Société Générale International Limited (SGIL)

31.12.2021 Annual Report and Financial Statements

One Bank Street,
The SG Canary Wharf Office Building

SOCIETE GENERALE

Contents of the Report and Financial Statements for the Year Ended 31 December 2021

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS	Christophe Bernard Lattuada* Michael John Collins John Charles Fortescue Hitchins** Marcia Ina Cantor-Grable Keith McArdle Alexandre Fleury Philippe Robeyns
COMPANY SECRETARY	Gerard Alfred Marie de Lambilly
REGISTERED OFFICE	One Bank Street London E14 4SG
REGISTERED NUMBER	05407520 (England and Wales)
AUDITOR	Deloitte LLP 1 Little New Street London EC4A 3TR

* SGIL Board member Christophe Lattuada, who started a new position in SG Group will step down in H1 2022. His successor as SG UK Country Head, Demetrio Salorio will join the SGIL Board subject to FCA's approval.
** John Hitchins will resign effective 31 March 2022.

STRATEGIC REPORT

The Directors of Société Générale International Limited (SGIL or 'the Company') present their Strategic Report for the year ended 31 December 2021.

1. BUSINESS MODEL

SGIL is part of Société Générale's global coverage platform for Execution, Clearing, Settlement, and Reporting services and provides these services across a broad range of asset classes such as equities, fixed income, foreign exchange, and commodity traded products as a member of exchanges and central counterparty clearing venues covering both listed and Over the Counter (OTC) markets around the world.

The Company also provides customers with value added services, including a Prime Brokerage offering, electronic platforms for trading and order routing, cross margining, the centralised reporting of customer portfolios and Cross-Asset Secured Financing.

As a Limited Activity Firm (LAF), SGIL will therefore:

- 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 1.1.5 R);
- Not undertake any securitisation activities or invest in any securitisation assets;
- Not arrange or carry out contracts of insurance;
- Not undertake any insurance underwriting activities;
- Not engage in jurisdictions or business relationships presenting an unacceptable level of risk, as defined by the Compliance, Financial Crime Unit 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; and,
- Continually monitor the risk profile of the Company to ensure adherence to its risk appetite, as documented in the 'SGIL Risk Appetite Statement'.

The Company's ultimate parent company is Société Générale (SG SA) which is incorporated in France. Copies of the Group accounts of SG SA are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

2. BUSINESS AND STRATEGY UPDATE

During the year under review, the Company made a profit after tax of £111.2m (2020 profit: £79.6m). Total shareholders' funds for the year ended 31 December 2021 were £1,480.7m (2020: £1,458.9m). The increase in profit was a result of several factors mostly related to a decrease in liquidity costs as well as a strong level of client activities following a highly volatile energy market.

2.1. Strategy update

As part of the effort of the Group to simplify its operating model and further develop its Prime Services & Clearing business, SG SA and SGIL management are considering the centralisation of the booking of SGIL's clients into SG SA pending the approval of relevant regulators. Client facing teams along with all associated operations, IT and all support functions would remain in London but would be transferred to the London Branch of Société Générale, minimizing the disruption to clients. Once these transfers are complete, this will result in the winding up of the Company.

SG SA believes that this centralisation of the client legal entity booking model in line with the continued transformation of the platform will allow it to provide an enhanced service offering to its clients with additional opportunities to deepen existing client relationships allowing for cross-selling new and existing SG SA products to existing SGIL clients.

2.2. 2021 achievements

Transfer of non-core OTC bilateral activities

Initiated in 2020, SGIL continued with the transfer of all non-core OTC bilateral activities out of SGIL namely, FX Prime Brokerage, Dynamic Portfolio Swaps (DPS) and uncleared OTCs to SG SA in 2021.

The transfer of SGIL's market facing FX activity to SG SA was completed in Q1 2021 while the transfer of the OTC client relationships is on-going with the expectation to be completed in H1 2022. Further to the transfer of this OTC activity, it will allow SGIL to deregister as a Swap Dealer with the US Commodity Futures Trading Commission (CFTC) in 2022.

IT transformation

As part of the continued transformation of the global Prime Services and Clearing platform, in partnership with other entities and regions, SGIL continues with its ambitious global IT transformation programme. SGIL has invested significantly in the redesign of its infrastructure, leveraging new technologies such as cloud-based solutions and developing new service offerings. This transformation will not only materially upgrade our IT infrastructure, it also allows for significant cost savings for the platform, reducing the cost base and improving overall profitability for the Company.

The majority of projects achieved the milestones set for 2021 and are on-track to meet their delivery schedules over the next 2-5 years.

Client offering

In respect of new markets and market connectivity, in support of SG SA's strategy, SGIL continues to invest in market connectivity and added a value execution service to protect its execution revenues as well as expanding and consolidating its access to new markets and/or segments as appropriate.

Notwithstanding the strategy update described above, SGIL continues its focus on increasing its revenues from its core activities, while continuing to adapt and realign its platform in order to improve the client offering and control its costs.

3. BREXIT

Following the transfer of European Economic Arena (EEA) customer activity to SG SA in 2020, no additional significant impact related to Brexit has materialised during 2021. From a CCP recognition perspective, UK CCP's are covered by the temporary recognition of UK CCPs as third country CCPs under EMIR valid until June 2025, as announced by the European Commission on 8 February 2022. Any future change in this recognition would have an impact on the service offering to clients from SG SA which will be assessed in advance of any changes.

4. SUBSEQUENT EVENTS

Russia-Ukraine war:
Following Russia's invasion of Ukraine, a significant number of sanctions were implemented in UK and other countries leading to a freeze of assets for targeted companies and individuals. Furthermore, volatility in global financial markets has soared to unprecedented levels especially in the energy, metal, and agricultural commodities. As of the date of approval of these accounts, SGIL has no exposure to Russia and Russian clients, and no material losses arising from exposures to other organisations affected by these events. The circumstances surrounding these events are evolving and the full extent of how these conditions will impact the Company are not yet known. However, SGIL management has taken an active role to limit the impact of the market dislocation on the Company's scarce resources and risk profile through proactive client activity monitoring, in addition to actions in line with government recommendations.

Dividend payments:
Subsequent to year end 2021, Altura Markets S.V. have paid SGIL a dividend of €36.2m, with a corresponding reduction in the fair value of the investment.

In respect of the 2021 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £141.3m (2020: £79.6m).

5. KEY PERFORMANCE INDICATORS

The Directors of the Company use a number of different measures to monitor the ongoing performance of the Company. Among them, the Directors assess the following Key Performance Indicators (KPI) in monitoring the performance of the Company.

Criteria

	2021	**2020**
	£'000	£'000
Gross profit	226,318	205,254
Profit before tax	137,141	97,831
Cost/income ratio (Operating Expenses / Net Banking Income)	42%	49%
Capital ratio	40.6%	37.4%
CET1 ratio	36.6%	31.5%

The movement in the KPIs reflects the ongoing implementation of the business strategy and activities as described above.
No non-financial KPIs have been presented, as none are necessary for an understanding of the development, performance or position of the Company's business.

6. STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

Under section 172(1) of the Companies Act 2006, the Directors are required to engage with a broad range of stakeholders when performing their duty to promote the success of the Company.

The Board of Directors of SGIL consider that they have fulfilled and performed their duties under section 172 (1), by acting in the way they believe, in good faith, would be mostly likely to promote the success and sustainability of the Company for the benefits of the members as a whole, and in doing so have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment; and,
- The desirability of the Company maintaining a reputation for high standards of business conduct.

6.1. Stakeholder engagement

SG SA's corporate purpose is 'Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions'. Guided by this purpose, the Company promotes respectful, responsible and sustainable relationships with all its stakeholders and the wider community it operates within, in line with SG's vision and values.

Clients

One of the three key priorities of SG SA's 2025 strategy is customer-centricity. The ongoing objective is to partner and assist SGIL clients in order to provide the right service at the right time, acting at all times in the best interest of the client, while securing and protecting client interests, assets and data. The Directors receive regular business updates from relevant business heads and senior SGIL executive management with insights on clients' issues and needs. Client focus is at the forefront of SGIL's priorities and is monitored and overseen through various internal governance committees and numerous qualitative and quantitative metrics communicated regularly by support functions and client facing teams to ensure that all client related matters are duly addressed by SGIL management. During 2021 the Board reviewed the plans for the potential further transfer of business to SG SA, as described in Section 2, to ensure they were designed to minimise any disruption to clients. As such, the Directors ensure that the best interest of SGIL clients are factored into SGIL's strategic decisions.

Employees

SGIL management engages with employees through regular communication and feedback sessions; through a structured evaluation and appraisal process; and through regular employee surveys, which assist management in ensuring it is closely informed and keeping up to date on levels of morale and engagement, in order to understand which policies and practices employees value and what changes they would like to see implemented within the Company. Survey results allow SGIL management to identify and understand the success of various initiatives as well as also providing clarity on areas for improvement to increase the commitment to and success of the Company. Management provides the Board with regular updates on this activity.

A top priority and a key area of focus for 2021 was the mental and physical wellbeing of SGIL employees following the work from home policy largely implemented due to the Covid-19 pandemic. This continues to be a focus in 2021, with specific measures related to mental well-being have been reinforced such as the Employee Assistance Programme (EAP) as well as the roll-out of the Unmind technology application. With the unprecedented level of flexible working which was adopted to assist employees in managing work and family/personal priorities over the course of the pandemic, the Company has given equal consideration to a staged return to office, retaining flexibility to work from home, in line with the needs of the business. Clients feedback received from SGIL employees indicates a high level of satisfaction in this area. Further engagement through the Life@Work survey over the course of the coming quarter will provide the Company with an opportunity for additional employee engagement in this area.

Directors further review a suite of KPIs which act as indirect employee engagement metrics. These indicators provide an overview of the impact of SGIL's environment and incentives on the staff, and include staff evaluation mechanisms from online sites, such as Glass Door. These KPIs form part of the wider Conduct & Culture Dashboard which was developed in 2021 and presented to the Board in Q4. It will be presented on a half-yearly basis in future.

Suppliers

SG SA seeks to build long-term and fair relationships with its suppliers based on trust and transparency. As such, since 2007 SG SA has received a number of recognitions[†] and awards related to its sustainable and responsible sourcing. SG SA standards are applied to its subsidiaries and, as such, SGIL follows the same approach. For outsourced services to third parties, on-going assessments are performed via a dedicated SGIL Service Management Committee ensuring that outsourcing arrangements are within SGIL risk appetite set by the SGIL Board of Directors and in line with the Financial Conduct Authority (FCA) Outsourcing rule book. For material and/or strategic outsourcing SGIL executive management present such decisions to the Board Risk Committee for review as appropriate.

Regulators

It is within the Company's culture to promote high standards of conduct within the Company and with all external parties. In particular, as Directors of the Company, safety, soundness and adherence to all relevant aspects of regulation is key to the business model. Directors and relevant staff maintain awareness of this through engagement with regulators, industry bodies and specialist advisors. This engagement is maintained through regulatory seminars, online forums and round table events. Additionally, SGIL maintains open, honest and transparent dialogue with its regulators and meets with its supervisors on a regular basis to keep them abreast of ongoing developments within the business, whether these developments are of a regulatory nature or otherwise, provide relevant market updates and discuss business strategy. In 2021, the key areas of engagement with the FCA were related to the SGIL long-term strategy, Investment Firms Prudential Regime (IFPR), IBOR Transition, Technology and Cyber Resilience and the impacts of Covid-19. Collectively, this has allowed the Board to maintain oversight of increasing regulatory requirements and ensure the business operates to the standard required.

Further, in line with the Company's commitment to maintaining its reputation for high standards of business conduct for all employees and external parties, a firm wide Risk Culture program was completed in 2020. The objective of this program was to (i) improve the performance of the Company and individuals, (ii) further align SGIL behaviours to its regulatory responsibilities, (iii) better embed risk culture, and finally (iv) understand how individuals engage with it. The positive outcome of this program has been observed through proactive identification, understanding, escalation and mitigation of potential risks. Additionally, the Board Risk Committee (BRC) receives a quarterly presentation of examples of risk culture awareness, appetite use and outcome effects.

[†] https://www.societegenerale.com/en/responsability/sourcing-and-suppliers/our-commitments/our-approach-responsible-sourcing/key-dates

Furthermore, the Directors and senior managers maintain a high level of awareness of the regulatory framework via dedicated trainings, dedicated sessions with employees with strong regulatory expertise, and accessing thanks to their networks. It therefore allows the Directors to ensure that the Company discharges its regulatory obligations appropriately.

SG Group

SGIL is wholly owned by SG SA. One of the non-Executive Directors of the Company's Board is the Co-Global Head of Markets of SG Group and as such provides insights on the corporate and investment banking division business strategy and its impact where relevant on SGIL. The Group's view is further reinforced with the input of the SG UK Country Head as a Non-Executive Director of the SGIL Board of Directors.

Further to the above, SGIL's governance framework and matrix management provides for key functional links between the Company and Group, with senior management having Group functional reporting lines and attending Group committees relevant to their perimeter allowing the Company to have the relevant influence and representation at Group level.

6.2. Environmental, Social and Governance (ESG)

In line with SG SA, SGIL is committed to a fair, environmental and socially inclusive transformation based on the following principles, which are aligned with the core themes of the Group's Corporate Social Responsibility (CSR) policy:

Climate change

SGIL's new office at One Bank Street is one of the most environmentally friendly buildings in the city and Canary Wharf with an outstanding BREEAM rating, providing our employees with a unique working environment & experience. Furthermore, Environmental and Social (ES) risk management across all front-office functions has been written into the SG Code of Conduct to ensure the upmost engagements from stakeholders.

SG is also running a number of waste roadshows in the UK where Staff can learn about different waste disposal streams available as well as how Staff can help SG to meet is environmental targets, and make positive changes to their own habits to reduce waste and consumption.

In support of the wider Group's commitment to the Principles of Responsible Banking, SGIL aligns itself with Group policies and climate related voluntary commitments where relevant and material, including those linked to the UN Sustainable Development Goals, such as the Sustainable IT Charter, which helps to reduce digital waste and promotes digital inclusion.

For example, SG SA has committed to end funding the coal sectors in the EU and OECD nations by 2030, and the rest of the world by 2040, and announced plans in 2020 to reduce its oil and gas exposure by 10% between 2020 and 2025, while stopping the financing of onshore oil and gas extraction in the United States. In line with these plans, SGIL is reviewing its own client base ensuring it supports the Groups ESG efforts in supporting carbon neutrality by 2050.

Responsible Employer

Aligned with SG SA, SGIL is committed to being a responsible employer. and continues to develop a culture of responsibility amongst its staff with management championing the following initiatives to foster this:

- Developing skills that employees need to meet the ongoing transformation of the financial services landscape such as digital transition. This has been supported by the development of staff capability through mandatory training and a continued focus on the People & Talent Development (PTD) offering, providing employees with access to a wide variety of professional and personal development opportunities, reinforced in 2021 with further participation in the Apprenticeship Levy scheme. SGIL has also been involved in the SG SPARK programme for high performing individuals at vice president level, supporting the career aspirations of staff and ultimately internal mobility and talent retention;

- Developing a responsible and positive culture based on the common values of the Group's Leadership Model and Code of Conduct, which supports the annual appraisal process, with objectives being set against the SG Values ensuring that there is a balance between what is achieved and how it is achieved. SGIL continues its focus on developing and enhancing its Speak Up culture with management training, supporting the continued development of an environment which promotes psychological safety, and in turn staff's confidence in the principles and practice of Speak Up. In turn this provides an enhancement in risk culture alongside the Company's whistleblowing framework;

- In line with the above, SGIL fosters employee commitment and team spirit by recognising each individual's contribution to the Company's long-term performance through fair and appropriate remuneration processes which promote responsible and sustainable business practices and positive culture and conduct;

- Continued focus on diversity aligning itself with SG SA's desire to recognise and promote all talent through its Diversity and Inclusion policy, ensuring an inclusive organisation in all Human Resources (HR) processes, prohibiting all forms of discrimination and in turn supporting all forms of workforce diversity. SG is also a signatory of the HM Treasury's Women in Finance Charter and works to ensure the delivery of the Charter's targets and embracing its spirit in every-day actions across SG's footprint in the UK. SG's target to see the representation of women in senior roles increase to 25% across the UK platform has already been achieved, and has been extended to 30% by 2025. SGIL is committed to supporting this target. Additionally, SG supports diversity and inclusion in the UK through the employee networks and their initiatives, which include Be Me, Pride & Allies, and the Gender Network. SG in the UK has also recently becoming a signatory of the Race at Work Charter, designed to improve outcomes for ethnic minority employees in the UK by increasing opportunities in the workplace. Further commentary on Board Composition in relation to diversity can be found in Section 5.2 of the Directors Report; and,

- Supporting a considered return to office policy following the COVID pandemic, with the launch of the Life@Work initiative. The initiative ensures the health, safety and well-being of the Company's staff is balanced against the needs of the Company, its stakeholders, including its clients, and the need to manage risk in all its forms.

Ethics & Governance

SGIL management is committed to observe the highest standards of ethics and integrity in line with the SG Values and Code of Conduct, which ultimately align themselves to the Company's legal and regulatory obligations, including the FCA's Codes of Conduct and Principles for Business.

As part of its wider systems and controls, the Company has appropriate policies related to AML CTF, Market Abuse and Anti-Bribery and Corruption (ABC) including Gifts and Entertainment etc, and aligns itself with the SG SA Code of Conduct, Tax Code of Conduct, Anti-Corruption and Anti-Bribery code. Staff are subject to awareness and training initiatives to ensure they adhere to these policies when undertaking their day to day role, with major and minor breaches to such polices being monitored and subject to an agreed breach management framework. This framework is aligned with SGIL's broader governance arrangements ensuring the escalation of issues, and the management/resolution of material incidents. The Company continues to enhance its Operational Conduct Risk (OCR) and Culture and Conduct (C&C) dashboard, with KRIs monitored and reported to the Executive Committee and the Board at an appropriate frequency.

SGIL also adopts and adheres to Group policies on data privacy and ensures its practices as a Data Controller are in line with UK requirements set out in the Data Protection Act, supported by the UK Data Protection Officer. Enhancements in the Employee Data Protection Policy were made over the course of 2021 as part of an annual review and in response to changes in laws and regulation.

Further information on the Company's governance arrangements are provided in Section 10.1 and Section 5 of the Directors Report.

Social

SGIL in the UK is also committed to having a positive impact on society. SGIL aligns itself and its initiatives with SG SA's CSR policy. As well supporting social good through being a responsible employer with sound ethics and governance as outlined above. SG in the UK has a number of CSR initiatives and partnerships with a particular focus on raising educational attainment and boosting the employment prospects of those in disadvantaged communities close to our offices, to which SGIL is closely aligned, these include:

- Young Influencers Programme: which supports students to learn new skills which will help them build a successful career in the financial services sector, and understand the positive social impact potential of banking and financial services;

- Supporting our charity partner Shelter, through various fundraising and CSR and volunteering initiatives, which includes voluntary donations from employee bonuses;

- Various CSR activities arranged through SG's partnership with the East London Business Alliance (ELBA), which draw on the combined skills, experience and expertise of the Company's employees to support local organisations and young people in education.

The schemes set out above are a selection of the different CSR activities we support, which include a broad group of charities and community organisations and, in turn, beneficiaries that include school and university students, young people, adult learners, and those seeking work etc. We also help to capacity-build small charities and social enterprises to enable and empower them to expand their reach, capability and impact.

6.3. Streamlined energy and carbon reporting

Following the amendment to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is reporting its Greenhouse Gas Emissions (GHG emissions) and Energy usage.

The Company has followed the HM Government's Environmental Reporting Guidelines published in March 2019 in disclosing this information.

The scope includes the Gas (Scope 1) and the Electricity (Scope 2) consumed in operating the building. Fuel is excluded from the scope due to the usage being negligible. The disclosure excludes the BCP sites as it is believed that the consumption is limited.

The table below summarises the GHG emissions and Energy usage:

	2021		**2020**	
	Energy (kWh)	Emissions (tCO2e)	Energy (kWh)	Emissions (tCO2e)
Emissions from combustion of gas (Scope 1 – tonnes of CO_2e)	96,626	17.7	108,270	19.9
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO_2e)	348,087	-	225,796	-*
Total gross CO_2e based on above	**444,713**	**17.7**	**334,066**	**19.9**

<u>Intensity ratios: Emissions per £m revenue (defined as gross profit):</u>
Emissions from combustions of gas (Scope 1): 0.08 tonnes/£m (2020: 0.10 tonnes/£m)
Emissions from electricity for own use (Scope 2): - tonnes/£m (2020: 0.00 tonnes/£m)*

*As part of the continued process on enhancing reporting on energy and emissions, we confirmed all electricity purchased at our office at One Bank Street is from 100% renewable sources and contribute zero CO2 emissions for both 2020 and 2021. We have updated 2020 comparative figures accordingly to reflect this.

The Company has continued to benefit from its move to the new office at One Bank Street in 2019, which has been designed to be one of the most environmentally friendly buildings in the City and Canary Wharf, with an Outstanding BREEAM rating to recognise this.

From the beginning of 2020 and throughout 2021, Covid-19 led to the implementation of the work from home policy and subsequently a drastic reduction of travel to the office, in turn reducing CO2 emissions. For 2021 staff have fully adopted the work from home policy, remaining flexible whilst gradually returning to work in the office.

7. REGULATORY ENVIRONMENT

SGIL is a UK based MiFID Investment Firm and a Limited Activity Firm (LAF) authorised and regulated by the FCA.

Until 31 December 2021, SGIL was designated as a 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). SGIL was also designated as a standard ILAS (Individual Liquidity Adequacy Standards) BIPRU Firm. Since 1 January 2022, FCA introduced a new prudential regime for MiFID investment firms of IFPR with the aim to streamline and simplify the prudential requirements for FCA investment firms. Under IFPR, SGIL is designated as a large non-SNI (Small and non-interconnected FCA investment firm) and a significant SYSC firm and subject to the Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU). Under the new regime, ICAAP and ILAA will be replaced with the Internal Capital and Risk Assessment (ICARA), which is used to assess the risk of harm to clients, markets and the firm, ensuring relevant mitigants are in place. SGIL intends to submit the first ICARA Report to the FCA by the end of June 2022.

SGIL is classified under the FCA Client Assets Sourcebook (CASS) as a CASS Large Firm due to the amount of client money held being greater than £1 billion.

SGIL is a registered Swap Dealer regulated by the CFTC and, as such, the Company is permitted to conduct execution business for US customers in relation OTC derivatives, however it should be noted that it may not clear these contracts, as it is not regulated as a Futures Commission Merchant (FCM).

SGIL is fully owned subsidiary of SG SA, a global systemically important bank (G-SIB), incorporated in France.

8. PRINCIPAL RISKS AND UNCERTAINTIES

The Company faces a number of key risks as part of its normal day to day business. The principal risks and uncertainties faced by the Company are defined below. For more details refer to Section 9, namely Overview of Risk Management.

8.1. Operational Risk

SGIL has adopted the Basel II definition of **operational risk** being the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The SGIL definition of operational risk is further extended to include regulatory, fraud, conduct and reputational risk as the causes of these are most often as a result of an operational risk event or control failure.

The nature of SGIL's business exposes it to a diverse range of operational risks. These may lead to operational errors, incidents, loss events as well as events which do not generate financial losses but could potentially cause regulatory breaches and/or reputational damage.

8.2. Liquidity and Funding Risk

Liquidity risk is defined as SGIL's inability to meet its financial obligations at a reasonable cost. SGIL assesses this risk over various time horizons via stress tests including intraday liquidity risk.

Funding risk is defined as risk that SGIL will not be able to finance the development of its businesses at a scale consistent with its commercial goals and at a competitive cost compared to its competitors.

8.3. Business and Strategic Risk

Business Risk is defined as revenue risk related to worsening economic conditions (in addition to the already identified impact of other risks).

Strategic Risk is defined as the risks inherent in the choice of a given business strategy or resulting from SGIL's inability to execute its strategy.

8.4. Credit Risk

Credit Risk (including concentration and settlement risk) is defined as the risk of losses arising from the inability of SGIL's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by counterparty, country and sector concentration risk.

8.5. Market Risk

Market Risk is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.

The management of risk is discussed in the following section. Further discussion of liquidity risk, credit risk, and market risk can also be found at Note 19 to the Financial Statements.

8.6. Climate Change Risk

SGIL considers that risks associated with climate change (transition and physical risks) do not represent a new risk category, but rather an aggravating factor for the types of risks already managed through the risk management framework of the firm. As a result, the integration of climate-related risks relies on existing governance and processes and follows a classical approach (identification, quantification, risk appetite setting, control and mitigation):

- For credit risk, Société Générale including SGIL has made progress integrating into its standard credit risk assessment framework the evaluation and control of transition risks (on large corporates of sensitive sectors) and is working on furthering its understanding of physical risks;

- For compliance and reputational risks, Société Générale including SGIL has developed and maintained an Environmental and Social (E&S) risk management framework with cross-sectoral and sector-specific E&S policies (identification lists, exclusion lists, evaluation procedures for clients and issuers, dialogue with civil society).

SGIL risks related to Climate Change are defined as either physical or transition-related:

- Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate. Physical risk is therefore categorised as 'acute' when it arises from extreme events, such as droughts, floods, and storms, and 'chronic' when it arises from progressive shifts, such as increasing temperatures, sea-level rises and water stress;

- Transition risk refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. Transitioning to a low-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change.

8.7. LIBOR (London Interbank Offered Rate) transition

The interest rate benchmark London Interbank Offered Rate (LIBOR) ceased at the end of 2021, with the transition from LIBOR to Risk-Free Rates (RFR) being a mandatory market event.

As a result, this required the transitioning of a number of financial instruments held by SGIL to new benchmarks. In prior year the Company adopted Phase 1 amendments, and in the current year adopted with Phase 2 amendments which are applicable and required for annual reporting. The Company successfully transitioned in 2021 and mitigated any risk identified that arose from the transition as part of the implemented Risk Free Reference Working Group (RFRWG) programme, refer to Note 1 and 19 for further details on Phase 2 adoption and transition.

8.8. COVID-19

The World Health Organization (WHO) declared in March 2020 the outbreak of a novel coronavirus (COVID-19) as a global pandemic, resulting in unprecedent restrictions on population movements around the world. Those measures led to the disruption of the global economy and as a consequence the financial markets were impacted with significant market volatility and a material market dislocation in 2020.

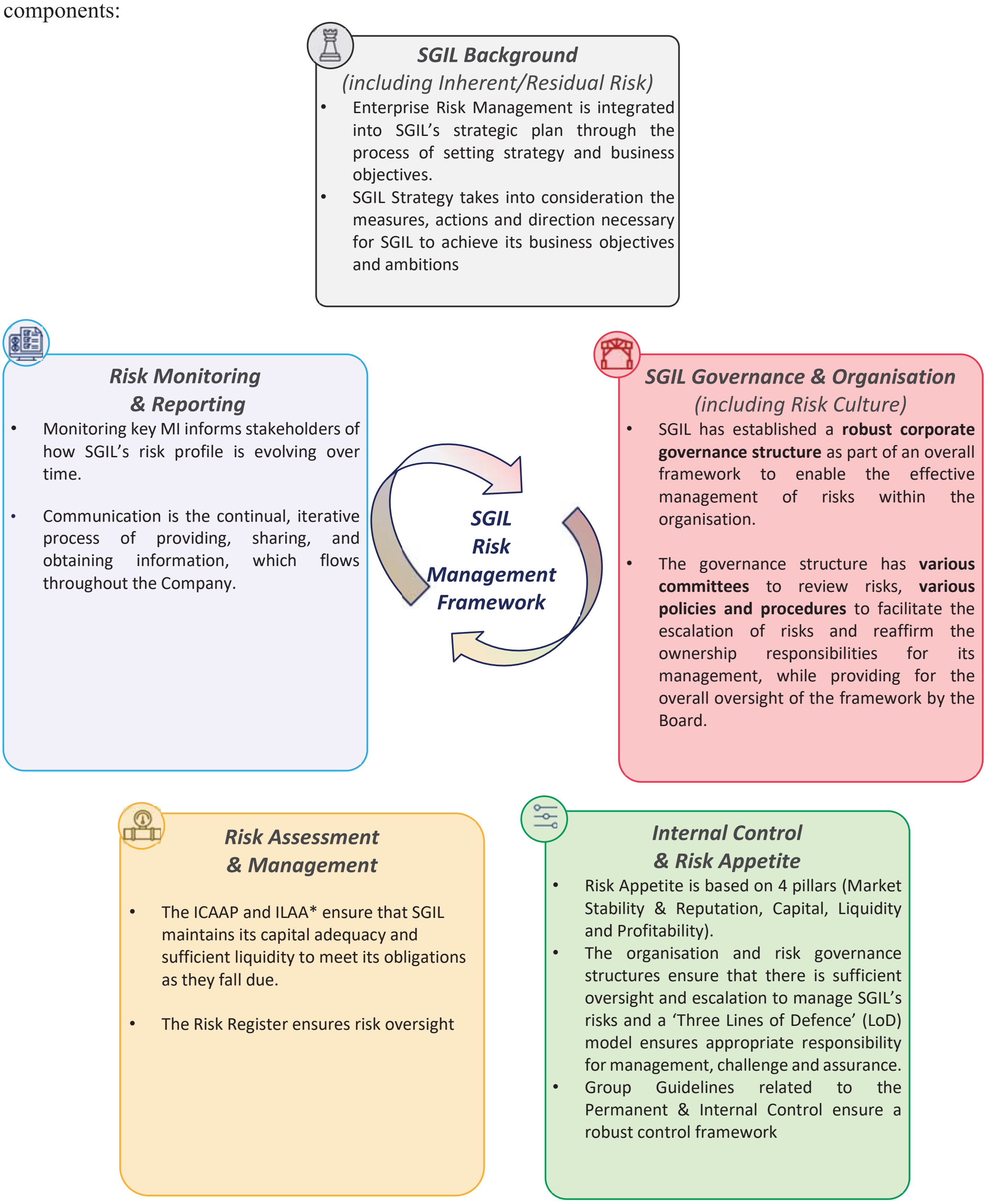
Following preventative actions taken by the management in 2020, the risk has been mitigated with limited impact on financial positions, operational resilience and therefore the going concern of the Company. The successful delivery of a virtual working setup allows the onshore as well as the offshore staff to operate in a like-for-like working environment. The flexible return-to-office policy was successfully rolled out in Q2 2021 allowing staff to work in a hybrid model.

As a result, SGIL management is confident in the going concern of the Company, with COVID-19 having limited impacts on SGIL 2021 financial performance. Whilst we expect the Covid-19 to last well into 2022, SGIL has continued to operate efficiently in its environment.

9. OVERVIEW OF RISK MANAGEMENT

Risk management is a fundamental management and control function and is vital for upholding the Company's reputation, performance and future success. It is therefore of critical importance to the Company's stakeholders that risk management processes are fit for purpose and subject to regular review and enhancement.

The standards of risk management of the Company are set out in the SGIL Risk Management Framework (RMF) that has been designed to ensure that risk is appropriately considered within all business decision making in the achievement of business objectives and strategy. The SGIL Risk Management Framework comprises the following components:



*ICAAP and ILAA will be replaced by ICARA in 2022, with SGIL first submission to the FCA in June 2022

10. RISK GOVERNANCE AND ORGANISATION

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.

10.1. Governance Structure

The Company's Board of Directors provides strategic oversight of the business and its operations. The Board is ultimately responsible for the risks within the Company and approves the risk appetite and the framework to adhere to that appetite.

The composition of the Board of Directors provides the requisite levels of skills and expertise to allow for appropriate challenge in the oversight of the Company and its activities. The Board comprises Executive Directors, Non-Executive Directors (NED) and Independent Non-Executive Directors (INED). The NEDs and INEDs provide challenge and independent oversight over the Company's strategy and operations. The Chairperson of the Board is a NED. Please see Section 5.2 of the Directors' report for further information on Board Composition.

Senior Management have executive responsibility for the day to day management of the Company.

The Board and the Executive Committee structures are aligned to ensure effective oversight:

- At the Board level, the Board of Directors and the technical committees the Board of Directors have been established, including the Board Risk Committee; and,
- At the Executive level, the Executive Committee and its sub-committees including the Risk & Control Committee (RCC).

During 2019 SGIL implemented the Senior Managers and Certification Regime (SMCR) which aims at reducing harm to customers and strengthen market integrity by making individuals more accountable for their conduct and competence. Throughout 2021, SGIL further embedded this regime within the Company by applying for an additional Senior Management Functions (SMF) approval in the front office and consolidating responsibility for treasury and finance and under the CFO, inclusive of liquidity risk.

At Executive level, the Company's Chief Risk Officer (CRO) has a direct reporting line to the Company's Chief Executive Officer (CEO) as well as a functional reporting line to SG SA's Risk Division, and to the Chairperson of the Board Risk Committee (BRC). This positioning has been designed to ensure:

- The Company maintains full independence in its risk assessment and control functions;
- A rapid reporting of reliable and comprehensive information about the Company's risks to enable effective decision making; and
- The quality and consistency of risk principles, procedures and methodologies within the Company and in alignment with the Group.

Please note that the Directors have selected the Wates Corporate Governance Principles for Large Private Companies as SGIL's Corporate Governance Code (the Code). Further commentary relating to how the Company has applied the Wates Principles can be found in the Directors Report.

10.2. Outsourcing services

Where essential services are provided by external providers or Group entities, these are managed under the Critical or Important Outsourced Services defined in SGIL`s Outsourced Services Policy. The provision of services between SGIL and external parties is managed through contractual agreements and internally through Client Service Level Agreements (CSLAs). The oversight of these arrangements is managed by the SGIL Service Management Committee at the executive level and the Board Risk Committee at the Board level.

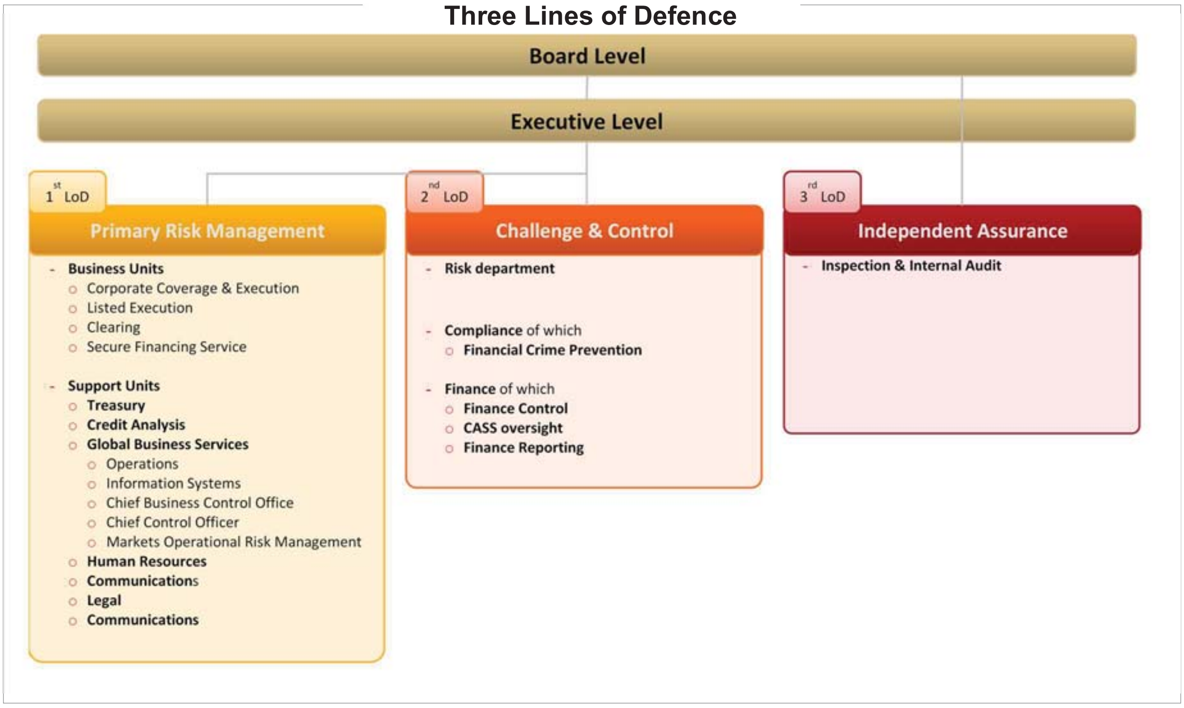
10.3. Three Lines of Defence Organisation

SGIL has embedded a formalised corporate governance structure, which ensures that the Board of Directors has visibility on the risks faced by SGIL and the framework in place to manage and mitigate them. The risk governance structures ensure there is sufficient oversight and escalation to manage SGIL's risks and that a 'Three Lines of Defence' (LoD) model ensures appropriate responsibility for management, challenge and assurance (as depicted below):

- **The First Line of Defence (1st LoD)** is defined as the Business and Support Units within SGIL which have the 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 (2nd LoD)** is defined as being the Risk, Compliance and Finance functions which provide an independent oversight and challenge of the embedding of the Risk Management Framework within the Business and Support Units and ensuring that the framework is current for the SGIL Business Model. 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 (3rd LoD)** is defined as being the Internal Audit function and provides an independent assurance that SGIL's risk management, governance, policies and internal control processes are operating effectively. The Internal Audit function for SGIL is outsourced to the SG SA Inspection and Audit Division and reports directly to the Board via the Chairperson of the Board Audit Committee (BAC).



11. RISK ASSESSMENT AND MEASUREMENT

11.1. Risk Assessment

Risk Management processes within SGIL's Risk Management Framework are designed to consider the nature and severity of identified risks, including those booked and originated by SGIL and enable the development of related risk management actions and strategies.

Risks to the business are identified 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, the Compliance Risk Assessment (CRA or COMPASS) and new product assessments. Each year, the regional Inspection and Audit division conducts an independent audit risk assessment of all activities within SGIL which results in a risk-based audit plan. The ICAAP and the Internal Liquidity Adequacy Assessment (ILAA) and their associated stress testing processes are an integral part of SGIL's risk management process to identify and assess the risks the Company faces, and to enable the business to assess the impact of certain stress events and scenarios on capital and liquidity resources. To note, with the IFPR for FCA prudentially regulated investment firms coming into force in January 2022, the new ICARA process will be implemented in place of the ICAAP and the ILAA.

The risk assessment of the identified risks ensures that the root cause of the risk is identified which enables appropriate risk mitigating actions or strategy to be developed and implemented to reduce the level of residual risk. The risk is subject to ongoing risk management and monitoring to ensure the residual risks are managed on a permanent basis and remain within the Company's defined Risk Appetite.

11.2. Risk Measurement

The Company utilises standard risk quantification methodologies. The key elements of the quantification framework are listed below:

Operational Risk

SGIL adopts the SG SA methodology regarding operational risks and contributes to the risk appetite framework defined at Group level. Operational Risk requirements are formalised in a set of Group principles and associated policies. SGIL also leverages other UK local normative documents (e.g. UK minimum standards and UK LoD2 procedures) to encourage the embedding of best practices and to provide LoD1 and LoD2 with more detailed guidance on policies pertinent to SGIL.
SGIL identifies, manages, and monitors its operational risk using the following risk processes and methodologies:

- **Operational Risk Events** (including Losses, Gains and Near Misses) Root causes of the events are identified and appropriate remedial and preventative action plans are owned and managed to completion;
- **RCSA** is conducted by LoD1 with LoD2 oversight and is designed to identify and assess operational inherent risks, the mitigation measures and residual risks that SGIL is exposed to through its activities;
- **Key Risk Indicators (KRIs)** are reported by the business process and activity owners and is used to identify and monitor risk trends and incidents;
- **Scenarios Analysis** that could impact SGIL are identified and analysed to assess their overall potential impact in terms of regulatory capital requirements for operational risk. In addition, the scenarios are analysed to identify relevant risk mitigating actions and strategies to reduce their potential impact on the business or their frequency of occurrence;
- **Thematic risk reviews** are performed by the LoD2 based upon risk prioritisation and identification of emerging risks or areas of risk concern.

Liquidity and Funding Risk

The Risk department monitors various metrics (such as liquidity Stress Test survival horizon, Liquidity on segregated client money bank and Committed Funding Capacity) on a daily basis. Breaches are reported to the Board and Executive Committee (ExCo) according to the governance set in the Risk Management Framework and Risk Appetite Framework.

SGIL will always hold liquid assets to ensure compliance with Overall Liquidity Adequacy Rule (OLAR). Given the short-term nature of SGIL's execution only prime brokerage and agency transactions, the Company considers this appropriate due to its belief that holding liquidity resources sufficient to survive in excess of its survival appetite and would provide enough time to either outlast a stress event and/or take mitigating actions to address its impacts.

Business and Strategic Risks

SGIL does not have specific appetite for Business and Strategic Risk and no specific metric for these risk categories. To minimise its exposure to Business Risk, SGIL will:

- Set and publish the Company's strategy and objectives annually, in line with the strategic guidelines from SG SA;
- Adhere to an annual financial planning process, covering its capital, liquidity, profit and loss and balance sheet statements;
- Establish a selective and prudent new activity/product approval process, ensuring alignment with the defined strategy and adequacy of the delivery capacity; and,
- These risks are assessed as part of the SGIL ICAAP.

Credit Risk

The credit risk exposure (including concentration and settlement risk) faced by SGIL is largely short-term in nature thanks to the daily margining process and standard termination periods. The main credit risk exposure arises from the following:

- Cross margining activities;
- Margin financing activities; and,
- Cash held at banks, carrying brokers, clearing houses and Group entities.

For cross margining and margin financing, SGIL would only suffer a credit loss if:

- the client does not pay;
- to close out the client's trades SGIL realised a loss greater than the collateral that SGIL has on deposit for the client (i.e. as at the previous day).

SGIL has a diverse portfolio of customers which ranges from financial services companies and regulated funds to corporates, such as energy companies and commodity trading houses.

The Credit Risk Management Framework is the responsibility of the CRO, who collaborates with the SG SA Risk Division and Finance Division, governed by SLAs to ensure alignment with the policies, procedures and standards of SG SA.

The four main sub-categories are:

- Counterparty Credit Risk: The credit risk assessment and measurement performed via the credit portfolio assessment and the Credit Approval Process. The main metrics are net and gross Credit Value at Risk, Debtor Risk, margin financing. For more details refer to Note 19.

- Country Credit Risk: Risks linked to the business environment (legal or fiscal risk, interference of the State, corruption, etc) are also included in country-risk, in one or the other of its strands (political or commercial).

- Concentration Credit Risk: is the risk of losses arising as a result of concentrations in exposures due to imperfect diversification. This imperfect diversification can arise from the small size of a portfolio, or a large number of exposures to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions.

To assess the level of concentration risk, SGIL is using the Herfindahl-Hirschmann (HHI) approach as presented by the Prudential Regulation Authority (PRA) in its Statement of Policy, dated in December 2017.

- Settlement Risk: The Settlement/Delivery Risk that arises when payments are not exchanged simultaneously.

Market Risk

The market risk appetite of the Company is limited. The monitoring of market risk is managed, first, by front office in the day-to-day conduct of their business and the permanent monitoring of their positions, as a first line of defence.

Market risk across all transaction portfolios is measured daily by 'Risk on Market Activities and ALM' Department, independently of the front office, and monitored against limits. This is performed by the dedicated 'Metrics Monitoring Group' team per trading activity and consolidated at SGIL level by the SGIL Risk department.
Limits breaches are reported daily by the SGIL Risk department to front office and SGIL management. Front office must account for these breaches and take immediate action to bring them back within limit or request a temporary or permanent increase to the limit.

12. RISK MONITORING AND REPORTING

The SGIL Monitoring and Reporting Framework has been designed with a view to provide a comprehensive view of the SGIL risk profile on an ongoing basis to ensure that the Company adheres to its defined 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. The Management Information is made up of three key elements within the Risk Management Framework:

Risk Identification & Assessment Processes - include but are not limited to:

- The Risk Identification & Risk Mapping exercise performed as part of the ICAAP to assign a risk criticality rating for each of the risks in SGIL's risk taxonomy. The risk criticality rating is based on the assessments of each risk category in the ICAAP and the expert judgement of business managers and risk experts;
- An assessment of SGIL's emerging risks (business and strategy risks) is formally conducted with the input of senior management on at least an annual basis to enable SGIL to manage new and unforeseen risks whose potential harm for loss is not fully known;
- The ICAAP and ILAA and their associated stress testing processes assess the adequacy of SGIL's capital and liquidity resources against certain stress events and scenarios;
- The annual process performed by the business is also designed to identify and assess operational inherent risks, the mitigation measures and residual risks that SGIL is exposed to through its activities.

Monthly Board Report (MBR) is part of the Management Information Pack and is a risk-focused dashboard sent to the Board of Directors on a monthly basis. The MBR includes an overview of the current situation and an escalation of alerts and breaches 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;
- Few key metrics with comments to explain the variations over the months.

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 Company 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.

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

APPROVED AND AUTHORISED BY THE BOARD:

DocuSigned by:
Philippe Robeyns
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Philippe Robeyns - Director
Date: 1 April 2022

DIRECTORS' REPORT

The Directors of the Company present their report and the audited financial statements for the year ended 31 December 2021.

1. PROFITS AND APPROPRIATIONS

During the year under review the Company made a profit after tax of £111.2m (2020 profit: £79.6m). The Board have recommended the payment of a final dividend on the ordinary shares of £141.3m (2020: £79.6m).

Total shareholders' funds for the year ended 31 December 2021 were £1,480.7m (2020: £1,458.9m).

The Company's strategic highlights, business and future developments and principal risks and uncertainties are set out in the Strategic Report (page 3 to 17). Post balance sheet events are disclosed in Note 22.

2. DIRECTORS

The Directors, who served throughout the year and to the date of this report except as noted, were as follows:

Christophe Bernard Lattuada*
Michael John Collins
John Charles Fortescue Hitchins**
Marcia Ina Cantor-Grable
Alexandre Fleury
Keith McArdle
Philippe Robeyns

The information relating to Directors' remuneration is disclosed in Note 4.

No Directors have any direct financial interests in the Company.

3. EMPLOYEE ENGAGEMENT

Employees are fundamental to the delivery of the Company's strategic plan and SGIL retains its focus on talent and the workforce being a fundamental asset of the Company.

As per the Group's core CSR themes, SGIL commits to be a responsible employer. One of the primary considerations, is ensuring the health, safety, diversity and well-being of its employees as well as ensuring the interests of staff are considered in key decisions.

The Company has a Speak Up facility and Whistleblowing policy to ensure that if employees have concerns they are able to easily and safely raise them, and this is backed up by its Culture and Conduct program to ensure that employees feel comfortable to challenge management and Company practices when needed.

The Board continues to engage employees, both directly and indirectly, as per Section 6.1 of the Strategic Report above.

4. BUSINESS RELATIONSHIPS

All issues identified which pertain to SGIL's business relationships are the subject of management updates within the SGIL governance framework, with all matters deemed of highest importance escalated to the Board for awareness and input.

* SGIL Board member Christophe Lattuada, who started a new position in SG Group will step down in H1 2022. His successor as SG UK Country Head, Demetrio Salorio will join the SGIL Board subject to FCA's approval.
** John Hitchins will resign effective 31 March 2022.

During 2021, the Board has been regularly informed on the progress of the enhancement of the policies, controls and culture around the risks of bribery and corruption. This framework defines to a significant extent, through normative documentation, the accompanying procedures and Group tools that SGIL staff should interact with and document their engagement with all third parties. Furthermore, the Company is enhancing its Sanctions and Embargo (S&E) governance to ensure that clients and products are authorised in line with existing restrictions.

It is well recognized that SGIL's business relationships with its suppliers, customers and other third parties are the cornerstone of its operational success and reputational integrity and are continuously reviewed and scrutinised.

Further information on Stakeholder engagement has been provided in Section 6.1 of the Strategic Report above.

5. CORPORATE GOVERNANCE ARRANGEMENTS

SGIL is wholly owned by SG SA. The Board ensures it understands the views of its shareholder through regular interactions between SGIL Directors and senior executives of SG SA, and by proxy of the Board memberships undertaken by appropriate members of the SG SA.

Please also see Section 5.2 (Board Composition) below.

The Directors have selected the Wates Corporate Governance Principles for Large Private Companies as SGIL's Corporate Governance Code (the Code). For the year ended 31 December 2021, the Board considers that it has complied in full with the provisions of the Code. Set out below is a short supporting statement summarising how each of the six principles set out in the Code has been applied to achieve better outcomes.

5.1. Purpose and Leadership

SG's Corporate purpose, building together, with our clients, a better and sustainable future through responsible and innovative financial solutions, is embedded within SGIL's strategy, its goals and its approach to business, ensuring the Company seeks value added and sustainable solutions to meet the needs of its clients, while taking into consideration the wider needs of society, its broader stakeholders and its staff.

Building upon this purpose, SGIL operates an integrated and diversified model, centred around the SG's values and Leadership Model providing the basis for strong Board oversight and Executive management, which sets the tone for an innovative, inclusive, and open culture within the Company.

The Board and Executive management undertake various indirect and direct approaches to stakeholder engagement to allow it to understand whether the purpose and values are embedded within the business, operations and the wider culture of the firm. These are described in in Section 6.1 of the Strategic Report.

SGIL's Board Terms of Reference (ToRs) sets out the Board's leadership role and responsibilities, consistent with the corporate purpose. 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 Board spent considerable time in 2021 reviewing management plans for streamlining the operating model. The Board satisfied itself that the operational risks inherent in the plans were adequately catered for and that the interests of clients were fully considered through a programme of consultation. This will continue to be an area of focus throughout 2022 as the plans are developed further.

SGIL have maintained its focus on ensuring the communication, engagement and relationship with its employees and workforce stakeholders, which was strengthened via a number of initiatives and regular interactions, during the Covid-19 period. SGIL has continued this focus in the phased return to office led via the Life@Work people engagement framework. SG is launching a further employee survey in the coming quarter to further engage its staff on this and related matters acting as a post-pandemic temperature check. The Company continues to build on the various initiatives offered as part of the Life@Work framework, which includes programmes and events focusing on wellbeing, diversity and inclusion and work/life balance.

SGIL maintains regular staff engagement via physical and virtual town hall meetings, employee email communications and via the Company's intranet site, covering all types of issues related to the business and business performance, employee policies, events, networks, training and engagement activities.

Please see Section 6.1 of the Strategic Report for further details on employee and stakeholder engagement.

The Board is the ultimate sponsor of SGIL's Culture and Conduct Programme and receives regular updates from the CEO on this topic. Further oversight and monitoring is undertaken via OCR and Conduct and Culture Dashboards which includes various KPIs and indicators designed to provide insight into key conduct risk and conduct & culture. This was developed in 2021 and will be presented to the Board on a half yearly basis.

SGIL also has a Whistleblowing Policy which is annually reviewed and approved by the Board. John Hitchins, SGIL's Senior Independent Non-executive Director, acts as the Board's whistleblowing champion. Individuals can raise concerns via a whistleblowing electronic mailbox and John is notified each time this facility is used. An annual report is made to the Board of the number of cases raised through this tool.

As outlined in Section 6.2 of the strategic report under *Responsible Employer,* SGIL's leadership supports a wider culture of openness and transparency by promoting a strong Speak Up culture, through creating and maintaining an environment of psychological safety which encourages staff to raise concerns. The benefits and strength of promoting this type of culture ensures that staff concerns are addressed at inception, which can work to reduce risk, and prevent issues from maturing into legitimate whistleblowing events.

Conflicts of interest between SGIL and the SGIL Board of Directors are managed as part of:

- The assessment of prospective Directors;
- Ongoing disclosure obligations, including outside business interests and other directorships;
- A requirement to seek the Board's agreement before accepting further commitments which may give rise to a conflict; and,
- Recusal from decision making where there is an unavoidable conflict (for example on the extension of a Director's term).

Additional fitness and proprietary requirements on Board members who hold SMF under the SMCR also support the ongoing management of conflict of interests.

5.2. Board Composition

Currently the composition of the SGIL Board of Directors is made up of two Independent Non-Executive Directors, two Non-Executive Directors and two Executive Directors. Michael Collins, a Non-Executive Director, acts as Chairperson of the SGIL Board of Directors.

As of end of March 2021, Phillipe Robeyns was appointed as Chief Executive Officer and as an Executive Director of SGIL, replacing Christophe Lattuada who remained a Non-Executive Director of SGIL. Michael and Philippe's respective roles are clearly articulated in the Company's Board ToRs and their respective appointment letters.

Philippe has 35 years-experience in financial services and joined Société Générale UK in 2000. Philippe has led various functions within Société Générale Corporate and Investment Banking including being Global Head of Equities Operations. In 2004, Philippe transferred to SG Securities Services and headed up the Clearing Services business line offering securities clearing and outsourcing services. Prior to being appointed SGIL CEO, Philippe has been Chief Operating Officer for the EMEA Region since 2010.

Board composition is regularly reviewed by the Nomination and Governance Committee, having regard to the appropriate combination of skills, backgrounds, diversity, experience and knowledge that promotes accountability and constructive challenge in support of effective decision-making in the context of the Companies business activities and respective needs.

The effectiveness of the Board and each Board Committee is also assessed annually. Periodically these reviews are conducted by an external advisor. During Q1 2020 the Board was subject to an independent Board Effectiveness Review carried by external advisor in line with the Board's assessment responsibilities as set out in the Board ToRs. The review did not identify any major areas of concern and concluded that the Board and its supporting processes seem to us to be well-structured and provide effective governance. However, a third-party independent reviewer highlighted recommendations, which, were accepted by the Board. These were addressed with the support of the SGIL Corporate Secretariat Office, SEGL/CAO and other relevant stakeholders and SMEs within SGIL and formally closed out by the SGIL Board on 26 March 2021.

The Board undertook an annual Self-Assessment in Q1 2022 to cover all its activities over the course of 2021, which also took into consideration the Board's current composition as well as time allocated, resources and succession planning.

The ongoing development of the Board is fostered through a Board and individual training programmes. Over the course of the 2021 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;
- ESG, non-financial reporting and stakeholder engagement.

5.3. Director Responsibilities

The general, fiduciary and statutory duties of UK directors are set out in The Companies Act 2006, and are supplemented by the Company Articles, the Board ToRs and those of its sub-committees, the relevant letters of appointment and the regulatory expectations and guidance set out by the UK regulators, including that of the SMCR. The Board and Board Committee ToRs are reviewed at least annually, and Directors' appointment letters which are updated as required. With this in mind, the Board, Board Committees and individual Directors have a clear understanding of their accountability and responsibilities.

In order to discharge these duties appropriately the Directors rely on the effectiveness and appropriateness of the Company's governance structure to allow them to oversee the proper functioning of the firm and its activities while holding the Executive Management to account.

The Board and its Directors are supported by the following Board level committees:

- The Board Audit Committee (BAC);
- The Board Risk Committee (BRC);
- The Board Nomination and Governance Committee (NGC); and
- The Board Remuneration Committee (RemCo).

The role and responsibilities of these committees, their chairs and their members/attendees are clearly set out int the individual ToRs, ensuring that there are clear lines of accountability, with the Board retaining the responsibility for final decisions in matters specifically reserved for the Board. The responsibilities set out in the individual ToRs also align themselves with the principles of the SMCR, ensuring that SMFs retain accountability in line with their respective responsibilities, as set out in their Statement of Responsibilities.

The Board ensures that systems and controls are operating effectively by reviewing key performance and risk indicators as well as providing constructive challenge to executive management. It receives regular reports from the BAC on the work conducted by both internal and external audit. Together this allows the Board to assess the quality and integrity of information provided to it, enabling the directors to monitor and challenge the performance of the Company, and make informed decisions.

The major risks of the Company along with their plans of actions and potential emerging risks are reviewed on a monthly basis and formally validated during the year through the RCC and the BRC, thus integrating the ICAAP operational risk scenario identification exercise in a continuous process. The Board is responsible for approval of the Company's Risk Appetite Statement, material risk polices and risk tolerance statements and limits, as well as the annual AML and Compliance programmes.

Additionally, an executive summary is annually submitted to the Board members before statutory accounts validation describing the internal control framework to ensure the accuracy and integrity of the financial statements.

As per the self-assessment the Chairperson is satisfied that there is an appropriate level of effective governance, ensuring that the Board can execute its authority with independence and therefore properly discharge its duties. The Chairperson is also satisfied that there is an adequate level of understanding across the Board collectively, and individual by both Executive and Non-Executive members, of the role, responsibilities and duties expected and required as a Director of the company.

Further information on how the Directors have discharged their duties under S.172 of the Companies Act 2006 is provided in Section 6 of the Strategic Report above, with Risk Governance set out in Section 10.

5.4. Opportunity and Risk

The SGIL BRC ensures an oversight of the risk and compliance functions and focuses on the risk management, risk appetite, capital and liquidity adequacy assessment. The SGIL BAC oversees the effectiveness of the internal control framework together with the processes for budgeting, capital and liquidity planning. The SGIL Board oversees both Board Committees and promotes the long-term sustainable success of SGIL by reviewing opportunities raised by the Business Units and ensuring the creation and preservation of value by reviewing the budget, the strategy and the planning of scarce resources.

Further information on the key risks and opportunities have been set out in the Strategic Report, including Section 8 and 11.

5.5. Remuneration

The SGIL SGI Remuneration Committee's main purpose is to take steps to satisfy itself that the remuneration policy of SGIL complies with relevant financial services industry standards, its shareholder's policy globally, and regulatory requirements, including the requirement to ensure that SGIL's remuneration policies, procedures and practices (a) are consistent with and promote sound and effective risk management, (b) are in line with the business strategy, objectives, values and long-term interests of SGIL, (c) address broader societal factors including diversity and corporate social responsibility; and (d) fulfil all requirements under the FCA Remuneration Code, inclusive of those relating to Material Risk Takers.

The Committee ensures that the implementation of the Company's remuneration policies are subject to, at least annually, a central and independent internal review for compliance with the policies and procedures for remuneration adopted by the Board, and for compliance with applicable regulatory requirements.

The Remuneration Committee of the Company also ensures that remuneration practices are aligned with the Company's employee engagement strategy, which is evidenced, for example, in the Company's Gender Pay Gap reports which also highlight some of the Company's diversity initiatives.

5.6. Stakeholder Relationships and Engagement

The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions. Examples of employee engagement during 2021 include: employee surveys, the promotion of employee inclusion networks, frequent update on Covid-19 measures and roadmap. Further information on SGIL's CSR ambitions may be found at pages 267 of the Société Générale Group Universal Registration Document 2020. Further information on stakeholder relationship and engagement can be found in Section 6.1 of the Strategic Report above.

5.7. Regulatory Capital

As the business changes, the Company will continue to proactively monitor and control its ongoing capital requirements to ensure regulatory compliance with its risk appetite.

6. EMPLOYMENT POLICIES

The Company's employment policies (summarised in the Employee Handbook and expanded on in the employee HR Portal and intranet) are developed and monitored to ensure they fulfil the Company's legal obligations but also to demonstrate best practice in terms of both HR policies and organizational culture.

Its employee policies, benefits and working environment underpin equal opportunities for all employees and its Life@Work and Culture and Conduct frameworks are in place to support all employees to thrive in their roles and be their best in the workplace. The Company has a wide ranging and inclusive training curriculum to support employees' professional and personal skills development in partnership with their managers and the HR department. Its open culture is fostered by employee networks and diversity initiatives including those outlined in its Gender Pay Report and its commitments under the Women in Finance Charter. Its employee benefits package 'Choices' allows permanent employees to utilise a benefits allowance to focus on what works for them and their families.

The Company's focus on employee engagement is described in Section 3 above.

7. DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report. In addition, the Company maintains liability insurance for its Directors and officers.

8. GOING CONCERN

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, subject to the reviews described in Section 2 of the Strategic Report which could result in the Company's operations being transferred to its parent company over a period of time. These reviews represent a material uncertainty that casts a significant doubt as to whether the Company will continue as a going concern in the medium term.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts, its scarce resources and related stress testing that forms an integral part of its capital and liquidity planning through its ICAAP and ILAA process. The Directors have also reviewed the SGIL wind down plan which incorporated the possible centralisation of the Agency client booking model on its parent company and were satisfied that the Company would continue to be able to meet all its liabilities as they fall due throughout such a period of transfer.

As a fully owned subsidiary of the SG SA, the Company benefits from the Group's infrastructure to provide technology support as well as access to scarce resources in the normal course of business. Given this, and the existence of the wind-down plan, the Directors have concluded that the Company should be able to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the Directors believe that preparing the accounts on a going concern basis is appropriate.

9. DIRECTORS' DISCLOSURE TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

10. AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

APPROVED AND AUTHORISED BY THE BOARD:

DocuSigned by:
Philippe Robeyns
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Philippe Robeyns – Director
Date: 1 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Société Générale International Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the Company, over the medium term and subject to the relevant approvals being obtained, could transfer its operations to its parent company over a period of time. As stated in note 1, these events or conditions, along with the other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing management's going concern assessment in order to understand the basis for key assumptions and judgements made by management;
- considering management's forecasts and evaluated key assumptions and their projected impact on capital, liquidity and financial performance, with specific consideration of the COVID-19 pandemic and management's strategic objectives;

- With the involvement of Deloitte's regulatory specialists, reviewing the most recent ICAAP and ILAA submissions, considered management's capital and liquidity projections, reviewed the results of management's severe but plausible stress scenarios and considered whether the mitigating actions that could be taken by management in such a scenario were reasonable;
- an evaluation of the medium-term strategic objectives of the Company;
- reviewing correspondence with regulators to understand the Company's capital and liquidity requirements;
- evaluating the historical accuracy of forecasts prepared by management; and
- considering the adequacy of disclosures made in the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report and Director's Report. The directors are responsible for the other information contained within these reports. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements, including the UK Companies Act, UK financial services legislation and UK tax legislation; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty, including the Company's regulatory solvency and capital requirements.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations, IT, and regulatory, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with applicable regulatory bodies.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Giles Lang, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London | United Kingdom
1 April 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Profit and loss from continuing operations:			
Turnover	2	1,070,134	1,085,565
Operating costs	2	(843,817)	(880,311)
Gross profit		226,318	205,254
Administrative expenses	3, 4, 5	(94,767)	(100,545)
Operating profit	5	131,551	104,709
Dividend income	5	3,974	1,639
Interest income	6	10,411	25,877
Interest expense	6	(8,795)	(34,393)
Profit before taxation		137,141	97,831
Tax on profit on ordinary activities	7	(25,985)	(18,250)
PROFIT FOR THE YEAR		**111,156**	**79,581**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
Gains and Losses on FVTOCI investments		(11,843)	9,920
Deferred tax on losses on FVTOCI investments		2,007	(2,158)
Other comprehensive (loss) / income net of tax		(9,836)	7,762
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**101,320**	**87,343**
Profit attributable to:			
Equity shareholder of the Company		**111,156**	**79,581**
Total comprehensive income attributable to:			
Equity shareholder of the Company		**101,320**	**87,343**

All profits for the current financial year are from continuing activities.

BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	237	237
Other receivables	11	1,019,000	1,164,000
		1,019,237	1,164,237
CURRENT ASSETS			
Investments at fair value through OCI	9	747,440	833,358
Financial assets at fair value through P&L	10	2,805,330	3,082,161
Trade and other receivables	11	26,554,971	20,569,296
Cash and cash equivalents		16,477,676	8,759,915
		46,585,417	33,244,730
TOTAL ASSETS		**47,604,654**	**34,408,967**
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities at fair value through P&L	12	(2,738,555)	(3,024,495)
Trade creditors and other payables	13	(43,232,730)	(29,624,534)
		(45,971,285)	(32,649,029)
NON-CURRENT LIABILITIES			
Subordinated debt	14	(150,000)	(295,000)
Provisions	15	(1,271)	(3,082)
Deferred tax liabilities	7	(1,439)	(2,935)
		(152,710)	(301,017)
TOTAL LIABILITIES		**(46,123,995)**	**(32,950,046)**
NET ASSETS		**1,480,660**	**1,458,921**
EQUITY			
Share capital	16	1,150,000	1,150,000
Other reserves		5,681	15,517
Retained earnings		324,979	293,404
TOTAL EQUITY AND RESERVES		**1,480,660**	**1,458,921**

The financial statements were approved and authorised for issue by the Board of Directors on 1 April 2022 and were signed on its behalf by:

DocuSigned by:
Philippe Robeyns
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....
Philippe Robeyns – Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share Capital £'000	Other reserves £'000	Retained Earnings £'000	Totals £'000
At 1 January 2020		**1,150,000**	**7,755**	**315,036**	**1,472,791**
Issue of share capital	16	-	-	-	-
Dividend Paid	22	-	-	(101,213)	(101,213)
Profit for the year		-	-	79,581	79,581
Other comprehensive income/ (loss) for the year		-	7,762	-	7,762
At 31 December 2020		**1,150,000**	**15,517**	**293,404**	**1,458,921**
Issue of share capital		-	-	-	-
Dividend Paid	16	-	-	(79,581)	(79,581)
Profit for the year	22	-	-	111,156	111,156
Other comprehensive income/ (loss) for the year		-	(9,836)	-	(9,836)
At 31 December 2021		**1,150,000**	**5,681**	**324,979**	**1,480,660**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 1: ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

Basis of preparation

Société Générale International Limited is a Private Company limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 17.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

These financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A market is considered active if there are sufficient transactions on an ongoing basis to provide current pricing information for the asset or liability and the pricing information is released publicly.

Disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the Group accounts of SG SA. The Group accounts of SG SA are available to the public and can be obtained as set out in Note 21.

Revised Standards

In the current year, the Company has reviewed and assessed any impact on the amendment to IFRS 16 Leases to facilitate lessees to account for Covid-19-related rent concessions issued by the International Accounting Standards Board (IASB) that is effective 30 June 2021. As the Company has no leases, the amendment to IFRS 16 does not have any impact on disclosures or on the amounts reported in these financial statements.

In addition, in the prior year the Company adopted the Phase 1 amendments 'Interest Rate Benchmark reform: Amendments to IFRS 9, IAS 39 and IFRS 7'. These amendments modified specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Company has adopted 'Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases' which was issued in August 2020. These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021.

Adopting these amendments in a timely fashion enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would distort financial statements, by potentially not meeting hedge accounting rules.

Both the Phase 1 and Phase 2 amendments are relevant to the Company as it applies hedge accounting to its Fixed Rate bonds by entering into an interest rate swap (fixed for floating), and in the current period modifications in response to the reform have been made to all of the Company's derivative financial instruments that mature after 31 December 2021 (the date by which the reform was implemented).

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Company to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear in Note 19 Financial Risk.

Going concern

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, subject to the reviews described in section 2 of the Strategic Report which could result in the Company's operations being transferred to its parent company over a period of time. These reviews represent a material uncertainty that casts a significant doubt as to whether the Company will continue as a going concern in the medium term.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts and the stress testing (including the loss of revenues as a result of the Brexit and OTC client transfers) that forms an integral part of its capital and liquidity planning through its ICAAP and ILAA processes. The Directors have also reviewed the SGIL wind down plan which incorporated the possible transfer of all businesses' activities to its parent company and were satisfied that the Company would continue to be able to meet all its liabilities as they fall due throughout such a period of transfer.

As a fully owned subsidiary of the SG SA, the Company benefits from the Group's support to provide technology and infrastructure support as well as access to scarce resources in the normal course of business. Given this, and the existence of the wind-down plan, the Directors have concluded that the Company should be able to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the Directors believe that preparing the accounts on a going concern basis is appropriate.

Foreign currencies

The Company's presentation and functional currency is British Pounds Sterling which is the currency of the primary economic environment in which the Company operates. Amounts are presented in thousands (£'000) unless otherwise stated.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling spot rate at the date of the balance sheet (see section Market risk in Note 19). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Transactions in currencies other than the functional currency are converted to sterling spot rate at the date of the transaction. All exchange rate movements are taken to the profit and loss account.

Turnover

Turnover comprises interest income, commission and fee income, income on financial instruments measured at Fair Value Through Profit and Loss (FVTPL), and gains and losses on foreign exchange. Income and expenses that arise from back-to-back transactions are presented gross within turnover.

Fee and commission income results from transaction-based arrangements in which the customer is charged a fee for the execution or clearing of transactions. Such revenues primarily arise from transactions in clearing and execution. Fee and commission income are recognised on trade date when the performance obligation is satisfied.

Interest income is generated from initial margin balances held, financing, repo and reverse repo transactions, High Quality Liquid Asset (HQLA) portfolio held at FVTOCI and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest expense is generated from the same type of activity as described above.

Operating costs

Operating costs represent the costs of providing brokerage services, and include settlement costs payable to other Group companies, transaction charges from exchanges and third-party brokers, and interest expense on initial margin balances held, financing, repo and reverse repo transactions.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- And the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i). Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the 'Interest income' within the Turnover line item.

(ii). Debt instruments classified as at FVTOCI

Treasury bonds held by the Company are classified as at FVTOCI. The treasury bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these treasury bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these treasury bonds had been measured at amortised cost. All other changes in the carrying amount of these treasury bonds are recognised in other comprehensive income and accumulated under the heading of Other Reserves within Shareholder Equity. When these treasury bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii). Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).
The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Net gains and losses' within Turnover line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Net gains and losses' within the Turnover line item;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Net gains and losses' within the Turnover line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, amounts due from customers, initial margin and default funds posted to CCPs, brokers and reverse repos. No impairment loss is recognised for investments in equity instruments, because they are recognised at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

To determine the amount of impairment or provision to be recorded at each reporting date, these exposures are split among three categories based on the increase in credit risk observed since initial recognition. An impairment or provision shall be recognised for the exposures in each category as follows:

Observed deterioration in credit risk since initial recognition of the financial asset

Credit risk category	**Stage 1** Performing assets	**Stage 2** Under-performing or downgraded assets	**Stage 3** Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ⇨ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument has become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Lifetime expected credit loss (ECL) represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i). Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

For loan commitments and financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. To identify Stage 2 exposures, the Company uses all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.) to assess the counterparty's credit risk. A financial asset moves to the stage 2 exposures if its internal credit risk rating decreased by at least two notches in the last 18 months.

(ii). Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii). Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss in Net gains and losses on financial transactions. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.
However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

(i). Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other gains and losses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

(ii). Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(iii). Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

(iv). Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in 'Net gains and losses' within the Turnover line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(v). Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of interest rate risk in **fair value hedges** and in **cash flow hedges**.

However, similarly to SG SA Group and in accordance with the transitional measures provided by IFRS 9, the Company has elected to continue recognising hedging transactions under IAS 39 as adopted by the IASB.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

(a) Fair value Hedges (FVH)

The Company hedges the interest risk of its fixed-rate debt instruments classified under Financial Assets at FVTOCI with interest rate swaps paying fixed rate and receiving the variable rate (plain vanilla swaps). The interest rate risk is defined as the risk that the value or cash flows of an instrument will fluctuate due to variations in market interest rates.

The fair value change on qualifying hedging instruments is recognised in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but gain or loss on the hedged item is recognised in profit or loss. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the gain or loss on the hedging instrument.

Prospective effectiveness is assessed via a rate sensitivity ratio between the hedged and hedging instruments. Retrospective effectiveness is performed on a daily basis using the dollar offset method. For both testing, the ratio should fall within the threshold of 80-125%.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

(b) Cash Flow Hedges

The Company issues to certain employees share-value linked deferred bonuses (see Note 3). The Company hedges the effect of the movement of SG SA's share price to reduce market risk with cash settled options on SG SA shares (see Note 12).

The effective portion of changes in the fair value of the options that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in 'Net gains and losses' within the Turnover line item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Netting of Financial Assets and Liabilities

In accordance with IAS32, the Company reports certain financial assets and liabilities on a net basis in the balance sheet only if there is a legally enforceable right of offset to net the recognised amounts and there is the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

Cash and Cash Equivalents

Cash and cash equivalents include debit current accounts and short-term deposits at banks with a maturity less than three months.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Impairment of intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any) and the carrying amount of the asset is reduced to its recoverable amount.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss statement except to the extent that it relates to items recognised in Other Comprehensive Income.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and is the expected tax payable or receivable on the taxable profit and loss for the year and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Pension costs and other post-retirement benefits

The Company operates a defined contribution Personal Pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge in Note 3 to the financial statements represents contributions payable by the Company to the fund.

Share-based payment

The Company's employees receive share-based payments from the parent Company, SG SA, the details of these can be found in Note 3.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Client Money Balances

As required by the UK Client Assets rules in line with the Financial Services Market Act (FSMA) 2000, the Company maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. These amounts and the related liabilities to clients, whose recourse is limited to segregated accounts, are disclosed in Note 17 to the financial statements and are not included in the Company's balance sheet as the Company is not beneficially entitled thereto. As such they are not included in the Company's balance sheet as they do not meet the criteria to be recognised as the Company's assets.

Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in Note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting judgements are those that the Directors have made in the process of applying the Company's accounting policies and that had a significant effect on the amounts recognised in financial statements. There were no critical accounting judgements in the current or prior year.

Estimates are those where the Directors have estimated income or expenditure, or the carrying amounts of assets or liabilities, based on historical experience or other factors that are considered relevant to the estimate where actual results may differ from those estimates. The true up between estimated and actual SG SA recharges is communicated in April by SG SA. The Directors do not believe that the true up of the 2021 estimate will result in a material financial charge.

The Transfer Pricing are the prices at which the Company receives services provided by other entities of SG SA. SGIL is recharged on a monthly basis for services performed by Global Business Services (GBS) support functions to the benefit of the Business Lines and, by Head-office departments as well as at Central level, business line level and, in some cases at regional level. Transfer Pricing amounts are estimated based on actual amounts from January to September, and then estimated for the last quarter of the year based on historical experience, which may end up with adjustments in the course of the following year. The Directors do not believe that any adjustments received after the date of these financial statements will have a material impact on the reported results of the company.

NOTE 2: GROSS PROFIT

Gross profit is attributable to the principal activities of the Company:

	Interest income	Commission and fee income/ expense	Net gains and losses on financial instruments	**Total £'000**
	£'000	£'000	£'000	**£'000**
Turnover	296,969	752,482	20,683	1,070,134
Operating costs	(186,952)	(656,865)	-	(843,817)
At 31 December 2021	**110,018**	**95,617**	**20,683**	**226,318**
Turnover	333,205	721,744	30,616	1,085,565
Operating costs	(244,836)	(635,475)	-	(880,311)
At 31 December 2020	**88,369**	**86,269**	**30,616**	**205,254**

Net gains and losses on financial instruments (at fair value through profit and loss) arise from the Company's brokerage activities carried out on a matched principal basis. This also includes foreign exchange gains and losses on principal treasury positions, and gains and losses on revaluation of monetary assets and liabilities.

Analysis of the Company's turnover remitted from geographic source:

	2021 £'000	**2020** £'000
United Kingdom	521,507	491,720
France	4,212	6,945
Rest of Europe	241,525	313,515
Americas	106,710	87,819
Asia-Pacific	96,799	105,007
Other	99,381	80,559
	1,070,134	**1,085,565**

The geographical analysis of the turnover is estimated using Net Banking Income geographical proportions, which is the way management tracks geographical information.

NOTE 3: STAFF COSTS

	2021	2020
	£'000	£'000
Wages and salaries (*)	35,548	40,562
Social security costs	5,253	5,672
Pension and other staff costs	3,553	3,883
	44,354	**50,117**

(*) Included in the wages and salaries are amounts related to termination benefits

As at the year-end, there were no unpaid pension contributions (2020: £nil).

The average number of employees at the end of the year was as follows:

	2021	2020
	£'000	£'000
Management	14	14
Front office	83	88
Support	221	269
	318	**371**

Share-based payments

The Company's staff participates in the following share schemes offered by SG SA:

Fidelity plan

The Company issues to certain employees share-value linked deferred bonuses. The vesting periods of these bonuses are between one and three years from the date of declaration of the award and the employees will only be entitled to these bonuses on the condition that they are still employed by the Company at the scheduled payment dates during the vesting period. These bonuses are cash-settled and from the 2015 award onwards, the Company hedges the effect of the movement of SG SA's share price to reduce market risk (see Note 12).

The indexation related to this variation in the price of SG SA shares only for current year was a loss of £603k (2020: gain of £145k). The profit and loss recognised in the year related to the plan was an expense of £797k (2020: £930k).

UK Share plan

The Share Incentive plan provides the opportunity for all employees to purchase SG SA shares out of gross pay. For every four shares bought, SG SA will match one additional share. An employee may contribute £10-£150 from gross pay each month, but no more than 10% of gross pay. Matching shares are paid by the Company on a monthly basis.

NOTE 4: DIRECTORS' EMOLUMENTS

	2021 £'000	2020 £'000
Directors' remuneration	848	718
Pension contributions to defined contribution schemes	7	11
	855	**729**

Remuneration of the highest paid director:

	2021 £'000	2020 £'000
Directors' remuneration	298	252
Pension contributions to defined contribution schemes	3	11
	301	**263**

NOTE 5: OPERATING PROFIT

	2021 £'000	2020 £'000
Additional impairment charge	(199)	(3,690)
Expected credit loss provision	(425)	900
Operating rental recharges	(2,988)	(5,908)
Fees payable to Company's auditor for:		
- The audit of the Company's annual accounts	(1,150)	(1,222)
- Other services	(275)	(225)
Dividend income received (refer to Note 20)	3,974	1,639

Included in administrative expenses are amounts recharged from other SG SA Group companies for £11,123k (2020: restated £3,319k).

NOTE 6: INTEREST INCOME AND EXPENSE

	2021 £'000	2020 £'000
Interest income from deposits with Group companies (Note 11)	10,411	25,877

	2021 £'000	2020 £'000
Interest expense on borrowings with Group companies (Note 13)	8,795	34,393

NOTE 7: TAXATION

The UK corporation tax rate applicable for financial reporting is 19% (2020: 19%).

(a) Analysis of the tax charge / (credit) in the year:

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	25,985	17,614
Adjustment in respect of prior periods	(172)	144
Total current tax	**25,813**	**17,758**
Deferred tax		
Origination and reversal of temporary differences in the current year	159	159
Adjustment in respect of prior periods	118	333
Changes in Corporation tax rate	(106)	0
Total deferred tax	**171**	**492**
Total taxation on profit on ordinary activities	**25,985**	**18,250**

(b) Factors affecting the tax charge / (credit):

The charge for the year can be reconciled to profit and loss as follows:	2021 £'000	2020 £'000
Profit on ordinary activities before tax	137,141	97,831
Tax on profit on ordinary activities at standard tax rate of 19% (2020: 19%)	26,056	18,588

Effects of:		
- Expenses not deductible for tax purposes	584	120
- Non-taxable income	(755)	(311)
- Adjustment in respect of prior years and other	(54)	475
- Changes in Corporation Tax rate	(106)	0
- Financial Asset at FVTPL	258	(622)
	25,983	**18,250**

(c) **Deferred tax liabilities:**

The deferred tax included in the balance sheet is as follows:

	2021 £'000	**2020** £'000
Depreciation timing differences	543	498
Provision for temporary differences	315	358
Equities at FVTPL	(628)	(429)
Loss/(Gain) investments at FVTOCI	(1,880)	(3,550)
IFRS 9 transitional adjustments	212	187
	(1,439)	**(2,935)**

The movement in the deferred tax liability during the period is as follows:

	2021 £'000	**2020** £'000
Deferred tax liability at 1 January	(2,935)	(363)
Amount charged to the income statement	(160)	(159)
Adjustment in respect of prior periods	(118)	(333)
Amount credited to other comprehensive income	1,668	(2,080)
Changes in Corporation Tax rate	106	0
Deferred tax asset at 31 December	**(1,439)**	**(2,935)**

Deferred tax assets are only recognized to the extent that they are more likely than not to be recovered.
The Company recognised all UK deferred tax assets and liabilities at a rate of 25% at which the deferred tax is expected to reverse.

Legalisation has been passed in the Finance Bill 2021, to increase the main rate of corporation tax for the Financial Year 2023 from the 19% currently in place to 25% with effect from 1 April 2023.

NOTE 8: INTANGIBLE ASSETS

	Other Intangibles £'000	**Totals £'000**
COST		
At 1 January 2021	237	237
Movement	-	-
At 31 December 2021	**237**	**237**
AMORTISATION / IMPAIRMENT		
At 1 January 2021	-	-
	-	-
Movement	-	-
Amortisation for the year	-	-
		-
At 31 December 2021	-	-
NET BOOK VALUE		
At 31 December 2021	**237**	**237**
At 31 December 2020	237	237

NOTE 9: INVESTMENTS AT FAIR VALUE THROUGH OCI

	2021 Treasury notes and bonds £'000	**2020** Treasury notes and bonds £'000
At 1 January	**833,358**	**1,123,429**
Additions (*)	-	275,417
Disposals (*)	(58,479)	(576,919)
Coupon	32	(89)
Amortisation of premium/ discount	(7,260)	(5,380)
Revaluation (**)	(20,212)	16,900
At 31 December 2021	**747,440**	**833,358**

Investments at FVTOCI consist of investments in treasury notes and similar bonds, for which the fair values are determined using quoted prices in active markets.

(*) 2020 comparatives of additions and disposals of treasury notes and bonds data have been restated, with no impact on net movement disclosed between the additions and disposals.

(**) £(8,190)k (2020: £6,748 k) of the mark to market has been recycled through profit and loss under trades that have been designated as Fair Value hedges.

NOTE 10: FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L

	2021 £'000	2020 £'000
Derivative financial instruments	2,737,915	3,009,938
Fidelity Plan Hedge	175	-
Investment in joint venture	64,284	69,600
Equities investment	2,956	2,623
	2,805,330	**3,082,161**

Derivative financial instruments consist of interest rate, foreign exchange, credit derivatives, equity contracts for which the fair value is estimated using a discounted cash flow model that includes assumptions supported by observable market prices or rates.

Altura Markets S.V. is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria, S.A. that is incorporated in Spain and whose principal place of business is Vía de los Poblados 3, edificio 2, planta 1, Parque Empresarial Cristalia, 28033 Madrid. In accordance with the by-laws of Altura Markets S.V., all the shares of Altura Markets S.V. have the same political and economic rights and therefore SGIL shares are ranked pari passu with those held by Banco Bilbao Vizcaya Argentaria, S.A. with the same voting rights, dividend and capital distribution rights attached to them.

The Directors have elected to hold the investment at fair value through profit and loss as the Company is exempt from preparing consolidated financial statements. The Euro denominated investment is economically hedged by a borrowing in euros included in financial liabilities at fair value (Note 12). The revaluation of the investment has been performed twice in 2021 based on the net book value. Consolidation of Altura Markets S.V. occurs at the SG SA level (The parent company is disclosed in Note 21).

Financial assets at fair value include amounts due from other SG SA, Group companies for £2,554,930k (2020: £626,377k).

NOTE 11: TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Financial assets with brokers, exchanges and clearing houses	12,548,226	6,759,031
Securities purchased under resale agreements	9,840,096	11,389,640
Receivable from customers and banks	4,056,170	2,354,544
Settlement account on securities transactions	67,511	27,979
Trade debtors	3,214	2,895
Other debtors	52,591	51,609
VAT receivable	11,825	8,601
	26,579,663	**20,594,299**
Allowance for impairment losses	(24,662)	(25,003)
	26,554,971	**20,569,296**
Amounts falling due after one year:		
Intragroup loans	1,019,000	1,164,000
	1,019,000	**1,164,000**

Included within Other debtors are interest receivable on commitments from DPS activity and Transfer Pricing amounts for the Listed Derivatives business.

Included within receivable from customers is £24,662k (2020: £25,003k) of assets that are impaired.

Included within trade debtors are aged brokerage receivables which are past due, but not impaired:

	2021 £'000	2020 £'000
7-12 months	742	772
13-18 months	277	565
19-24 months	315	261
25-36 months	29	0
	1,363	**1,598**

A reconciliation of the allowances for impairment losses is as follows:	2021 £'000	2020 £'000
At 1 January	(25,003)	(23,157)
Additional impairment charge	(199)	(3,690)
Write-off	1,219	0
Recovery charge	(425)	900
Exchange rate movement	(255)	944
	(24,662)	**(25,003)**

Trade and other receivables include amounts due from other SG SA group companies for £7,278,703k (2020: £8,370,796k).

This includes fifteen intragroup loans with SG SA:

Amount 2021 £000	Amount 2020 £000	Value date	Time to maturity	Interest rate % p.a.	Interest type	Fair Value of the loan at 31.12.2021 £000	Fair Value of the loan at 31.12.2020 £000
320,000	400,000	17/12/2015	4 Years	2.90%	Fixed	338,546	436,412
80,000	80,000	17/12/2018	7 Years	2.31%	Fixed	88,604	94,476
80,000	80,000	17/12/2019	8 Years	1.72%	Fixed	85,951	91,400
59,200	66,600	10/10/2019	8 Years	2.35%	Fixed	63,851	74,441
87,400	87,400	17/12/2020	9 Years	0.99%	Fixed	88,571	94,378
35,000	35,000	25/03/2020	9 Years	1.61%	Fixed	37,589	40,025
27,500	27,500	25/03/2020	8 Years	1.54%	Fixed	29,319	30,999
27,500	27,500	25/03/2020	7 Years	1.53%	Fixed	29,151	30,770
7,500	7,500	25/03/2020	6 Years	1.49%	Fixed	7,853	8,279
7,500	7,500	25/03/2020	5 Years	1.46%	Fixed	7,816	8,186
7,500	7,500	25/03/2020	4 Years	1.40%	Fixed	7,740	8,057
7,500	7,500	25/03/2020	3 Years	1.30%	Fixed	7,684	7,920
7,500	7,500	25/03/2020	2 Years	1.17%	Fixed	7,632	7,786
114,900	-	22/12/2021	3 Years	1.39%	Fixed	117,475	-
150,000	150,000	17/01/2019	3 Years	SONIA+ 1.0793%	Variable	153,872	154,332

NOTE 12: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L

	2021 £'000	2020 £'000
Fidelity Plan Hedge	0	690
Derivative financial instruments	2,738,555	3,023,805
	2,738,555	**3,024,495**

Derivatives consist of, interest rate, foreign exchange and equity instruments for which the fair value is estimated using a discounted cash flow model that includes assumptions supported by observable market prices or rates.

The terms of the hedge are designed to exactly match the indexation of the nominal amount of the bonus and the instalment dates and structure. The hedge will be settled in cash, and not in physical shares. The fair value of the hedge item amounts to £175k (gain) as at December 2021 (2020: £690k loss).

Financial liabilities at fair value include amounts due to other SG SA, Group companies for £2,564,145k (2020: £456,813k).

Fair Value hedges

As mentioned in SGIL Risk Management Framework (RMF), one of the risks that potentially impacts the processes and activities of the business is the structural interest risk which is defined as the potential alteration of the Company's net interest income and/or net asset value caused by variations in interest rates.

Hedge accounting enables SGIL to protect itself against changes in the fair value of fixed-rate bonds (hedged item) due to changes in interest rates (hedged risk).
- If rates rise (as the bank anticipates), the fair value of the bond decreases while that of the swap increases;
- If rates fall, the fair value of the bond increases while that of the swap decreases.

No other risks will be hedged (e.g. credit-driven price changes).

The following tables details the hedge ineffectiveness arising from the hedging relationship and the line in profit or loss in which the hedge ineffectiveness is included:

Hedging Instruments - Interest rate swaps contract							
Average Contracted fixed interest rate		Notional Principal Amount		Change in fair value for recognising hedge ineffectiveness		Fair value of the hedging instrument (liabilities)	
2021 %	2020 %	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
1	1	£272,519	£315,925	£(311)	£(8,481)	£272,207	£307,444

Hedged item – Fixed rate bonds									
Nominal amount of the hedge item		Accumulated amount of FVH adjustments on the hedge item included in the carrying amount of the hedged item: debit /(credit)		Line item in the statement of financial position (SOFP) in which the hedged item is included	Change in value used for calculating hedge ineffectiveness		Accumulated amount of FVH adjustments in SOFP for hedged items that have ceased to be adjusted for hedging gains and losses	
2021 £000	2020 £000	2021 £000	2020 £000		2021 £000	2020 £000	2021 £000	2020 £000
£272,519	£315,925	£272,680	£322,628	Financial assets at Fair value through OCI	£161	£6,703	£149	£128

Hedged item		
Amount of hedge ineffectiveness recognised in profit or loss (P/L)		Line item in P/L in which hedge ineffectiveness is included
2021 £000	2020 £000	
£149	£1,778	Net Gains and Losses

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of hedging the interest rate risk.

NOTE 13: TRADE CREDITORS AND OTHER PAYABLES

	2021 £'000	2020 £'000
Securities sold under agreements to repurchase	8,861,812	8,895,852
Payables to customers and banks	34,140,466	20,537,825
Settlement accounts on securities transactions	51,692	30,995
Trade creditors	105,321	102,359
Other creditors	71,602	49,504
Current tax payable	670	3,042
Other tax payable	122	(56)
Accrued interest on subordinated debt	1,044	2,012
Deferred income	0	3,001
	43,232,730	**29,624,534**

Included in other creditors are mainly interest payable on commitments from DPS activity.
Trade creditors and other payables include amounts payable to other SG SA, Group companies for £27,273,554k (2020: £17,662,779k).

This includes £5,126,230k (2020: £2,612,320k) drawn down against a £8,277,496k (2020: £8,441,364k) facility with SG SA, in tranches that are repayable from overnight to 1 year that bear a weighted average outstanding negative interest rate of -0.32% (2020: -0.12%), the terms of which are determined by SG SA Group treasury.

NOTE 14: SUBORDINATED DEBT

	2021 £'000	2020 £'000
Subordinated debt	150,000	295,000

The subordinated loan of £150,000k maturing in January 2029 was bearing an interest of GBP LIBOR 3M + 3.22% per annum and has been re-benchmarked to SONIA +3.3393% per annum in December 2021.
The carrying value of the subordinated debt approximates its fair value at 31 December 2020.

The accrued interest payable of £1,044k (2020: £2,012k) is mentioned in Note 13.

On the 31 March 2021, SGIL repaid £145,000k of subordinated debt.

NOTE 15: PROVISIONS AND CONTINGENT LIABILITIES

	Deferred Bonus £'000	Other Provisions £'000	**Totals** £'000
At 1 January 2021	300	2,782	3,082
Charge for period	177	1,676	1,853
Utilisation	(231)	(1,559)	(1,790)
Reversals	(39)	(1,784)	(1,823)
Revaluation	(1)	(50)	(51)
At 31 December 2021	**206**	**1,065**	**1,271**

The deferred bonus provision is an assessment of the bonus payable to eligible employees that are deferred for up to 3 years from the date the bonus is awarded.

Contingent liabilities

From time to time the Company is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. Notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no individual matters which are considered to pose a risk of material adverse financial impact on the Company's results or net assets.

NOTE 16: SHARE CAPITAL

Authorised and issued:

	Number	Nominal value	**2021** £'000	**2020** £'000
Share capital	1,150,000,000	£1	1,150,000	1,150,000

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In respect of 2021 financial year, the Board have recommended the payment of a dividend on the ordinary shares of £141.3m (2020: £79.6m) at £0.1229 per share.

NOTE 17: CLIENT MONEY BALANCES

As at 31 December 2021 segregated Client Money balances held on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts amounted to £17,136,383k (2020: £8,017,984k). These balances do not constitute part of the balance sheet of the Company.

NOTE 18: TRADING DERIVATIVES AND OTHER FINANCIAL COMMITMENTS

	2021 £'000	2020 £'000
Commitments granted		
Equity and index instruments	247,439	5,128,132
Firm instruments	*247,439*	*5,128,132*
Foreign exchange instruments	446,645,802	386,004,567
Firm instruments	*313,624,438*	*243,375,830*
Options	*133,021,364*	*142,628,737*
Interest rate instruments	272,519	3,495,013
Firm instruments	*272,519*	*3,495,013*
Guarantee commitments granted	12,452,419	8,589,556
Securities pledged as collateral	3,716,251	4,678,550
Total commitments granted	**463,334,429**	**407,895,818**
Commitments received		
Equity and index instruments	246,458	5,126,711
Firm instruments	*246,458*	*5,126,711*
Foreign exchange instruments	446,645,722	386,009,401
Firm instruments	*313,624,358*	*243,380,664*
Options	*133,021,364*	*142,628,737*
Interest rate instruments	272,519	3,495,013
Firm instruments	*272,519*	*3,495,013*
Guarantee commitments received	20,433,137	13,550,344
Securities received as collateral	4,262,560	3,778,990
Total commitments received	**471,860,395**	**411,960,459**

SGIL may lend, pledge, re-pledge, hypothecate or re-hypothecate, on any terms, any collateral held in the customer's account or transferred by the customer. The customer agrees that SGIL may grant a security interest over or title to margin or collateral provided by the customer to cover any obligations owed by SGIL to an intermediate broker, counterparty, exchange or clearing organisation, including obligations owed by virtue of the positions held by such entities for other customers.

NOTE 19: FINANCIAL INSTRUMENTS

Financial assets and liabilities include, but are not limited to, cash and derivative products that primarily represent the investment, trading and customer facilitation activities.

Categorisation of financial assets

	Financial Assets at FVTPL £'000	Financial Assets at FVTOCI £'000	Financial Assets at Amortised Cost £'000	**Totals £'000**
Financial assets	2,805,330	747,440	-	3,552,770
Trade and other receivables	-	-	27,586,808	27,586,808
Cash and cash equivalents	-	-	16,477,676	16,477,676
At 31 December 2021	**2,805,330**	**747,440**	**44,064,484**	**47,617,254**

	Financial Assets at FVTPL £'000	Financial Assets at FVTOCI £'000	Financial Assets at Amortised Cost £'000	**Totals £'000**
Financial assets	3,082,161	833,358	-	3,915,519
Trade and other receivables	-	-	21,749,698	21,749,698
Cash and cash equivalents	-	-	8,759,915	8,759,915
At 31 December 2020	**3,082,161**	**833,358**	**30,509,613**	**34,425,132**

Categorisation of financial liabilities

	Financial Liabilities at FVTPL £'000	Financial Liabilities Amortised Cost £'000	**Totals** £'000
Subordinated debt	-	150,000	150,000
Financial liabilities	2,738,555	-	2,738,555
Trade and other payables	-	43,231,938	43,231,938
At 31 December 2021	**2,738,555**	**43,381,938**	**46,120,493**

	Financial Liabilities at FVTPL £'000	Financial Liabilities Amortised Cost £'000	**Totals** £'000
Subordinated debt	-	295,000	295,000
Financial liabilities	3,024,495	-	3,024,495
Trade and other payables	-	29,618,547	29,618,547
At 31 December 2020	**3,024,495**	**29,913,547**	**32,938,042**

Financial Risk Management

The Company faces a number of risks as part of its normal day to day business. The principal risks and uncertainties faced by the Company are detailed in section 9 of the Strategic Report.

Liquidity Risk

Liquidity risk is defined as SGIL's inability to meet its financial obligations at a reasonable cost. SGIL assesses this risk over various time horizons via stress tests including intraday liquidity risk, as they fall due.

Funding risk is defined as the risk that SGIL will not be able to finance the development of its businesses at a scale consistent with its commercial goals and at a competitive cost compared to its competitors.

The Risk department monitors the Metrics on daily basis and reports to the Board any breaches on a monthly basis. SGIL will always hold liquid assets to ensure compliance with Overall Liquidity Adequacy Rule (OLAR). In addition, there is daily monitoring analysis sent to senior management on SGIL's liquidity positions. Given the short-term nature of SGIL's execution only prime brokerage and agency transactions, the Company considers this appropriate due to its belief that holding liquidity resources sufficient to survive in excess of 35 days would provide enough time to either outlast a stress event and / or take mitigating actions to address its impacts.

In addition to the compliance with the internal stress requirement, SGIL comply with the Individual Liquidity Guidance communicated by the FCA on the daily basis.

Maturity analysis of financial liabilities

	Overnight £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Greater than 5 years £'000	**Totals** £'000
Subordinated debt	-	-	-	-	150,000	150,000
Financial liabilities	-	2,059,430	649,073	30,052	-	2,738,555
Trade and other payables	29,370,807	9,438,807	4,407,181	15,142	-	43,231,938
At 31 December 2021	**29,370,807**	**11,498,237**	**5,056,254**	**45,194**	**150,000**	**46,120,493**

	Overnight	1-3 months	3-12 months	1-5 years	Greater than 5 years	**Totals**
	£'000	£'000	£'000	£'000	£'000	£'000
Subordinated debt	-	-	-	145,000	150,000	295,000
Financial liabilities	135,946	1,990,608	779,509	118,136	296	3,024,495
Trade and other payables	21,670,998	7,945,423	-	-	-	29,616,421
At 31 December 2020	**21,806,944**	**9,936,031**	**779,509**	**263,136**	**150,296**	**32,935,916**

The amounts above represent the undiscounted contractual maturities of financial liabilities.

Credit Risk

Credit Risk (including concentration risk) is defined as the risk of losses arising from the inability of SGIL's customers, issuers or other counterparties to meet their financial commitments.

The largest risk exposures, for customers trading listed futures and options subject to Initial Margin Requirements (IMR), are regularly reviewed. These balances comprise 42% (2020: 43%) of the total credit and counterparty risk-weighted asset exposure. A further 29% (2020: 21%) consists of excess cash held overnight at banks, central clearing counterparties, and Intermediary Brokers (predominantly with other SG SA Group entities) for daily settlement.

The Company uses the IMR as it is a standard market metric used for listed derivatives counterparties. The counterparty credit rating of customers subject to IMR as at 31 December 2021 is as follows:

	2021	**2020**
Moody's/S&P or Fitch rating equivalent:	%	%
Investment Grade	**88%**	**79%**
Aa3/AA– and above	2%	0%
A1 to A3/A+ to A–	53%	43%
Baa1 to Baa3/BBB+ to BBB–	34%	36%
Non - Investment Grade	**12%**	**21%**
Ba1 to Ba3/BB+ to BB–	8%	16%
B1 to B3/B+ to B–	4%	5%
	100%	**100%**

Exposures are largely spread across counterparty types but concentrated on Investment grade counterparties. The Non-Investment grade counterparties mainly comes from the Hedge Funds. The proportion of Hedge Funds is 4% of all the counterparties in 2021 (2020: 7%). These counterparties are always classified as Non-Investment grade and treated as such in the credit monitoring process through the collateral policy.

Exposures with counterparties are measured at the counterparty level against a set of limits defined and monitored by the Risk Department and trading is allowed only if limits have been validated. Counterparty credit limits are reviewed annually or more often if a specific event necessitates a reassessment.

Market Risk

Although not considered one of the main risks for SGIL as mentioned in the section 9.5 of the strategic report, the Market Risk is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.

- The Company is mainly exposed to the US dollar and Euro currencies and a 1% change in Sterling against all foreign currency denominated monetary assets and liabilities at 31 December 2021 would decrease the Company's profit before tax by £593.5k (2020: increase in profit before tax of £1,846k).
- A 1% parallel change on the interest rate (holding all other variables constant) at 31 December 2021 would decrease the Company's profit before tax by £13,802k (2020: decrease by £4,286k).
- Both equity and commodity portfolios arise from fully hedged trading positions and therefore the Company faces minimal market risk exposures.

IBOR transition

The Company is exposed to the following interest rate benchmarks which are subject to the interest rate benchmark reform:

- GBP LIBOR;
- USD LIBOR;
- JPY LIBOR; and
- EONIA.

They are collectively 'IBORs'. The exposures arise on derivatives and non-derivative financial assets and liabilities.

The Company has fair value hedges affected by the interest rate benchmark reform. Hedged items include GBP, USD and EUR fixed rate debt securities. Hedging instruments include IBOR-linked interest rate swaps. The Company also has cash deposits from clients from CCP along with banks.

The Company has and will continue to closely monitor the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the UK FCA and the US Commodity Futures Trading Commission (CFTC) regarding the transition from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to the Sterling Overnight Index Average rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average rate (TONA) and announcements on the transition from EONIA to Euro short-term rate (€STR). The FCA had made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. Furthermore, EONIA will have ceased to be published from 3 January 2022.

It is important to note that USD Libor will continue until late 2023 and Euribor does not have a scheduled date to be ceased. As consequence, the main impacts are generated from the transition of GBP Libor to SONIA and from EONIA to €STR ceased at the end of 2021. The first (GBP Libor) mainly affects cash flows either on the Hedged item and/or the derivative hedge while the second (EONIA) mainly affects the derivative hedge as result of the respective amendment of the remuneration rate of the associated ISDA/CSA.

In response to the announcements, the Company has in place an interest rate benchmark transition programme, under the name of the Risk Free Reference Working Group (RFRWG) which comprises the following work streams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Chief Country Officer of Societe Generale UK who is a member of the SGIL Board.

Risks arising from interest rate benchmark reform

The key risks for the Company arising from the transition are:

- Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, market abuse (including insider dealing and market manipulation), anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest. The Company has in place strong project governance to oversee the transition to ensure this risk is mitigated.

- Pricing risk: The transition to alternative benchmark rates and the discontinuation of interest rate benchmarks may impact the pricing mechanisms used by the Company on certain transactions.

- Interest rate basis risk: Interest rate risk basis may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Company will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

- Liquidity risk: There are fundamental differences between IBORs and the various alternative benchmark rates which the Company will be adopting. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period, with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Company's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

- Accounting: If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Company has agreed changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Company is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

- Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts, (e.g. arising from differing interpretation of existing fallback terms), there is a risk of litigation and prolonged disputes with counterparties which could give rise to additional legal and other costs. The Company notes all counterparties agreements currently have been reached.

- Regulatory risk: Regulatory models and methodologies are in the process of being updated (e.g. to accommodate new market data). There is a risk that such models are not fully updated, tested and approved by the regulator in time.

- Operational risk: Our Company's IT systems are undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time resulting in additional manual procedures which give rise to operational risks.

For all of the Company's derivatives that reference IBOR, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available at the end of 2020 and the Company has signed up to the protocol, along with all the counterparties. This ensures all legacy trades that have not transitioned to a risk free rate will, on cessation of IBOR, follow the fallback clause provided in the protocol.

Investments in fixed rate debt securities

The Company holds investments in GBP, EUR and USD denominated fixed rate debt securities for liquidity management purposes under a held to collect and sell business model. The investments are measured at fair value through other comprehensive income. The interest rate risk of the securities is hedged using GBP, EUR and USD RFR interest rate swaps.

Floating rate borrowing

The Company has floating rate debt linked to LIBOR (a loan advanced by SG SA for its Tier 2 capital requirements). In the last quarter of the financial year, the Company transitioned its £150m loan, which matures beyond the date that LIBOR will cease to be published, to SONIA. The Company has already agreed with the counterpart that the £150m loan will be transitioned to SONIA on the next fixing date (17 January 2022). No other terms were amended as part of the transition.

Floating rate customer advances and deposits

At the start of the year, the Company had floating rate advances to and deposits from customers, linked to GBP LIBOR, USD LIBOR, JPY LIBOR and EONIA.

For these customer accounts, the Company's response to interest rate benchmark reform is focused on treating customers fairly and considers several aspects of transition including the reduction of clients' exposures to legacy IBOR contracts by amending or replacing existing contracts to include robust fallback provisions or replace IBOR with relevant alternative benchmark interest rates.

A critical aspect of this response is also the development of new products linked to relevant alternative benchmark interest rates. The Company developed a detailed communication plan with a focus on communicating with customers in a way that is clear, fair and not misleading. This included customers being reached out through a dedicated email letter explaining the change to their cash collateral interest conditions and more widely the CCP conversions taking place in 2021. Communications have taken place in a timely manner to ensure that all customers had time to consider the options available.

Our response also includes a rigorous training programme to ensure that relevant client-facing staff have adequate knowledge and competence to understand the implications of IBORs ending and can respond to customers appropriately. Each Business Unit provided bespoke training for staff on the LIBOR transition. In addition, SG has eLearning modules related to benchmarks regulations which are mandatory for all relevant staff. During 2021, there were two such mandatory trainings issued (Jan and July).

Updated trading guidelines were reviewed and communicated to all Front Office staff in Q1, Q2 and Q3 2021 to address the ban on GBP LIBOR use after June 2021 – in line with the RFRWG's milestones, plus there are periodic "Can you speak IBOR?" all staff communications. Nine staff awareness sessions were organised in the first half of April 2021 by the RFRWG.

In addition, dedicated technical training sessions were organised with specific teams on calendar and compounded conventions. Front Office also implemented a Q&A gathering clients' most asked questions to help the salesforce to best answer clients' questions. The project team also helps the salesforce to answer client queries through a dedicated mailbox.

As a result of the Phase 2 amendments:

- When the contractual terms of non-derivative financial instruments have been amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change), the Company changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments.

When changes are made to the hedging instruments, hedged item and hedged risk, as a result of the interest rate benchmark reform, the Company updates the hedge documentation without discontinuing the hedging relationship.

Capital Management

The FCA stipulates the minimum level of regulatory capital to be maintained by the Company and it is the responsibility of the Company's Board of Directors to ensure the Company maintains sufficient capitalisation.

In order to comply with the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), which together comprise CRD IV and the FCA's IFPRU handbook which all came into force from 1 January 2014, the Company has prepared a Pillar 3 Disclosure Document. A copy of this document can be obtained from the Company Secretary, One Bank Street, London, E14 4SG or online at https://sgildisclosure.societegenerale.com/en/useful-information/crd/

Through close monitoring, Senior Management ensure that SGIL has adequate financial resources to meet its liabilities as they fall due, and that the level of capital is appropriate with respect to the risks. A Capital Contingency Plan (CaCP) has a primary focus of maintaining absolute levels of capital to protect SGIL, its customers and its reputation and ensure adherence to minimum Regulatory limits.

	2021 £'000	**2020** £'000
Tier 1 capital:		
- Share capital	1,150,000	1,150,000
- Profit and loss reserves	330,660	308,922
- Intangible assets	(237)	(237)
Tier 2 capital:		
- Subordinated debt	150,000	295,000
Total capital resources	**1,630,423**	**1,753,685**

Fair value measurement of financial assets:

The following table allocates financial assets measured at fair value to the three levels of the fair value hierarchy described in Note 1 (page 33):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	747,440	-	-	747,440
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	(329)	-	(329)
- Foreign exchange derivatives	-	2,737,719	-	2,737,719
- Equity and index derivatives	-	200	-	200
- Commodity derivatives	-		-	-
Investment in joint venture	-	-	64,284	64,284
Equity investment			2,956	2,956
At 31 December 2021	**747,440**	**2,737,591**	**67,240**	**3,552,270**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	833,358	-	-	833,358
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	63,380	-	63,380
- Foreign exchange derivatives	-	2,686,496	-	2,686,496
- Equity and index derivatives	-	260,063	-	260,063
- Commodity derivatives	-		-	-
Investment in joint venture	-	-	69,600	69,600
Equity investment			2,623	2,623
At 31 December 2020	**833,358**	**3,009,939**	**72,223**	**3,915,520**

Movements in Level 3 financial assets during the year:

Fair value measurements categorised within Level 3 of the fair value hierarchy are the fair value of Altura Markets S.V. investment based on its net book value and LME and SWIFT shares for which the fair value is based on the latest available transactions. The fair value of these investments is sensitive to the changes in the net book value of Altura Markets S.V., as well as on whether there are recent transactions in the market for LME and SWIFT shares. Therefore, any changes to these inputs will result in higher or lower fair value measurement than initially recognised.

	Financial assets at FVTPL £'000	Financial Assets at FVTOCI £'000	**Totals** £'000
At 1 January 2021	72,223	-	72,223
Additions	-	-	-
Disposals	-	-	-
Revaluations	(4,983)	-	(4,983)
At 31 December 2021	**67,240**	**-**	**67,240**

Fair value measurement of financial liabilities:

The following table allocates financial liabilities measured at fair value to the three levels of the fair value hierarchy described in Note 1 (page 33):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals £'000**
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	811	-	811
- Foreign exchange derivatives	-	2,737,719	-	2,737,719
- Equity and index derivatives	-	25	-	25
- Commodity derivatives	-	-	-	-
At 31 December 2021	**-**	**2,738,555**	**-**	**2,738,555**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals £'000**
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	72,068	-	72,068
- Foreign exchange derivatives	-	2,691,673	-	2,691,673
- Equity and index derivatives	-	260,753	-	260,753
- Commodity derivatives	-		-	-
At 31 December 2020	**-**	**3,024,494**	**-**	**3,024,494**

Changes in value of financial instruments at fair value

Changes in fair value recognised in the profit and loss account arising financial assets and liabilities held at fair value (including derivative assets and liabilities – Note 10 and Note 12) are included in Net gains and losses on financial instruments presented in Note 2.
Changes in fair value recognised in other reserve in respect of financial instruments classified at FVTOCI are presented in Other Comprehensive Income (page 30). Subsequent gains or losses arising on FVTOCI realised during the year and recycled in Net gains and losses on financial instruments presented in Note 2.

Offsetting financial assets and liabilities:

The following table provides an analysis of the amounts that have been offset in the balance sheet:

	Gross amounts £'000	Amounts offset £'000	Net amounts on Balance Sheet £'000	Amount not offset but subject to enforceable master netting agreement £'000
Financial assets at fair value	26,924,801	(23,372,032)	3,552,770	(2,104,012)
Trade and other receivables	47,134,270	(19,547,462)	27,586,808	(3,904,069)
Cash and cash equivalents	16,477,676	-	16,477,676	-
Financial Assets at 31 December 2021	**90,536,747**	**(42,919,494)**	**47,617,254**	**(6,008,081)**
Subordinated debt	150,000	-	150,000	-
Financial liabilities at fair value	26,110,587	(23,372,032)	2,738,555	(2,104,012)
Trade and other payables	62,779,400	(19,547,462)	43,231,938	(3,904,069)
Financial Liabilities at 31 December 2021	**89,039,987**	**(42,919,494)**	**46,120,493**	**(6,008,081)**

	Gross amounts £'000	Amounts offset £'000	Net amounts on Balance Sheet £'000	Amount not offset but subject to enforceable master netting agreement £'000
Financial assets at fair value	28,993,645	(25,078,126)	3,915,519	(1,566,604)
Trade and other receivables	40,724,092	(18,974,394)	21,749,698	(2,880,420)
Cash and cash equivalents	8,759,915	-	8,759,915	-
Financial Assets at 31 December 2020	**78,477,652**	**(44,052,520)**	**34,425,132**	**(4,447,024)**
Subordinated debt	295,000	-	295,000	-
Financial liabilities at fair value	28,102,621	(25,078,126)	3,024,495	(1,566,604)
Trade and other payables	48,592,941	(18,974,394)	29,618,547	(2,880,420)
Financial Liabilities at 31 December 2020	**76,990,562**	**(44,052,520)**	**32,938,042**	**(4,447,024)**

NOTE 20: RELATED PARTY TRANSACTIONS

Related Parties

The Company acts as clearing agent on behalf of the following Group companies:

- Altura Markets. Sociedad De Valores, S.A.
- SG Americas Securities Llc
- SG Kleinwort Hambros Bank Limited
- SG Securities (Singapore) Pte. Ltd.
- SG Securities Korea, Ltd
- Société Générale - Paris
- Société Générale Securities Japan Limited
- Société Générale Capital Canada Inc
- Société Générale Private Banking (Suisse) S.A.
- Société Générale Securities Australia PTY LTD
- SG Securities Asia International Holdings Limited
- SG Seoul

All trading transactions with related parties are subject to standard commercial terms and conditions.

Retrocession of net income, recharges of expenses, and other transfer pricing arrangements are in place with the following Group companies:

- Altura Markets. Sociedad De Valores, S.A.
- Société Générale Securities Asia International Holding Ltd (Hong-Kong)
- Société Générale Securities Australia PTY LTD
- Société Générale Capital Canada Inc
- Société Générale Securities Japan Limited
- SG Securities (Singapore) Pte. Ltd.
- Société Générale Global Solution Centre Private
- SG Securities Korea Co. Ltd
- SG Americas Securities. Llc
- SG Americas Securities Holdings. Llc
- SG Zurich
- SG Singapore
- Société Générale New York
- SG London
- Société Générale – Paris
- Société Générale European Business Services S.A.

All related parties are 100% owned subsidiaries of SG SA with the exception Altura Markets S.V. which is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria S.A.

The following amounts were outstanding with non-100% owned related parties at the balance sheet date.
The amounts outstanding are unsecured and have no fixed date of repayment, settlement occurs in cash. Interest is accrued for on the outstanding amounts.

	Trade and other receivables		Trade and other payables	
	2021	**2020**	**2021**	**2020**
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	41,834	5,959	150	233
Total	**41,834**	**5,959**	**150**	**233**

During the year, the Company entered into the following trading transactions with non-100% owned related parties:

	Trade and other receivables		Trade and other payables	
	2021	**2020**	**2021**	**2020**
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	249	0	150	233
Total	**249**	**0**	**150**	**233**

During 2021 SGIL received dividends from Altura Markets S.V. in amount of €4,631k equivalent of £3,974k (2020: €1,807k equivalent of £1,639k).

NOTE 21: PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company's immediate and ultimate holding company and the controlling party of the smallest and largest group for which Group accounts are prepared is SG SA, which is incorporated in France. Copies of the Group accounts of SG SA are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

NOTE 22: POST BALANCE-SHEET EVENTS

Russia-Ukraine war:
Following Russia's invasion of Ukraine, a significant number of sanctions were implemented in UK and other countries leading to a freeze of assets for targeted companies and individuals. Furthermore, volatility in global financial markets has soared to unprecedented levels especially in the energy, metal, and agricultural commodities. As of the date of approval of these accounts, SGIL has no exposure to Russia and Russian clients, and no material losses arising from exposures to other organisations affected by these events. The circumstances surrounding these events are evolving and the full extent of how these conditions will impact the Company are not yet known. However, SGIL management has taken an active role to limit the impact of the market dislocation on the Company's scarce resources and risk profile through proactive client activity monitoring, in addition to actions in line with government recommendations.

Dividend payments:
Subsequent to year end 2021, Altura Markets S.V. have paid SGIL a dividend of €36.2m, with a corresponding reduction in the fair value of the investment.

In respect of the 2021 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £141.3m (2020: £79.6m).