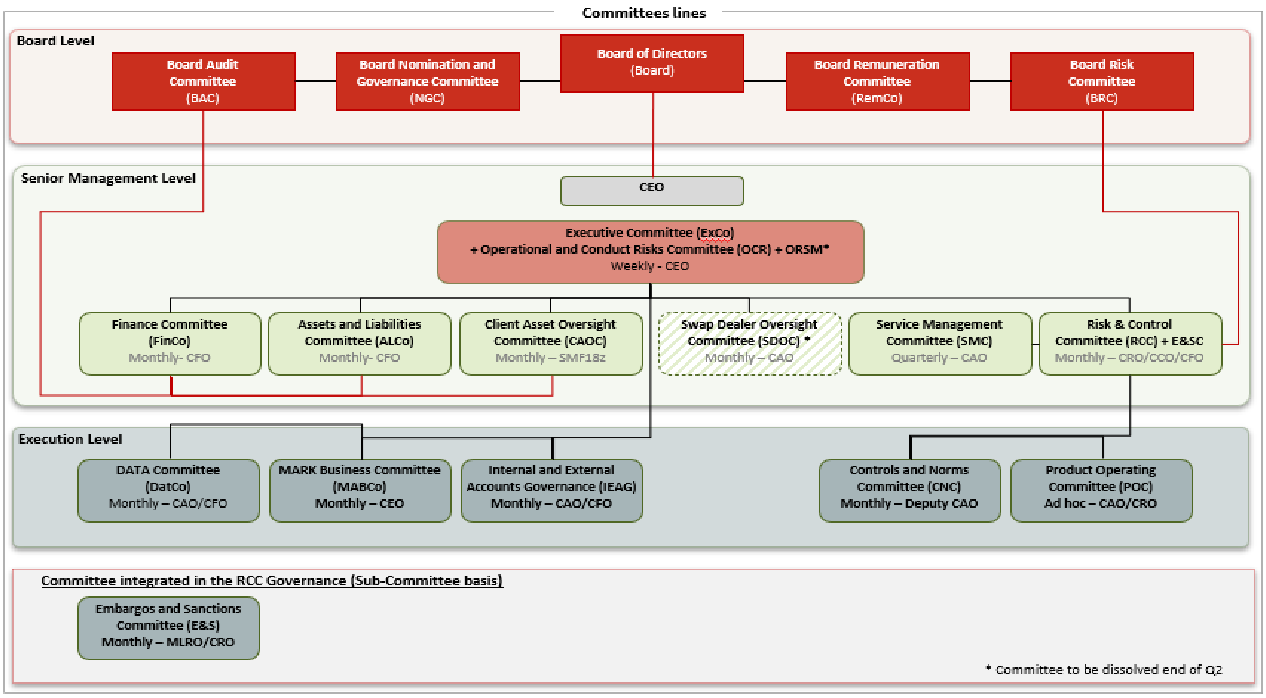
In order to assist the ExCo and its members in discharging their collective responsibilities, the committee has constituted the following executive level committees:

-Executive Level Committee	Key Area of Focus
Senior Management Level	
Executive Committee ('ExCo')	The ExCo is the most senior committee of SGIL. Its purpose is to achieve SGIL's mission within the mandate, strategy & policies agreed by the Board. • It is responsible for delivering the Board approved strategy and the organisational performance of SGIL subject to the defined policies and risk appetite of the firm. • It oversees management decisions pertaining to SGIL's activities, oversight and action coordination for SGIL; and • It oversees the co-ordination of actions across SGIL departments.
Assets and Liabilities Committee ('ALCO')	The ALCO is a decision-making Committee responsible for: • Liquidity management and monitoring; • Interest rates and Foreign Exchange risk in the Banking Book; and • Study and approval of the hedging proposals presented by the Head of ALM to comply with the limits notified by the Risk division.
Risk & Control Committee ('RCC')	The RCC is a decision-making committee. It oversees of the RISQ, Compliance and Finance framework and allow them to escalate and raise material risk topics to senior management of SGIL. • It oversees the monitoring, management and mitigation of all significant risks impacting SGIL; • It reviews and recommends for approval at the Board, formal governance documents such as Risk Management Framework , Risk Appetite Framework and Risk Appetite Statement along with any other matters reserved for the Board; and It monitors all CTL missions (RISQ/CTL, CPLE/CTL and DFIN/CTL), their recommendation and their implementations by LoD1.

Finance Committee ('FinCo' introduced in May 2022)	The FinCo is a decision-making Committee. It oversees DFIN SGIL's target strategy and financial resources in terms of budget, balance sheet, funding, liquidity and capital. • It discusses and approve policies of DFIN SGIL specific balance sheet risks as well as provides a forward-looking view to ensure the medium to long term financial stability; and • Is responsible for reviewing, challenging & approving financial reporting disclosures & judgement.
Client Asset Oversight Committee ('CAOC')	The CAOC is a decision-making committee. It ensures strong senior management oversight and control of client assets processes. • It maintains clear definition of roles and duties to perform client assets processes effectively and in compliance with the FCA Client Assets Sourcebook Rules; • It oversees exceptions requests approved by the EXCO on behalf of the business lines, to offer segregation to a client and to ensure no CASS related issues arise; and • It ensures all operational departments are aware of their responsibilities in accordance with CASS rules.
Swap Dealer Oversight Committee ('SDOC')	The SDOC supports SGIL's Dodd -Frank Act ('**DFA**') programme and monitor the controls and compliance of SGIL's swap-dealer activities in line with the DFA's Title VII requirements. • It shares and monitor swap remediation actions among all stakeholders; • It communicates new swap related guidelines, updated procedures controls and report the results of the key swap related controls; and • It oversees the regulatory and operational risks arising from the ongoing DFA project and swap dealer activities.
Service Management Committee ('SMC')	The SMC is a sub-committee of the RCC. It oversees the management of services delivered to SGIL. • It oversees the appropriate and relevant policies and procedures that underpin the Service Management Framework; • It investigates, monitor and review frameworks for managing Key Suppliers to maximise benefit realisation; and • It coordinates the organisation to ensure their interests and constraints are considered.
Execution Level	
Data Committee ('DatCo')	The DATCO is a decision-making committee responsible for monitoring data quality, reviewing data quality issues, and assessing upcoming changes that will affect the data framework. • It ensures the smooth and consistent running of the SGIL data-driven processes; • It provides a forum for decision-making for senior management for the day-today running of the data-driven processes; and • It manages the implementation of Data Owner and/or Data Consumer remediation plans, in accordance with defined budgets and schedules.
MARK Business Committee ('MaBCo')	The MaBCo is a decision-making committee and a forum for discussion for all matters relevant to SGIL MARK. • It oversees the developing and implementing strategy with the associated organisational and operational plans; • It oversees the SGIL business activity: Clients, Activity, customer complaints and allocation of resources; and • It oversees the monitoring and management of SGIL operational platform.
Internal and External Accounts Governance Committee ('IEAG')	The IEAG Committee is a decision-making committee whose scope is operational and accounting covering all internal and external accounts of SGIL across different back office systems. • The committee discusses all matters relevant to SGIL's internal and external accounts across management and controls; and • Topics for discussion include WATCH controls enhancement (covering SHADOW, GMI & MUREX), BCT Account Certification, Account Cartography, Policy, IAM governance and validation of any exclusion rule from the control the framework.
Controls and Norms Committee ('CNC')	The CNC is a sub-committee of the RCC. It oversees the operational application of normative documentation, design and review of controls, norms, and policies within SGIL. • It ensures that SGIL's rules and policies are reviewed on a regular basis, documentation maintained in a central storage, and in line with Group and Regulators; • It ensures that the SMF + Management and Heads of BU/SUs have approved the Entity Normative Documentation ('**END**') texts for their areas of responsibility; and • It ensures the SGIL code of conduct meets the standard set by the Group and Regulators, and that it is applied within SGIL.
Product Operating Committee ('POC')	The POC is a sub-committee of the RCC. It performs the screening of any incremental products or services with a potential impact to SGIL. • The POC must approve all new products, or business services not previously provided by SGIL; and • All requests to the POC for approval must be fully documented by the relevant Business Sponsor using the template provided.

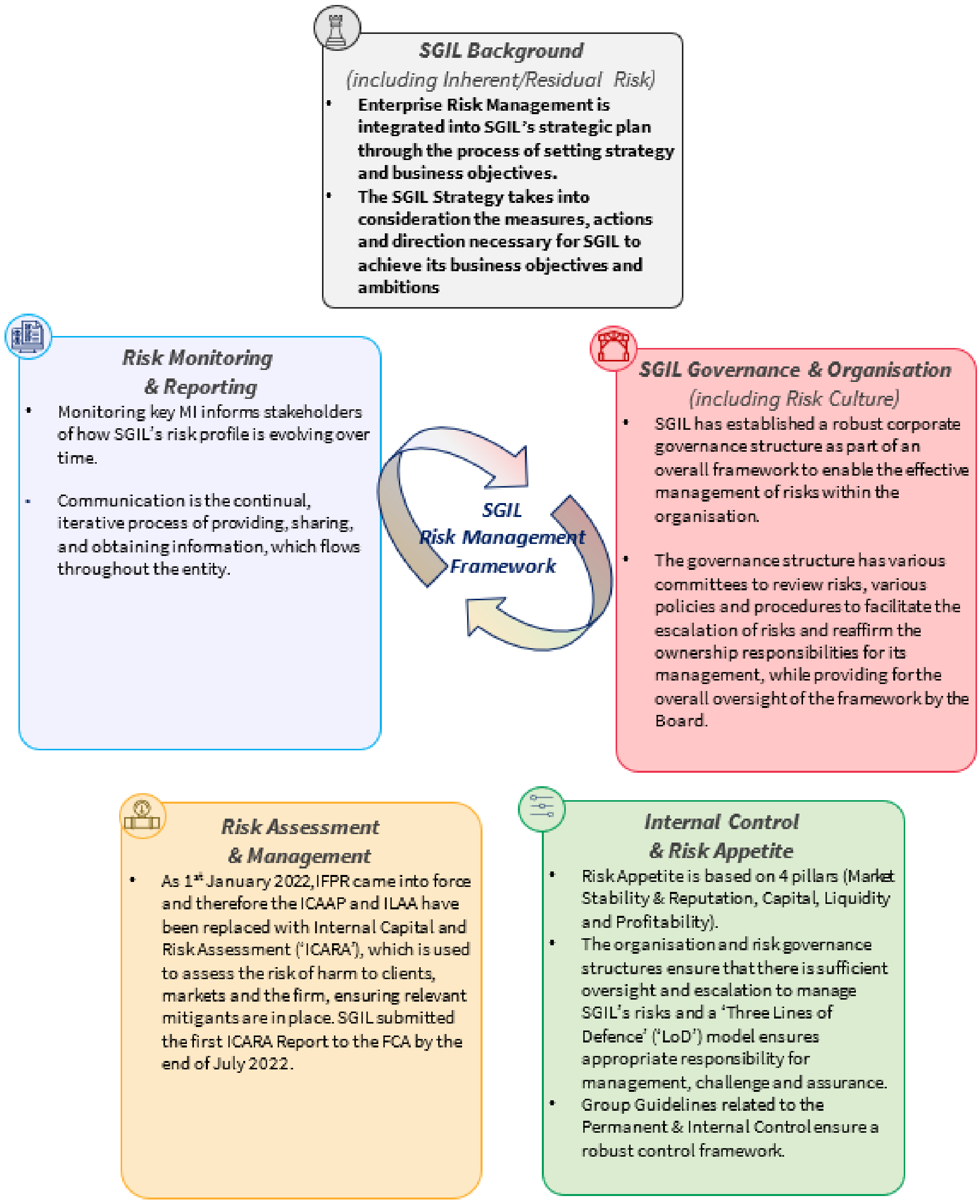
Committee integrated in the RCC governance	
Embargos & Sanction Committee ('E&S')	The E&S is a sub-committee of the RCC. It facilitates an effective local governance framework in relation to the Embargoes and Sanctions risks faced by SGIL to allow appropriate managerial oversight of these risks. • It oversees the results of sanctions permanent supervision and managerial controls; and, • It oversees the reviewing- of all emerging risks and relevant external risks and events.

The below organigram sets out a high-level summary of the committee structure of SGIL including the Board oversight:



3. RISK MANAGEMENT FRAMEWORK

SGIL's Risk Management Framework ('RMF') presents an overview of the SGIL organisation and the management principles, governance and systems, which establish the approach to managing and controlling SGIL's risks within a coherent framework. The RMF defines the structure within which SGIL identifies, assesses, monitors, manages, controls and reports potential and realised risk exposure. It has been designed to ensure that risks are appropriately considered within all business decisions, as illustrated in the diagram below:

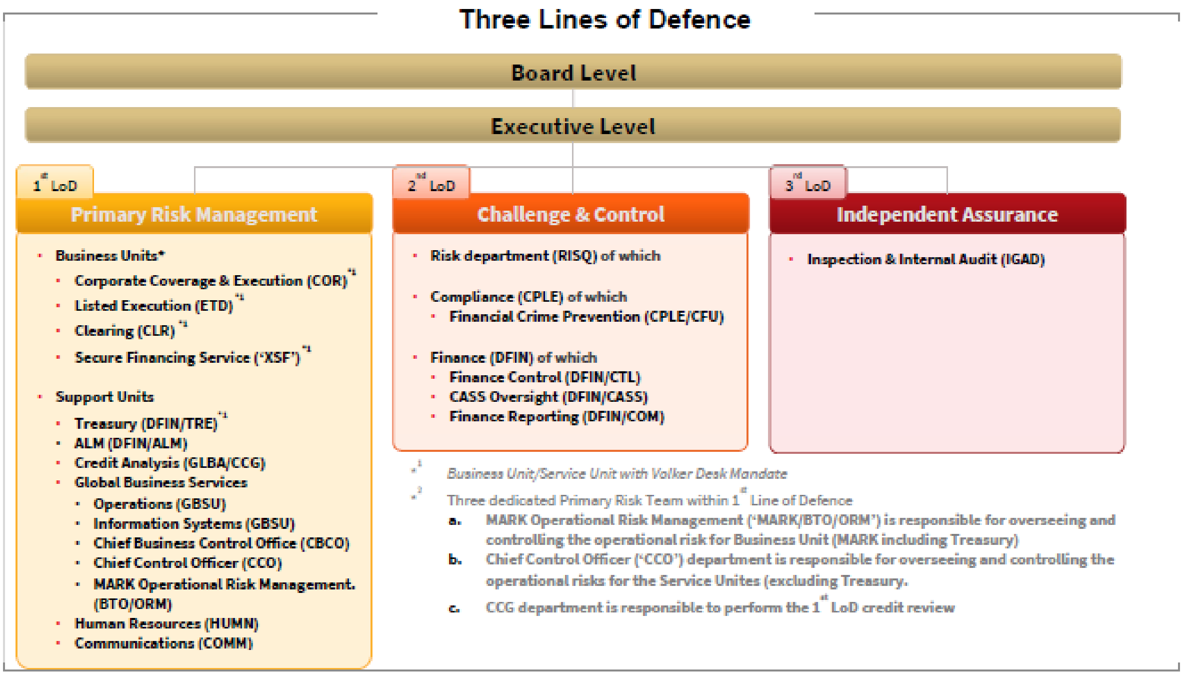


The RMF represents an umbrella document outlining the material risk management principles adopted by SGIL, in terms of related policies, procedures and standards. Local SGIL process related policies contribute to the more detailed documentation of SGIL's internal risk control systems and processes. The RMF is evolving with continuous enhancements made to ensure that it sufficiently covers the risk profile for SGIL and meets the expectations of management, the Board, and regulatory requirements.

3.1. ORGANISATION OF INTERNAL CONTROLS (3 LINES OF DEFENCE)

The organisation and risk governance structures ensure that there is sufficient oversight and escalation to manage SGIL's risks and a 'Three Lines of Defence' (LOD) model ensures appropriate responsibility for management, challenge and assurance (as depicted below):

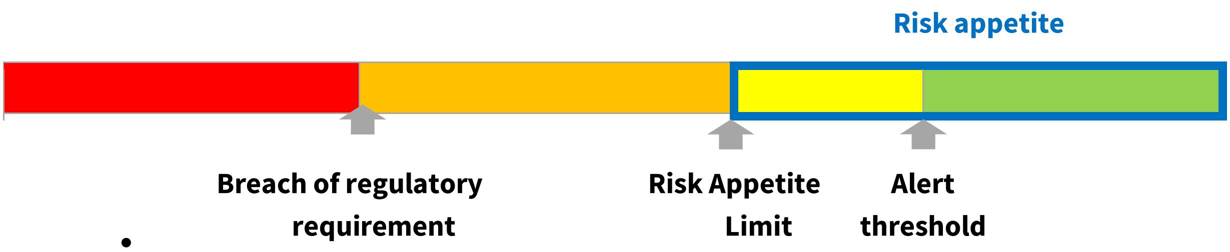
- The First Line of Defence (LOD1) has primary responsibility for risk assessment, control and supervision and exercises first-level permanent control within their respective scopes, in line with the norms, standards and procedures defined by the second line of defence.
- The Second Line of Defence (LOD2) ensures all the risks are identified, assessed, measured, managed and correctly reported by the relevant Business Units and Service Units, providing an overview of all risks. The Risk department provides the appropriate level of expertise and decision-making capacity required locally, in accordance with the nature, scale and complexity of risks originated by SGIL, while relying on the integrated model, based at Group level.
- The Third Line of Defence (LOD3) is defined as being the Inspection & Internal Audit function and provides an independent assurance that SGIL's risk management, governance, policies and internal control processes are operating effectively. All three Lines of Defence are segregated to avoid conflicts of interest



3.2. RISK APPETITE

Risk appetite is defined as the level of risk that SGIL is willing to assume in achieving its strategic goals. The SGIL Risk Appetite Statement aims to formalise SGIL's risk appetite for the material risks which it faces in the conduct of its business. Therefore, the Risk Appetite is articulated:

- qualitatively, through a set of principles and policies applicable to various types of risk; and
- quantitatively, through a risk management framework comprising forward-looking financial targets, limits and alert thresholds, and a possible regulatory minimum, as illustrated below.



Below are 3 levels of the Risk Appetite:

- An **Alert threshold** aimed at preventing risk appetite breaches (financial target or limit);
- A **Risk Appetite Limit** definition level:
  - for profitability, solvency and liquidity indicators, risk appetite is quantified by a financial target applicable at all times, including via the financial forecasts in the baseline scenario; and
  - for risk indicators, risk appetite is quantified by a limit applicable at all times.
- A **"crisis" level**:
  - as a rule, this level is a regulatory requirement where the indicator in question is subject to such a requirement; and
  - where the indicator in question also is a wind-down trigger.

Risk Appetite formalisation is based on:

- SGIL's strategic profile: definition of the major principles for balancing the business portfolio by geography and by expertise;
- SGIL's financial stability profile: formalisation of SGIL's major financial goals (profitability, solvency, liquidity, etc.), consistent with its strategy, which includes targets to comply with in the base case of the three-year financial plan. The target solvency and liquidity profile is further defined in complete consistency with the ICARA process; and
- a risk framework: definition of risk policies and quantitative levels of risk management.

The Group RAS was cascaded down to SGIL and has been modified to align with the business activities and strategic goals of SGIL.

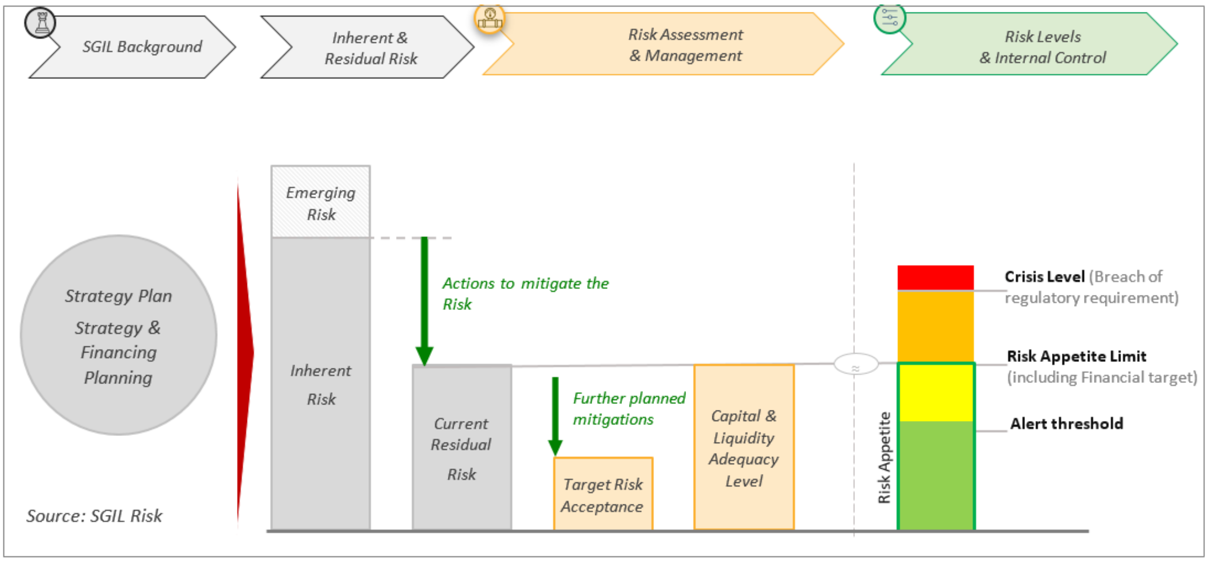
The SGIL Risk Appetite Framework formalises the governance and implementation framework for SGIL's risk appetite. The key elements of the RAF are listed below:

- defines risk appetite governance in terms of the responsibilities of the three lines of defence, the annual review of the RAS and the RAF, and the reporting requirements of the risk appetite metrics (which includes monthly reporting to the Risk & Control Committee ('**RCC**') and quarterly reporting to the Board Risk Committee ('**BRC**'));
- presents the approach and methodology by which the risk appetite is identified, measured, determined, supervised and communicated;
- describes the formalisation of this risk appetite in the RAS;
- defines interactions with key strategic processes such as:
    - the ICARA
    - the Recovery Plan and Wind Down Plan;
    - culture and conduct; and
- is reviewed annually by the Board of Directors.

A key component of the RAF is the escalation framework that is to be followed in the case of a breach of an alert threshold, a risk appetite limit, or the regulatory minimum of a risk appetite metric. Risk appetite breaches can lead to escalations to SGIL's management and Board of Directors, and SG Group's central management.

Risk Levels

This section presents an overview of the SGIL Risk Levels (including dependency between the Inherent/Residual risk and the Risk Level (Risk Appetite and wind-down metric) and the governance to define the different risk levels (Risk Appetite and the Wind-down). These levels allow monitoring of the SGIL business and define any deviation between the SGIL Business and the reality.



Based on the Inherent and Residual Risk, the **Risk Appetite and Crisis level** are defined to monitor the SGIL Business and define any deviation between the SGIL Business and the reality.

- Inherent Risk is defined as the level of risk in place in order to achieve an entity's objectives, and before actions are taken to alter the risk's impact or likelihood. The natural level of risk inherent in performing a process/business activity gross of any mitigating or risk reducing actions.
- Current Residual Risk is the level of risk after action has been taken to mitigate the risk.
- Target Residual Risk (also known as Risk Acceptance) is defined as the level of risk after further actions are planned and implemented to mitigate the Current Residual Risk.
- Emerging Risk: risks that SGIL has not yet fully considered, assessed or mitigated, so that they are currently not, or insufficiently, managed and monitored in accordance with SGIL's risk monitoring tools and processes.

The Risk Appetite sets out the level of risk that the Board of Directors of SGIL is comfortable with taking in the execution of the Firm's business objectives. SGIL has articulated its Risk Appetite in line with its business model and SG Group requirements. The SGIL Risk Appetite Framework ('RAF') presents the governance and implementation framework and the SGIL Risk Appetite Statement ('RAS') formalises the SGIL appetite for the major risks it faces in the conduct of its business. In the Risk Appetite Statement, quantitative supervision of a given indicator is based on a graduated approach that can include up to three levels: Green, Amber and Red for most critical metrics, such as the profitability, capital and liquidity.

A Risk Appetite Limit definition level:

- for profitability, solvency and liquidity indicators, risk appetite is quantified by a financial target applicable at all times, including via the financial forecasts in the baseline scenario;
- for risk indicators, risk appetite is quantified by a limit applicable at all times;
- An **Alert threshold** aimed at preventing risk appetite breaches (financial target or limit);

A regulatory Minimum level:

- as a general rule, this level is a regulatory requirement where the indicator in question is subject to such a requirement;
- for financial indicators, it shall be observed via the forecasts in the stressed scenario;
- where the indicator in question also appears in the Recovery Activation Dashboard

3.3. *RISK IDENTIFICATION AND ASSESSMENT*

Risk identification is a cornerstone of the Group Risk Management Framework. Risks to the business are identified and measured through various processes and actions, including the reporting of operational risk events, the performance of the Risk and Control Self-Assessment ('RCSA') process, limit excesses, control testing and new product assessments.

In order to enhance its Risk Management Framework, in Q1 2022 SGIL completed the risk identification process which resulted in the formalised SGIL Risk Cartography. This process produced a comprehensive list of risks that SGIL is exposed to, organised by high-level risk categories (market risk, counterparty credit risk, and operational risk). While each risk captured in the risk identification process may be important at SGIL, the risk cartography also prioritises the risks to focus SGIL management on the most material risks.
The ICARA in 2022 and its associated stress testing processes are an integral part of SGIL's risk management process to identify and assess the risks the Firm faces.

Identified material risks are mitigated and controlled through risk management practices such as a specific control framework, risk appetite (risk appetite limit / alert threshold) or a risk policy. Where feasible, the risk factors underlying a material risk are identified and a dedicated scenario is developed with the associated loss is then quantified through a stress test. To ensure comparability, the scenarios have one or both of the two following severities:

- Adverse for scenarios with an estimated 10-year frequency (90% fractile of the 1-year loss distribution for that particular risk), such severity being common for risk steering;
- Extreme or Severely Adverse for scenarios with an estimated 50- to 100-year frequency (~99% fractile).

SGIL's approach to risk identification also considers the requirements of the Investment Firm Prudential Regime (IFPR) which has an implementation date of 01 January 2022. One of the key areas of focus of the new prudential regime is that it takes a more outward looking approach to risk by introducing the concept of the 'three harms.

3.4. *Risk Monitoring and Reporting*

The SGIL Monitoring and Reporting Framework has been designed with a view to provide on an ongoing basis a comprehensive view of the SGIL risk profile ('**Management Information**' or '**MI**') to ensure that the Firm stays within the Risk Appetite Statement. Its purpose is to enable escalation of breaches (including overruns) and to ensure the resolution of risks and the maintenance of risk mitigation processes.

a. Management Information (MI)

The Risk Monitoring & Reporting Framework sets out the processes for ensuring that Management Information ('**MI**') is reported to the Executive / Board Committees. The Management Information is made up of three key elements:

1. **Risk Appetite** – The SGIL Risk Appetite is translated into a series of qualitative business acceptance criteria and quantitative limits, thresholds and risk indicators, monitored on a regular basis to ensure that the Firm stays within its risk appetite. Should the results of the controls in place imply that SGIL is exposed to a risk exceeding its stated risk appetite, escalation and resolution protocols are triggered in line with the applicable policies and procedures;
2. **Risk Register** - The Risk Register records the inherent risks and residual risk faced by the Firm, as well as the risk mitigating actions approved by the RCC, Senior Management and the Board to reduce the risk exposure of the Firm. The Risk register includes but not limited to:
   - The Risk Identification & Risk Mapping as part of the ICARA
   - The ICARA Report
   - For specific risk category, a dedicated risk register assessment can be performed dependent to the criticality of the risk category. For instance, for operational risk, the annual Risk & Control Self-Assessment ('**RCSA**') process performed by the business is also undertaken.
3. **Monthly Board Report** ('**MBR**') is part of the Management Information Pack is a comprehensive dashboard sent to the Board of Directors on a monthly basis. The MBR includes an overview of the current situation regarding Finance, Treasury/ALM, Operational Risk, Credit Risk, Market Risk, Capital, and Compliance topics to capture the relevant information from the different SGIL committees. There will be one dashboard for each section including the following information:
   - Overall management comments and key issues;
   - Key metrics with comments to explain the variations over the months;

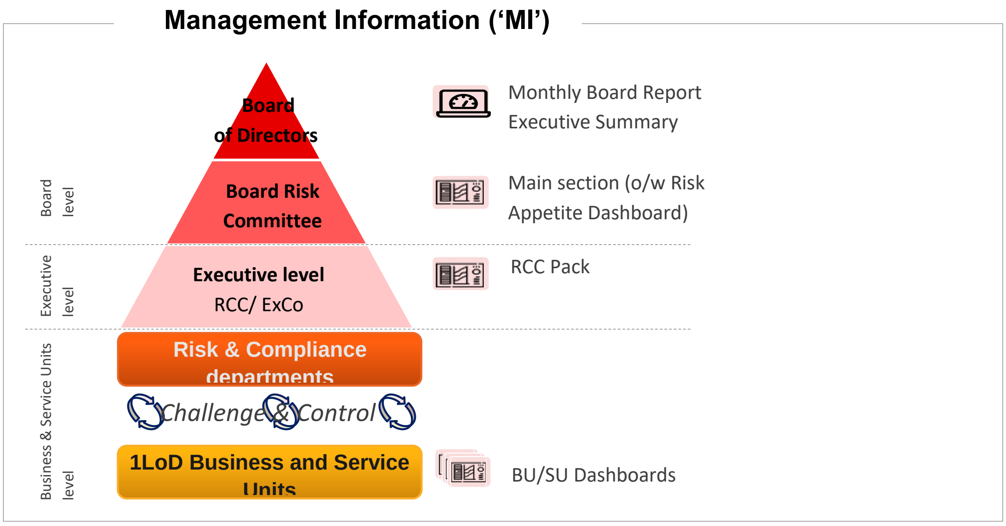
Lines of Defence	Responsibility
First Line of Defence Primary Risk Management *3 dedicated 1st LoD Risk/control function* • *NCG is responsible for overseeing and controlling the operational risk for Business Units* • *GBUS/CCO department is responsible for overseeing and controlling the operational risks under the Service Unites (DFIN, OPER, ITEC)* *2 dedicated 1st LoD Credit function* • *PSR in charge of Credit Risk for Prime Services*	1st LoD have direct responsibility for the ownership, use and management of Risk within their processes and activities: **Management Information** • Review and update major risks on a monthly basis and accepted risks on a yearly basis; and, • Raise new risks and emerging risk to the SGIL Risk department or directly to the RCC. **Risk Mitigation** • Develop action plans, where applicable, to address risk item for review by risk management and respective risk committees.
Second Line of Defence Challenge & Control *4 Departments* • *Risk* • *Compliance* • *Financial Crime Prevention* • *Finance Control* • *CASS Oversight*	2nd LoD provides oversight, challenge and control to the business (1st LoD) in their management of these risks, as well as supporting the risk governance processes and reporting. **Management Information** • Review Risk Register on a monthly basis and residual risk rating; • Coordinate the on-going Risk Register update process; • Review the status and risk profile of inherent risks to the business; and, • Present the significant results of the various risk processes and risk profile to the Board on an ongoing basis. **Oversight, Challenge and Control** • Review, challenge and approve risk responses and action plans (where applicable) that address exceptions/violation before submission to the Risk & Control Committee (‘**RCC**’).

b. Monitoring by the Board and Executive levels

Overview

SGIL Risk Department, as the 2nd LoD, is responsible for the analysis, monitoring, challenge and control of risks. It is also responsible for the escalation of any risk concerns to SGIL Senior Management and the Board.

The **Monthly Board Report** (‘**MBR**’) is a comprehensive Dashboard to capture the relevant information from the different SGIL Committees.



Board level: SGIL has a formalised corporate governance structure, ensuring that the Board of Directors has **visibility** on the risks faced by SGIL and the framework in place to **manage** and **mitigate** the risks. The communication to Board is based on the reporting of risk information and monitoring controls.

The key documents are Executive Summary, Board, BRC and quarterly RCC level reporting;

Exco level: SGIL Senior Management receives, on a regular basis (typically daily to weekly) the results of the key controls for which a more frequent circulation is appropriate. (Executive Committee updates to the Risk and Control Committee and regular meetings between CRO and CEO); and,

BU/ SU: All the Business Units and Service Units monitor the risks to manage and mitigate them. Thus, the key documents are BU/ SU dashboard, presentation if required.

Role & Responsibilities and Frequency

The results of the 1st and 2nd level controls are reported to the Board and Executive Committees in the form of aggregated Management Information packs ('**MI**') at the frequency set in the terms of reference of the Committees.

The following table presents an overview of the duties and responsibilities of Committees in terms of Monitoring. They are outlined in their Terms of Refence ('**ToR**'). [3]

Committee	Responsibility
Risk & Control Committee *('RCC')* • *Monthly**	• Execute oversight of the Risk Register; • Review, challenge and approve the Risk Register content on monthly basis - including: ○ Risk Register Scorecards; ○ Quarterly Risk Appetite Dashboard (quarterly basis); ○ Operational risk metrics (quarterly basis); ○ Operational risk scenario stress testing output (yearly basis).
Board Risk Committee *('BRC')*	• Be responsible for oversight and regular review with ○ the Risk Register;

Committee	Responsibility
*Quarterly**	○ COMpliance ASSessement Report (COMPASS Report). The COMPASS follows the SG Group Guidelines; • Review and approve action plan that address significant exceptions/violations to these procedures; and, • Review, challenge and approve the SGIL Stress Test and ICAAP including the operational Risk Stress Test.
SGIL Board of Directors *('Board')* *Quarterly**	• Inform the significant risks escalated via the BRC; • Delegate the review and approve the action plans to the BRC, as necessary.

** Frequency is at least monthly or quarterly as the case maybe. Ad-hoc committees are also arranged. Each meeting frequency is defined under Terms of Reference.*

The Management Information Pack cover all the Risk Categories:

	Board Level		Executive Level			
	Board	BRC	EXCO	RCC	ALCO	CAOC
Risk Categories	(Quarterly)	(Quarterly)	(Fortnighlty)	(Monthly)	(Monthy)	(Monthly)
Risks relevant for SGIL						
1. Liquidity & Funding Risk	✓	✓	✓	✓	✓	✓
2. Structural Risk	✓	✓	✓	✓		
3. Credit Risk	✓	✓	✓	✓	✓	✓
4. Market Risk	✓	✓	✓	✓		
5. Operational Risk	✓	✓	✓	✓		
6. Model Risk	✓	✓	✓	✓		
7. Capital Investment Risk	✓	✓	✓	✓		
8. Business Risk[4]	✓	✓		✓		
9. Strategic Risk[4]	✓	✓		✓		
10. Group & Vendor Risks	✓	✓	✓	✓		
11. Risks of Excessive leverage	✓	✓	✓	✓		
Other risks (not relevant for SGIL)						
12. Securitisation Risk	These two risk categories are assessed on yearly basis as part of ICAAP. As in 2018, they are assessed as not relevant for SGIL, there is not specific monitoring (except the ICAAP).					
13. Insurance Risk						

c. *Escalation and Mitigation to the Board and Executive*

Overview

In the event that the results of the analysis and monitoring of controls in place suggest that the Firm is carrying risk greater than the tolerance levels set, escalation and mitigation protocols are in place

[4] *The Emerging Risk is defined as the sum of the Business and Strategic Risk*

to ensure that results are reviewed and if necessary, mitigating actions are recommended to Management and the relevant Executive / Board Committees.

These protocols are defined by risk type and documented in the applicable policies and procedures.

Escalation requirements to the Board, via the Board Risk Committee:

- A **material deviation** from the Firm's current mandate (including material new activities, products, methodologies, Outsourced Essential Services ('OES')) will be presented to the BRC. At the discretion of the BRC a summary page of the files will be presented to the Board for information;
- A **breach in the Risk Appetite Statement**; (cf. following section for detail of the escalation process process)
- A **material regulatory breach** (including material changes);
- **Invocation of the Default Management Process in the event of a Credit Crisis.**
- **Invocation of the Recovery Plan in the event of liquidity and funding crisis**;
- **Invocation of the incident management plan** in the event of a disaster recovery situation; and,
- **Capital requirements** to be reported quarterly through the BRC.

Escalation principles are designed to define the course of action when risk appetite limits or thresholds are breached. They must ensure that the necessary people are duly informed, and actions taken.

Escalation of any breach in the Risk Appetite Statement

Metrics are monitored on a regular basis (daily, weekly or monthly), although communicated to the Board on a quarterly basis. However, in the case of a breach of a limit and/or threshold during the quarter, the following escalation process must be activated:

- For any breach, the Metric Owner must raise an alert to the Executive Committee, define the root cause of the issue and propose a remediation plan. The CEO, or in his absence the CRO, must decide whether to inform the Board immediately or not, except for the following key metrics (Total Capital ratio, Survival horizon and Over-arching Operational Risk Appetite). For any breach of limit for these key metrics, the Board should be informed immediately.
- It is also the primary responsibility of the CEO, on the bases of the information provided by the metric owner, to decide on the immediate actions to be conducted and in particular if the particular activity causing the breach should be continued, reduced or halted.
- In addition, any breach will be reported to the Board of Directors through the Quarterly Risk Appetite Dashboard.

Escalation process for any major events

For any case of substantial changes in the business model, industry, or macroeconomic condition, the CEO, Chief Compliance Officer and the Chief Risk Officer should raise an alert to the Executive Committee, define the impact of the(se) event(s) to SGIL.

The CEO, or in his absence the CRO, decides whether to inform the Board immediately or not.

4. CAPITAL ADEQUACY

4.1. *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**	1,445,736.03	
2	**TIER 1 CAPITAL**	1,295,736.03	
3	**COMMON EQUITY TIER 1 CAPITAL**	1,295,736.03	
4	Fully paid up capital instruments	1,150,000.00	12
5	Share premium		
6	Retained earnings	213,823.00	14
7	Accumulated other comprehensive income	3,020.00	13
8	Other reserves	2,661.00	13
9	Adjustments to CET1 due to prudential filters	- 6,291.33	
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER	- 67,476.65	
19	CET1: Other capital elements, deductions and adjustments	-	
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**	150,000.00	
26	Fully paid up, directly issued capital instruments	150,000.00	9
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				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Crossreference to template OF1
		As at 31/12/2021		
	Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
	NON-CURRENT ASSETS			
1	Intangible assets	237		
2	Other receivables	1,019,000		
	CURRENT ASSETS			
3	Investments at fair value through OCI	747,440		
4	Financial assets at fair value through P&L	2,805,330		
5	Trade and other receivables	26,554,971		
6	Cash and cash equivalents	16,477,676		
	Total Assets	**47,604,654**		
	Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
	CURRENT LIABILITIES			
7	Financial liabilities at fair value through P&L	2,738,555		
8	Trade creditors and other payables	43,232,730		
	NON-CURRENT LIABILITIES			
9	Subordinated debt	150,000		
10	Provisions	1,271		
11	Deferred tax liabilities	1,439		
	Total Liabilities	**46,123,995**		
	Shareholders' Equity			
12	Share capital	1,150,000		
13	Other reserves	5,681		
14	Retained earnings	324,979		
	Total Shareholders' equity	**1,480,660**		

4.2. Capital requirements

As a 'non-SNI' firm, SGIL's capital requirements under the new prudential regime for investment firms is based on the highest of the Permanent Minimum Capital requirement ('PMR'), the Fixed Overhead Requirement ('FOR') and the K-Factor Requirement ('KFR').

Permanent Minimum Requirement

As SGIL deals on its own account, its PMR is equal to GBP 750,000 as per MIFIDPRU 4.4.1R (2).

Fixed Overheads Requirement

SGIL's fixed overheads requirements is equal to GBP 39.3mio.

K-Factor Requirement

The following table provide the details of the K-Factor Requirement computation performed as of 31st December 2021.

	£ Millions
Sum of K-AUM, K-CMH and K-ASA	36.0
Sum of K-COH and K-DTF	63.5
Sum of K-NPR, K-CMG , K-TCD and K-CON	166.1
Total k factors Requirement	**265.6**

Further to the K-factor requirement, SGIL holds additional own funds to mitigate potential Harms and these are assessed through the process described in the section 4.3. The sum of the K-Factor requirement and these additional own funds equate to SGIL's own funds threshold requirement.

4.3. Internal Capital Adequacy ('ICARA')

The ICARA process is the collective term for the internal systems and controls that SGIL, as a MIFIDPRU investment firm, operates to identify and manage potential material harms that may arise from the operation of its business, and to ensure that its operations can be wound down in an orderly manner. The process incorporates business model assessment, forecasting and stress testing, recovery planning and wind-down planning.

Through the ICARA process SGIL is able to identify whether it complies with the overall financial adequacy rule and the focus of the ICARA process is on identifying and managing risks that may result in material harms. Depending on the nature of the potential harms identified, the only realistic option to manage them and to comply with the overall financial adequacy rule may be to hold additional own funds or additional liquid assets above the firm's own funds requirement or basic liquid assets requirement. However, in other cases, there may be more appropriate or effective ways to mitigate the potential harms (other than holding additional financial resources e.g. implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the firm conducts certain business).

The key steps in the ICARA process are set out below:

Step 1 – Harm identification and monitoring

As part of its ICARA process and according to the FCA FC20/1 , SGIL has assessed in Q1 2022 its business and operating model to identify all material harms (including those harms appropriately mitigated) that could result from the ongoing operation of the firm's business and the winding-down of the firm's business. This involved a bottom-up approach with senior managers as well as relevant Subject Matter Experts ('SMEs') across all business units and support units.

This was achieved through utilising outputs from SGIL's RMF processes, including the RCSA exercise outputs. Additionally, a series of harms identification workshops structured around harms to clients, to markets and to the firm were organised.

Prior to each workshop, bilateral meetings were held with individual SMEs to obtain input into potential material harms which was then used as a framework for discussion.

During the workshops, potential harms were considered by reviewing plausible hypothetical scenarios that may occur in relation to the activities that the firm carries on. Consideration was given to the possibility that certain scenarios may occur at the same time or that there may be a correlation between connected scenarios. Peer analysis was also considered, taking into account any material differences to estimate potential harms.

Further transversal workshops were held to identify the potential material harms that may arise by business activity and this output was then cross referenced to the harms identification workshops output to ensure overall completeness of the material harms identified.

Finally, the assessment of how the risk of harms may develop in the future, was covered as part of the business planning and forecasting assessment.

Below the description of harms from the perspective of the Firm, the Clients and the Market:

	Potential Material Harms		
Harms category	**Harms to the Firm**	**Harms to Clients**	**Harms to Market**
Operational risk	Losses resulting from inadequacies or failure in processes, personnel or information systems, or from external events	-	-
o/w IT Risk (excl. cyber)	Financial Loss and reputational risk arising from system outage and changes in the technology platform	Financial Loss due to disruption in the clients' ability to operate	-
o/w Cyber Security Risk	Loss and harms resulting from cybercrime, data leakage and internal fraud	Denial of services to clients and installation of data encrypting malware on the Pulse client reporting server	
o/w Trade Life Cycle Errors	Financial Loss and liquidity issues arising from errors during the life cycle of the trade, the provision of the execution, clearing activities and settlements & asset servicing	Financial Loss to the clients as the result of i) issues experienced in the services provided by the Firm and ii) the impact on trading client decisions and client's internal risk management, clients regulatory reporting	-
o/w Operational Risk linked to balance-sheet activities	Material financial, liquidity and/or perceived reputational issues due to incorrect Treasury positioning, disrupted flow of funds and issues in the liquidity risk management	Harms resulting from disrupted flow of funds with the Firm, example: errors or inability to return excess funds causing liquidity issues for the clients	-
o/w Client Transactions & Positions Reporting Errors	Financial Loss or liquidity issues for the Firm resulting on decisions made based on an incorrect view of the Firm position	Financial Loss or liquidity issues for the Client resulting on decisions made based on an incorrect view of the client position and increased operational risk for the client	-
o/w Reconciliation errors	Material financial loss, misstatement of financial accounts of the Firm due to incorrectly reconciled or unidentified breaks	Material financial loss, misstatement of financial accounts of the Client due to incorrectly reconciled or unidentified breaks	-
o/w Incorrect Charging of Fees/Commissions/Interest	Financial loss due to inaccurate charging of commissions or interest due to non-passthrough of external fees	Financial impact on the client Net Liquidating Value and performance in the event of a material overcharge and undercharge	-
o/w Regulatory Reporting Errors	Financial loss resulting from fines and penalties imposed by the regulators or restrictions/license loss in most serious breaches	Regulatory fines, penalties and/or sanctions for the client for non-compliance to client's obligations to regulators	Inability of regulators to detect and investigate any suspected market abuse
o/w Data Leakage and data breaches	Loss resulting from Client Confidentiality Data Breach, Personal Data Breach, Cyber Data Breach	Financial loss to the client due to unauthorised transmission or disclosure of client's sensitive data	-

	Potential Material Harms		
Harms category	**Harms to the Firm**	**Harms to Clients**	**Harms to Market**
Liquidity and Funding Risk	Financial loss resulting from disrupted flow of funds, inability to meet payment obligations in a timely manner or inability to do so	-	-
Emerging Risk	Harm or loss owing to revenue risk from worsening economic conditions or current or prospective risk to earnings and capital from adverse business decisions, improper selection of strategy decisions or poor execution of strategy	The workshop on emerging risk has considered and discounted CCP equivalence due to the EU extension of CCP equivalence to 2025. No other material risk was identified through the workshops	The workshop on emerging risk has considered and discounted CCP equivalence due to the EU extension of CCP equivalence to 2025. No other material risk was identified through the workshops
Counterparty credit Risk	Financial loss from inability of the Firm's clients, issuers, or other counterparties to meet their financial commitments arising from its clearing activity and treasury management	-	-
Country Risk	Financial loss resulting from the Firm's credit risk exposure being liable from unfavourably affected by political, economic, social, or financial conditions in the country to which it is linked	-	-
Concentration Risk	Financial loss arising from systematic risk and idiosyncratic risk	-	-
Settlement Risk	Capital loss through either price risk or delivery risk	-	-
Residual Risk	Loss from Firm's exposure to when credit risk mitigation techniques used prove less effective than expected	-	-
Issuer Risk	Loss resulting from changes in the value of the financial instruments arising from changes in the financial condition of the issuer of the instrument	-	-
Wrong-way risk	Loss from General Wrong Way Risk and Specific Wrong Way Risk	-	-
Market risk	Loss from adverse changes in the value of positions arising from movements in market prices	-	-
Structural Risk	Risk of loss or write-downs in the Firm's net asset value	-	-

	Potential Material Harms		
Harms category	**Harms to the Firm**	**Harms to Clients**	**Harms to Market**
Model Risk	Loss resulting from incorrect internal model design, implementation, use or monitoring	-	-
Group and Outsourcing & Third Party risk	Loss from Firm's financial arrangements with the Group and outsourcing and Third Party risk	-	-
Capital Investment Risk	Loss linked to financial holdings of a private equity nature	-	-
Risk of Excessive Leverage	Loss resulting from the vulnerability due to leverage and contingent leverage that may require unintended corrective measures to its business plan	-	-
Market abuse risk	-	Poor outcomes for clients arising from inappropriate conduct by employees	Market disruption and undermined confidence and participation in the markets resulting from the Firm's poor conduct, processes and controls impacting the market and other market participants that amounts to market abuse
Failure to comply with Client Assets Sourcebook	-	Loss of clients' assets and Loss from the firm's inability to return cash and non-cash collateral received by the firm promptly to a client when required	Confidence and participation in financial service markets threatened by the Firm's inability to return client money and assets
Market disruption events	-	-	Market disruption resulting from the Firm's systemic position on some markets following prolonged system outage preventing the Firm from clearing activity across the CCPs, the CCP funding or when the Firm has a material percentage of the daily trading activity
Withdrawal of uncommitted financing lines to clients	-	Harms to the client arising as a result of termination of margin financing facilities provided to SGIL clients	-

Step 2 – Harms mitigation

The ICARA process is part of SGIL's internal risk management process and operates on an ongoing basis. As part of that process, consideration was given to whether the risk of material potential harms could be reduced through proportionate non-financial measures and, if so, whether it is appropriate to implement the measures such as implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which certain businesses are conducted. In assessing what is appropriate and proportionate for particular circumstances this was informed according to SGIL's risk appetite.

The consideration of non-financial resource mitigants was undertaken as part of the harms identification workshops and follow-up with relevant SMEs and senior management.

Where appropriate proportionate measures could not be identified or where measures had been applied but a residual risk of material harm remained, an assessment was made as to whether additional own funds or additional liquid assets should be held as a mitigant.

Step 3 – Business model assessment, capital and liquidity planning

As part of its ICARA process, SGIL has reviewed its articulation of its business model and strategy as well as the consistency of its risk appetite statement with its business model and strategy. It has also identified any material risks of misalignment between the business model and operating model and the interests of its clients and the wider financial markets, and evaluated whether those risks have been adequately mitigated. This assessment was performed as part of the harms related workshops and follow-up with relevant SMEs and senior management.

Step 4 – Recovery and wind down planning

Recovery Planning

SGIL recently updated a previously established Contingency Funding Plan ('CFP') dated March 2022 and Capital Contingency Plan ('CaCP') dated March 2022 as part of its recovery preparedness.

Additionally, as part of the ICARA process, SGIL has assessed the levels of own fund and liquid asset limits that the firm considers, if breached, may indicate that there is a credible risk. Furthermore, SGIL has also identified potential recovery actions that the Firm would expect to take to restore its own funds or liquid assets above the risk appetite.

It has further assessed the potential recovery actions that the firm would expect to take to restore compliance with its threshold requirements if the firm were to breach its threshold requirements during a period of financial difficulty.

Wind-down Planning

In line with SGIL's regulatory obligations, SGIL undertakes an annual Wind-Down Plan assessment, the most recent WDP was approved in Q4 2021 by the SGIL Board of Directors. As part of SGIL's ICARA process, an updated assessment of the resources that would be required to ensure the orderly wind-down and termination of the firm's business in a realistic timescale was undertaken; also, an evaluation of the potential harms arising from winding down the business and identify how to mitigate them. In making this assessment reference was made to the FCA's Wind-Down Planning Guide and FG20/1 'Our framework: assessing adequate financial resources' and the existing SGIL Wind-Down Plan (dated December 2021) which had been approved by the Board and this document will continue to exist as a detailed operation wind-down plan for SGIL.

Step 5 – Assess and monitoring the adequacy of own funds & liquid assets

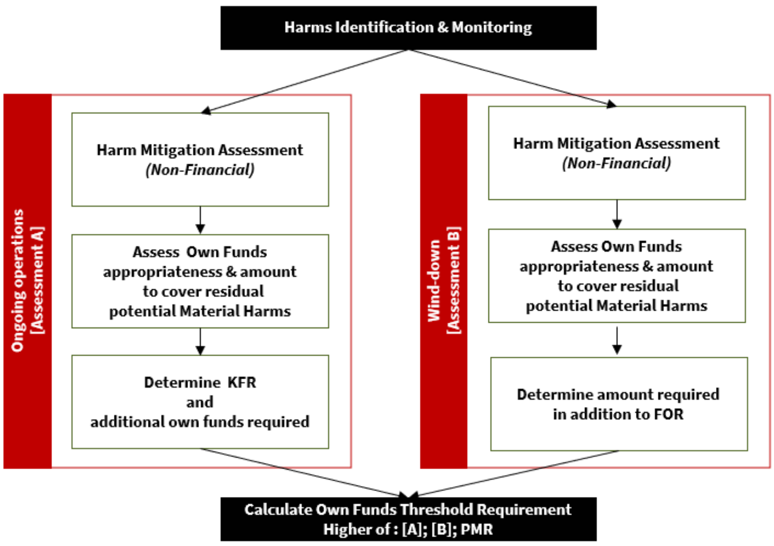
As part of its ICARA process, SGIL produced a reasonable estimate of the own funds it needs to hold to address:

•any potential material harms that the firm has identified and in relation to which it has not taken any measures to reduce the impact of the harms; and
•any residual potential material harms that remain after it has taken measures to reduce the impact of the harms.

The potential material harms to the firm's financial mitigants were assessed using a similar approach to the previous regime's ICAAP process. The assessment of potential material harms to clients and markets was addressed through specific workshops to determine the appropriate approach.

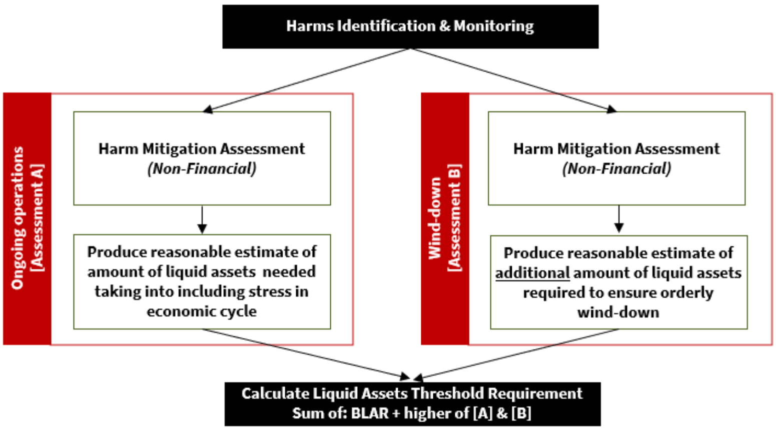
A number of assessments were run with the aim of assessing the risks of residual potential material harms to the clients, markets and the firm. These assessments were of the following types: quantitative and qualitative analysis; and stress test and scenario analysis.
SGIL then determined its own funds threshold requirement to quantify the level of adequate own funds it should hold to ensure it is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and to ensure the firm's business can be wound down in an orderly manner.

The calculation process was as follows for the own funds assessment:



KFR – K-Factor Requirement
FOR – Fixed Overheads Requirement
PMR – Permanent Minimum Requirement

The calculation process was as follows for the liquid assets assessment:



BLAR – Basic Liquid Assets requirement