SOCIETE GENERALE INTERNATIONAL LIMITED

# PUBLIC DISCLOSURE DOCUMENT

*As at 31 December 2022*

THE FUTURE IS YOU

SOCIETE GENERALE

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# 1. INTRODUCTION

## 1.1. *Background*

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

SGIL is a UK based MiFID Investment Firm authorised and regulated by the Financial Conduct Authority (FCA) and is designated as ‘significant SYSC’ and a non-SNI MIFIDPRU investment firm under the FCA’s Prudential Sourcebook for MIFID Investment Firms.

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

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

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

## 1.2. *Disclosure Policy*

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

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

## 1.3. *Business Overview*

SGIL is a 100% wholly owned subsidiary of Societe Generale S.A (‘SG SA’), a global systemically important bank (‘G-SIB’), incorporated in France, and is part of the Equities & Equity Derivatives Business Unit Line ‘**EQD**’) under the Global Market Business Unit (‘**MARK**’). ‘**MARK/EQD**’ markets all equity products, equity derivative products and indices, funds (options, futures, structured products listed on equities and indices, funds, index-linked bonds, swaps on underlying equities or equity derivatives, OTC products, etc.) to a client base of professional and individual investors. It acts as a broker to execute its clients' orders. SGIL provides services to professional clients only.

SGIL works with other Business Units ‘BU’s’ mainly with Global Banking and Advisory BU (‘GLBA’), to develop Business synergies and client coverage.

SGIL runs as a standalone entity with dedicated governance and specific regulatory requirements incorporating staff and processes of these Business and Service Units where relevant and appropriate. SGIL benefits from Societe Generale's integrated business platform where appropriate. All the Service Units support SGIL directly with a dedicated department or via a Client Service Level Agreement ('CSLA') between SGIL and SG SA.

Related to regulatory permission, SGIL will:

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

In relation to UK regulations and in line with the SG Group Code, SGIL will:

- Not engage in jurisdictions or business relationships presenting an unacceptable level of risk, as defined by the Compliance, Financial Crime Unit ('**FCU**') and Risk guidelines from SGIL risk management policies;
- Ensure that all employees have the right level of knowledge and understanding of SGIL's cultural values and principles, and that proper operational processes and controls are in place to mitigate the risk of fraud and regulatory breaches;
- Protect the data of its customers;
- Ensure that conduct risk policies and training are in place to ensure that conflicts of interests are avoided and that customers are treated fairly;
- Continually monitor the risk profile of the Company to ensure adherence to its risk appetite, as documented in the SGIL Risk Appetite Statement ('**RAS**');
- Ensure ongoing compliance with all laws and regulation governing the activity of SGIL;
- Ensure that effective and appropriate governance is maintained across the entity in order to keep senior management and the SGIL Board apprised of all relevant matters;
- Maintain open and collaborative relationships with all Regulators of SGIL both in the UK and globally; and
- Ensure collaboration and ongoing engagement with Exchanges and Central Clearing Counterparties('**CCPs**') where SGIL holds memberships.

# 2. SGIL GOVERNANCE & ORGANIZATION

## 2.1. SGIL BOARD OF DIRECTORS

### *a. Board Roles and Responsibilities*

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

The Board's main responsibilities include:

- Oversight of 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 follows in the pursuit of its business goals.

### *b. Membership and structure*

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

| Name | Executive | Non-Executive |
|---|---|---|
| Philippe Robeyns | 1 | |
| Keith McAardle | 1 | |
| Michael John Collins | | 1 |
| Diane Elizabeth Moore | | 4 |
| David Michael Lawton* | | 4 |
| Demetrio Salorio | | 1 |
| Alexandre Fleury | | 1 |
| Stephen Paul Swift | | 1 |

*pending FCA approval

*Figure 1: number of directorships held by each member of SGIL Board (SGIL directorship included)*

### *c. Diversity*

Board composition is reviewed at least annually 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.
One Board member is female, and two senior management roles are held by women (CFO and Chief Compliance Officer).

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

SG UK is 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 everyday actions across SG's footprint in the UK.
SG in the UK is also 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.

### *d. Matters reserved for the Board*

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

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

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

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

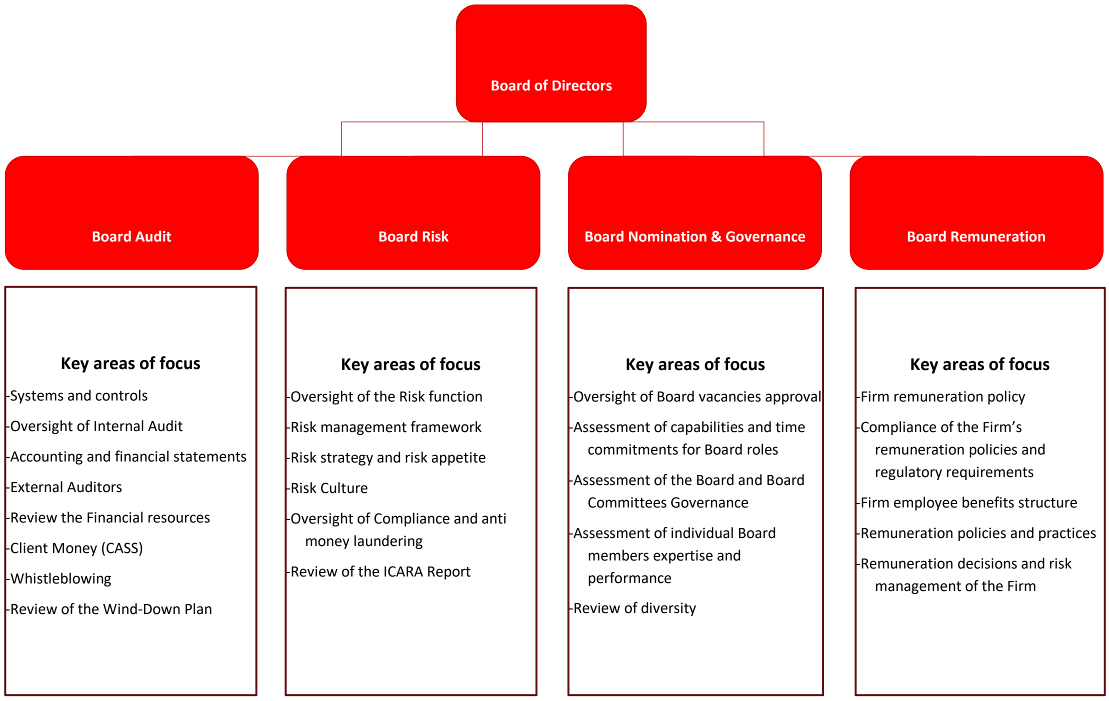


***Figure 2: SGIL Board Committee Structure and responsibilities***

## 2.2. *SGIL EXECUTIVE LEVEL (SENIOR MANAGEMENT)*

### *a. Overview*

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

### *b. Senior Management Regime*

The Senior Managers and Certification Regime ('SMCR') applies to all firms authorised under the Financial Services and Markets Act 2000 (FSMA) and aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals to account. SGIL is classified as an enhanced firm under the SMCR for solo regulated firms and is therefore required to:

• Assign all relevant Senior Management Functions (SMFs) to appropriate individuals together with the relevant applicable Prescribed Responsibilities (PR) and 'Overall Responsibilities' ensuring the entity is fully covered under the SMCR framework

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

• Produce and maintain a firm Management Responsibilities Map

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

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

• Ensure individuals adhere to the FCA's applicable Conduct Rules including breachreporting

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

• Ensure compliance with the SMCR in respect of SMF handover documents including specific procedures for the relevant handover procedure for incoming / exiting SMFs, or those re-allocating their responsibilities or part thereof

### *c. Organization chart*

The below organigram sets out a high-level summary of the senior management structure of SGIL, with the identified SMFs.

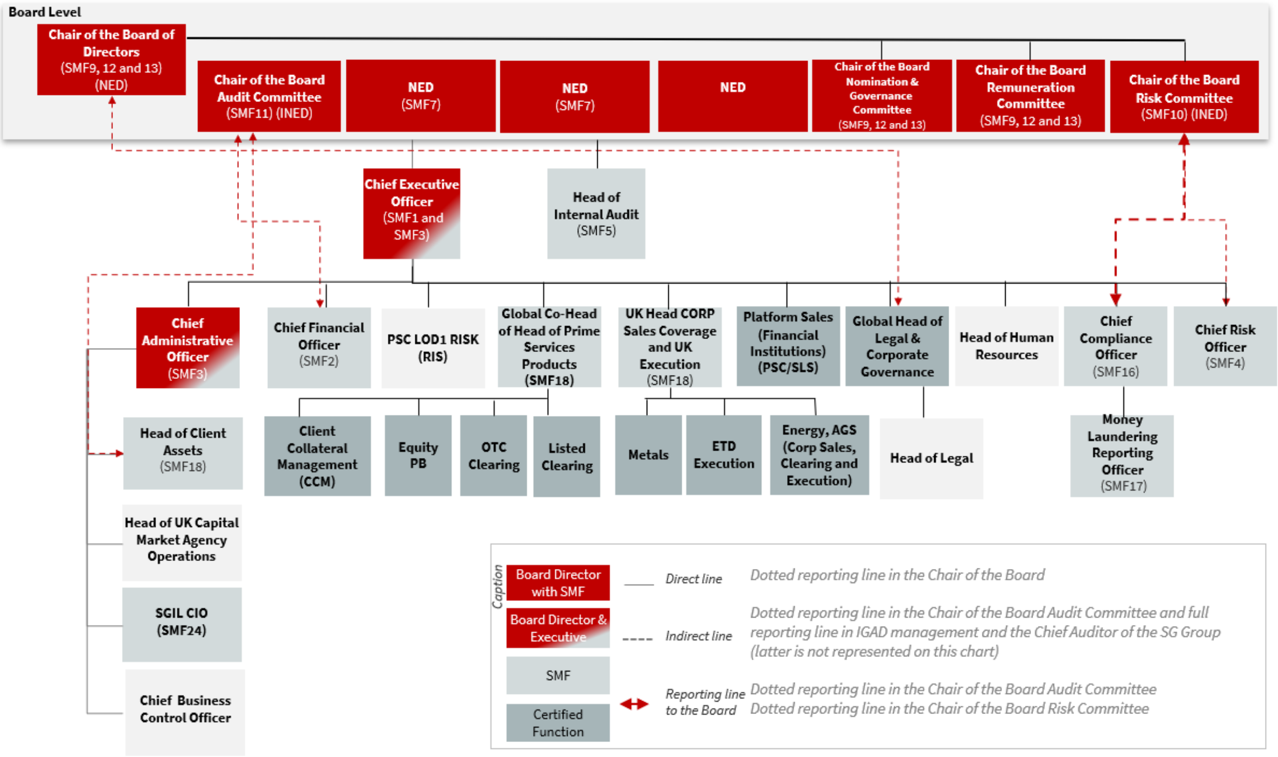


*Figure 3: SGIL Organisational Chart and Reporting Lines*

### d. Executive level committees

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

To achieve this objective the committee oversees:

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

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

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

| Executive Level Committee | Key Area of Focus |
|---|---|
| **Senior Management Level** | |
| **Assets and Liabilities Committee ('ALCO')** | The ALCO is a decision-making committee responsible for liquidity management and monitoring; interest rates and foreign exchange risk in the banking book; balance sheet and off-balance sheet liquidity risk exposures; capital usage; and study and approval of the hedging proposals. |
| **Risk & Control Committee ('RCC')** | The RCC is a decision-making body that provides oversight of the SGIL risk management framework and the management and mitigation of risks to the SGIL business and entity governance process. As well as providing oversight of SGIL's risk management framework, a key objective of the RCC is to oversee the Compliance and Finance frameworks and allow these functions to highlight, escalate and raise material topics to senior management of SGIL. |
| **Finance Committee ('FinCO')** | The FinCo is a decision making committee with the objectives to make decisions on the management & day to day running of DFIN within SGIL, and provide oversight over DFIN SGIL's target strategy and financial resources in terms of budget, balance sheet, funding, liquidity, and capital. The Committee also oversees financial reporting disclosures required in the Statutory Accounts. |
| **Client Asset Oversight Committee ('CAOC')** | The Client Asset Oversight Committee ('CAOC') ensures senior management oversight and control of client<br>money and custody assets processes in relation to the FCA CASS regime. |
| **Service Management Committee ('SMC')** | The SMC is a sub-committee of the RCC. It is accountable for the SGIL Service Management Framework ('SMF'). It oversees the management of services delivered to SGIL and the appropriate and relevant policies and procedures that underpin the service management framework as it relates to the management of services within SGIL. |

| Execution Level | |
|---|---|
| **Data Committee ('DatCo')** | The DATCO is a decision-making committee responsible for monitoring data quality, reviewing data quality issues, identification of patterns, prioritisation of corrective actions and assessing upcoming changes that will affect the data framework. |
| **Internal and External Accounts Governance Committee ('IEAG')** | The IEAG is a decision making committee whose scope is operational and accounting covering all the internal & external accounts of SGIL across different back office systems . The committee discusses all matters relevant to SGIL's internal and external accounts management and controls. |
| **Controls and Norms Committee ('CNC')** | The CNC is a sub-committee of the RCC. It is dedicated to the design and review of controls, norms, and policies within SGIL. Its purpose is to ensure that SGIL's rules and policies are reviewed on a regular basis, documentation maintained in a central storage, and in line with Group and regulatory requirements. |
| **Product Operating Committee ('POC')** | The POC is a sub-committee of the RCC. It performs the screening of any incremental products or services with a potential impact to SGIL. All new products, or business services not previously provided by SGIL, must be approved by the New Product Committee. |
| **Committee integrated in the RCC governance** | |
| **Embargos & Sanction Committee ('E&S')** | The E&S is a sub-committee of the RCC. It facilitates an effective local governance framework in relation to the Embargoes and Sanctions risks faced by SGIL to allow appropriate managerial oversight of these risks. It oversees the results of sanctions permanent supervision and managerial controls andthe reviewing of all emerging risks and relevant external risks and events. |

*Figure 4: SGIL executive level committees*

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

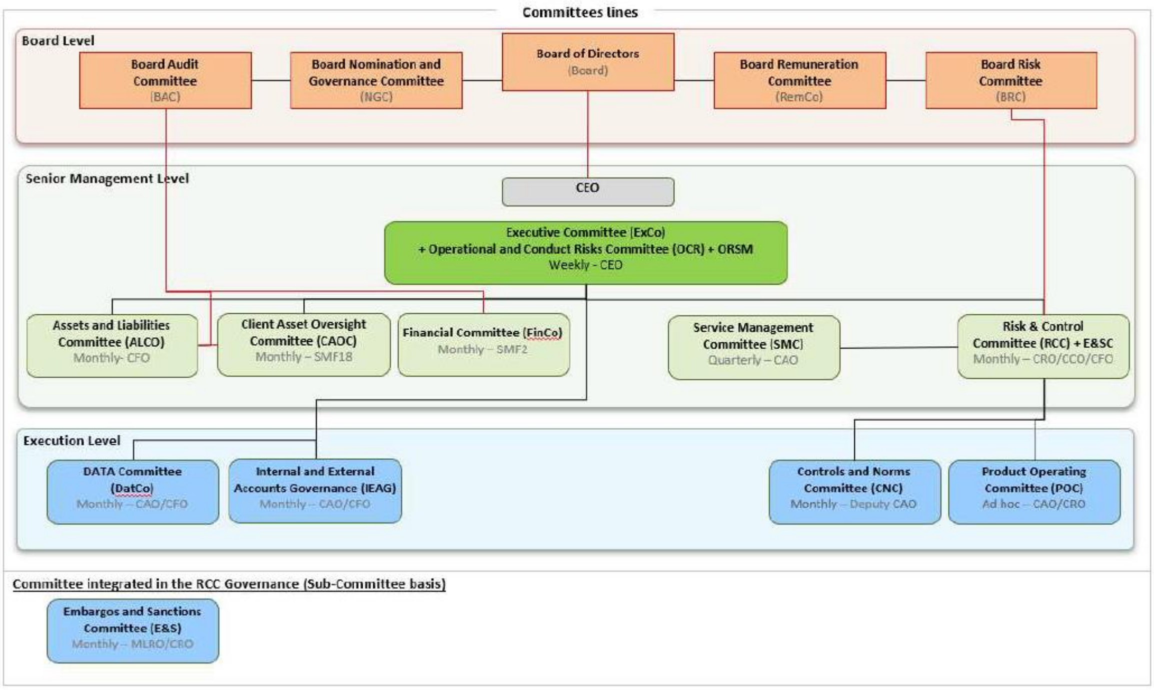


*Figure 5: SGIL Governance mapping*

# 3. RISK MANAGEMENT

## 3.1. OVERVIEW

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

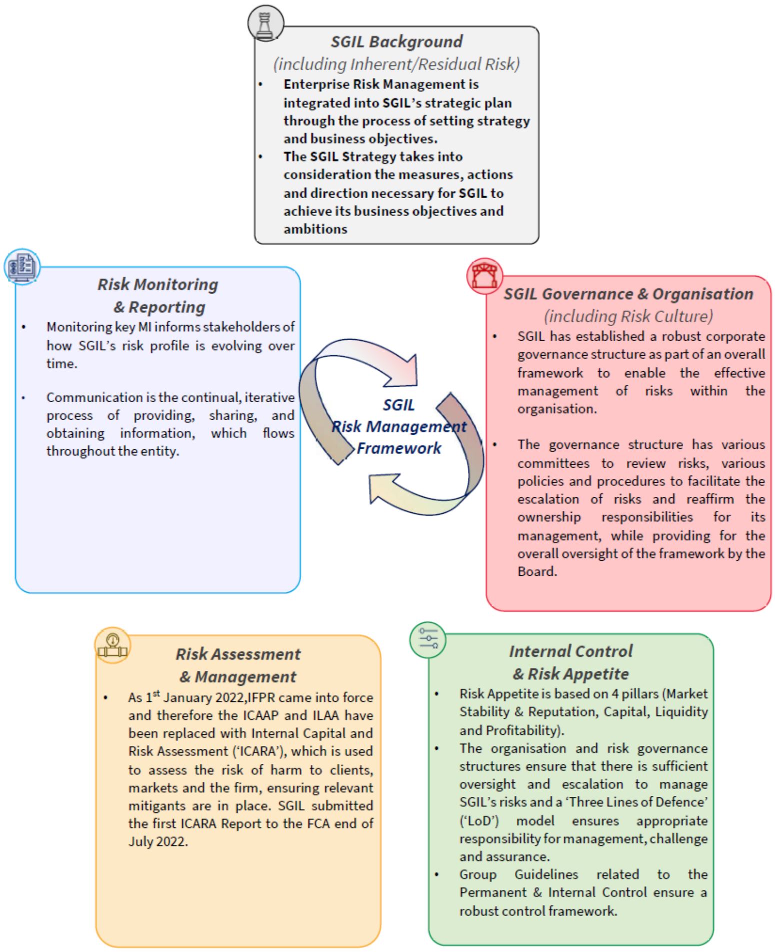


*Figure 6: SGIL Risk Management Framework*

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

Underpinning the RMF is a three lines of defence model which is summarised below

- **First line of defence:** Individual business units and service units are responsible for the management of all the risks within agreed limits. The risk function is responsible for challenging and approving the limits.

- **Second line of defence:** Functions independent of the first line of defence (i.e. the Risk and Compliance departments) develop the RMF and provide oversight and challenge to the business in their management of the identified risks, as well as supporting the risk governance process and reporting.
- **Third line of defence:** The Internal Audit and General Inspection ('**IGAD**') Service Unit constitutes the third line of defence and operates independently from both the business (first line of defence) and the internal control coordination (second line of defence). IGAD plays a key role in the identification, prevention and management of the risks in SGIL.

## 3.2. *RISK IDENTIFICATION & ASSESSMENT*

In order to enhance its Risk Management Framework, in Q1 2022 SGIL completed the risk identification process which resulted in a formalised SGIL Risk Cartography. The Risk Cartography is a process that is initiated by SG Group on an annual basis, which aims for each SG entity (including SGIL) to produce a stand-alone comprehensive list of risks that it is exposed to, organised by high-level risk categories. Overall, there were 25 risk categories identified (11 Financial & 14 Non-financial), as a result of the assessments the key high-level risks included Counterparty Credit Risk, Market Risk, Structural Risk, and Non-financial risks (mainly Operational Risk and Compliance Risk).

25 risk categories are identified, 11 financial and 14 non-financial. The four key high-level residual risks are:

- Counterparty Credit Risk – covers the main counterparty types (Corporates, CCPs, Financial Institutions & Hedge Funds) and potential concentrations within he portfolio.The portfolio is charaterised as facing counterparties with high credit worthiness and strong collateral coverage. Although SGIL is subject to inherent Client Money risk, by following the rules and principles in the Client Assets Sourcebook (CASS), the resulting residual risk for Client Money is not relevant.
- Operational Risk – grouped under the following categories that are specific to SGIL's business model and operation, while being consistent with industry assessments. These include (i) Cyber Crime and Fraud Risk, (ii) Loss of operating environment, execution errors, (iii) Lack of personnel, and (iv) disputes with Authorities.
- Structural Risk – market risk in the Banking Book as monitored by daily indicators for structural risk including (i) the business as usual and stressed liquidity gaps as well as the regulator's liquidity requirements, and (ii) the market risk metrics on interest rates (IRRBB), FX Risk (FXRBB) and the credit risk inherent to the liquid asset buffer.
- Market Risk - SGIL's main market risk is cross currency basis risk arising through a collateral optimisation strategy performed by CCM. This is where the desk enters into FX swap transactions to find the cheapest asset to deliver at CCPs to meet margin calls requirements.

As part of the implement of the new FCA Investment Firm Prudential Regime ('IFPR') requiring the development of the Internal Capital Adequacy and Risk Assessment ('ICARA'), SGIL reassessed and updated the identification of the risks as part of the development of the ICARA 2022. The SGIL 2022 ICARA 2 including the assessment of potential harms associated with the business strategy was reviewed and validated by the Board. They are an integral part of SGIL's risk management process to identify and assess the risks the Firm faces. The updated risk identification exercise takes an outward-looking approach by considering harm to the client and harm to the market (as well as harm to the firm which is already covered by the existing Risk Cartography).

While each risk captured in the risk identification process may be important to SGIL, the Risk Cartography also prioritises the risks to focus SGIL management on the most material risks. Other processes such as the Risk and Control Self Assessment ('**RCSA**') are also used to regularly assess the risks that SGIL is exposed to.

Identified material risks are mitigated and controlled through risk management practices such as a specific control framework, risk appetite for the residual risks (risk appetite limit / alert threshold) or a specific risk policy. Where relevant, the risk factors underlying a material risk are identified and dedicated scenarios developed and the associated impactquantified via stress testing.

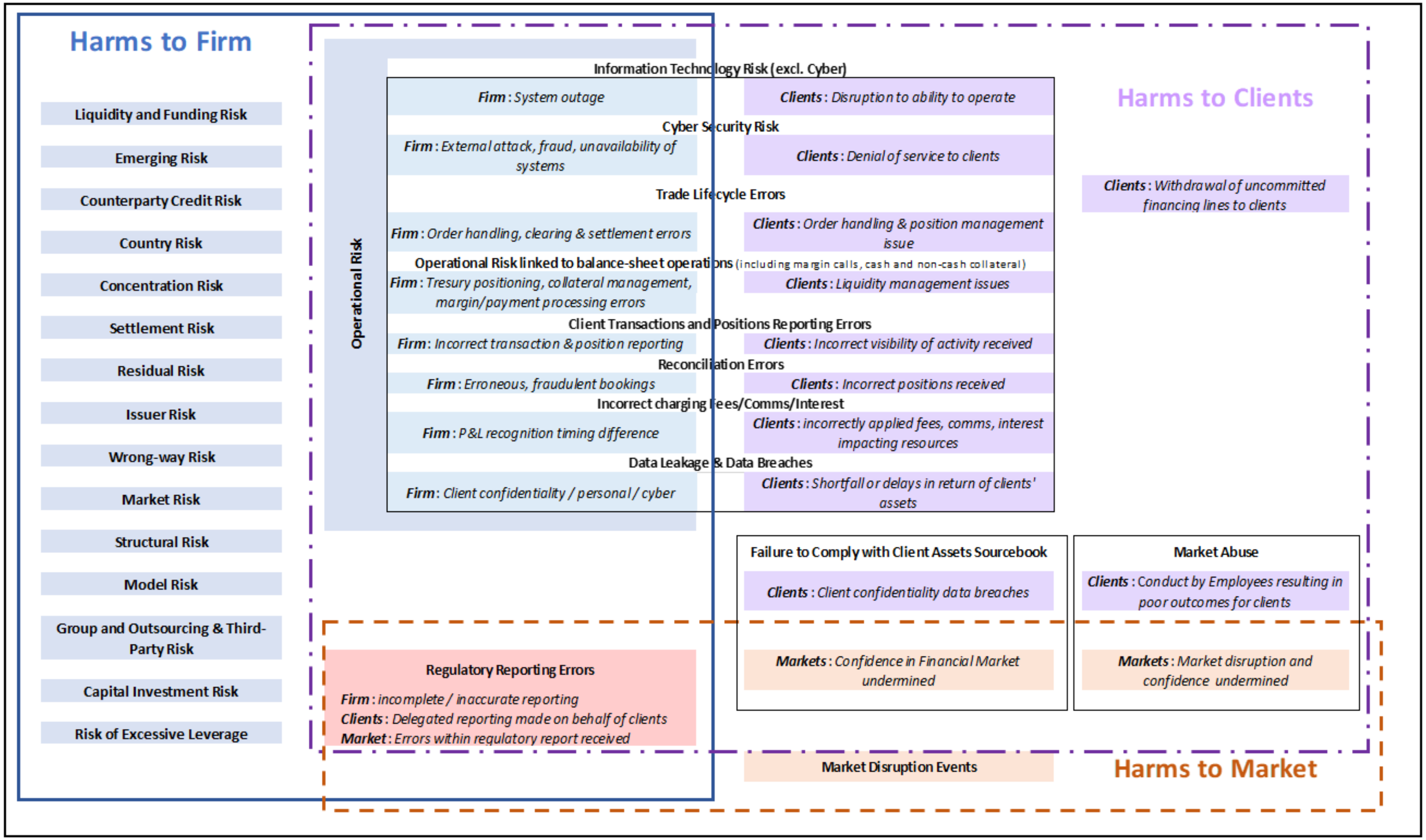


*Figure 7: Overview of identified harms based on SGIL business model and operating model*

## 3.3. *Risk Appetite*

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

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

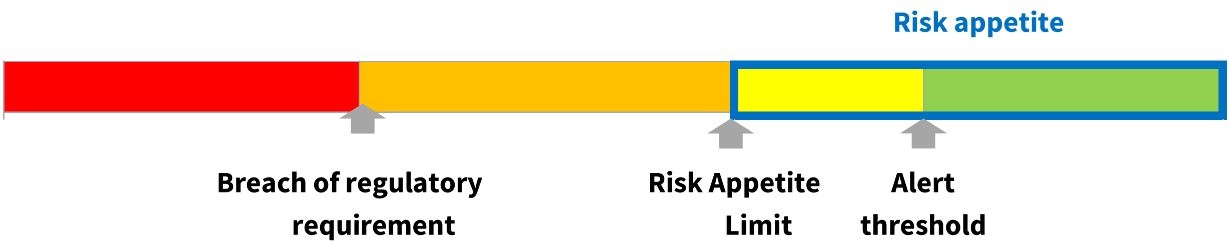


*Figure 8: Risk Appetite formalisation*

Below are 3 levels of the Risk Appetite:

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

Risk Appetite formalisation is based on:

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

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

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

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

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

## 3.4. *CREDIT RISK MANAGEMENT*

### *a. Overview*

Credit 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 the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by counterparty, country and sector concentration risk.

It includes 5 sub categories:

-<u>Counterparty Risk</u>: SGIL assesses and measures its Counterparty Credit Risk through the Credit approval process and the Credit portfolio assessment. The Credit approval process and related procedures are described in the overarching Credit Risk Policy. The Credit portfolio assessment is based on 4 different categories (Sovereign, Banks, Central Clearing Houses – CCP – and Clients) clearly defined in the RMF. For each portfolio, the Counterparty Credit Risk is measured through different components: The Probability of Default (PD), Loss Given Default (LGD) and the Exposure at default (EAD). These individual metrics are used for risk management, provisioning and regulatory capital calculations.

-Country Risk: Country Risk is measured by SG group as a country rating and SGIL is fully aligned with the Group's approach. Country ratings are judgments made internally, within the Group, based on quantitative and qualitative criteria, considering economic, financial and political factors that have an impact on the quality of counterparty commitments linked to these countries.

-Settlement /Delivery Risk: Settlement Risk is the risk that one party fails to deliver or pay the underlying asset (i.e. bond, equity, currency or commodity) to the other party at the time when the other party has already delivered as per the trade agreement. For SGIL, Delivery risk typically occurs on Free of Payment ('FOP') transactions where the transfer occurs without a simultaneous exchange of the associated payment (the payment is sent via a separate wire/transaction). Delivery versus Payment ('DVP') transactions mitigates delivery risk but can still leave SGIL exposed to price risk where the client defaults or fails to settle for another reason.

-Residual Risk: Residual Risk is the risk that the Firm is exposed to when credit risk mitigation techniques used by the Firm prove less effective than expected. SGIL has a robust set of procedures in place to assess and manage credit risk. The key metric that the Firm uses is credit value-at-risk ('CVaR') which is defined as the maximum potential loss over a given period of time with a given probability. SGIL conducts regular monitoring of both gross CVaR and net CVaR where net CVaR takes into consideration any credit risk mitigation techniques. Daily monitoring of net CVaR against the approved limits enables timely monitoring and management of residual risks.

-Concentration Risk: Credit Concentration Risk is defined as the potential large losses a firm is exposed to due to the concentration on one exposure, or a group of exposures. Credit Concentration Risk in the Firm's portfolios is mainly caused by the imperfect diversification on the individual counterparty level ('single name concentration'), the sector/regional level or a combination of both. As such, Credit Concentration Risk arises from:

- Large individual exposures and groups of exposures connected through, for example, common ownership, management or guarantees and Credit Risk Mitigation techniques.
- Large exposure to a group of counterparts that share common underlying factors influencing their Credit Risk or market value, such as: Economic sector and Geographical situation

These sources of concentration are divided by regulators and the Firm into 3 types:

I. Single name concentration;
II. Sector concentration and;
III. Geographical concentration.

The Firm expects to be exposed to Concentration Risk as part of its business activities and SGIL's exposure remains concentrated on a limited number of very large clients, and highly concentrated in the financial institutions' counterparties. The Key Risk Indicator (KRI) to assess Credit Concentration Risk is the Capital add on based on the Herfindahl-Hirschmann ('HHI') approach. This approach is required by the Financial Conduct Authority (FCA) and takes into consideration the exposure of the Intra-group to the HHI ratio calculation.

The credit risk exposure faced by SGIL is largely short-term in nature due to the daily monitoring and margining process.
The main credit risk exposure arises from the following:

- Client settlement of margin calls
-Cross margining activities;
-Margin financing activities; and
-Cash held at banks, carrying brokers, clearing houses and group entities (debtor risk).

### *b. Credit Risk Policy*

The 'Credit Risk Policy' articulates the process for identifying, assessing and approving credit risk. The procedures for management, reporting and escalation of credit risk are also defined.

This policy also sets out the roles and responsibilities with respect to credit within the three lines of defence model that the Firm has implemented.

The key elements from SGIL's credit policy are as follows:

- The Firm expects to be exposed to credit risk as part of its business activities;
- All credit risk taken should be conducted in line with the Firm's overarching principles;
- The First Line of Defence has responsibility for owning any credit risk that is introduced to the Firm, this includes the initial risk assessment and ongoing management;
- The Second Line of Defence has responsibility for providing independent oversight, review and challenge of any credit risk that may arise as part of the Firm's business activities

## 3.5. *OPERATIONAL RISK MANAGEMENT*

Operational risk is defined as the risk of losses resulting from inadequacies or failure in processes, personnel, information systems and/or external events. Within SG Group, Operational Risk acts as an "umbrella" risk which also includes regulatory risk and misconduct risk.

Misconduct Risk is defined as a risk resulting from actions (or inactions) or behaviour of the Bank or its employees inconsistent with the Group's Code of Conduct or the FCA Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the bank's sustainability or reputation at risk. The SG Group Code of Conduct aims at ensuring the highest standards in terms of quality of service, staff integrity and behaviours. SGIL applies the values, principles and rules of conduct defined by the SG Group and the FCA Code of Conduct.

The key SGIL risk oversight forum is the Risk and Control Committee ("RCC") chaired by the SGIL's Chief Risk Officer. Membership of the RCC includes SGIL's executive management, the Chief Business Control Officer ('CBCO'), the heads of SGIL Business Units and the heads of LoD2 departments; operational risk is a key part of this committee. Operational risk is embedded and discussed across various committees and governancces including (but not limited to) Operational Conduct Risks ('OCR') at BU/SU level and the overall SGIL OCR.

The main elements of the framework are:

a. Operational Risk Events meeting the SG Code criteria (including Losses, Gains, Near Misses, Regulatory, and Fraudrelated) are reported and analysed in the event tool of record by the Business or Service Unit the risk event originated from (reporting responsibility may be delegated to LoD1 operational risk coverage teams). Operational risk events with a financial impact above a certain threshold require a post-mortem and remediation action plan, written by LoD1 and reviewed by LoD2. At working level, events are discussed regularly at the SMF weekly meeting and the bi-weekly LoD1-LoD2 incident meeting. Events which are considered material, are escalated to the Executive Management and the RCC for appropriate action and monitoring.

b. Risk & Control Self-Assessment ('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. The results of the RCSA process are presented to the RCC and BRC for review of the mitigating actions or the acceptance of the risk. LoD1 follows on action plans, monitoring and implementation and LoD2 reviews respectively.

c. Key Risk Indicators ('KRIs') are reported by the business process and activity owners and are used to identify and monitor risk trends. KRIs are mainly identified and monitored by the BU/SUs, according to major risks inventoried using existing operational risk management mechanisms (such as RCSA, internal and external losses, scenario analysis, among others). The KRI collected are regularly monitored and presented at the monthly RCC.

d. Scenarios Analysis - Scenarios are analysed to identify relevant risk mitigating actions and strategies to reduce their potential impact on the business or their frequency of occurrence. The scenarios are developed to be used as a risk management tool. The identification and assessment of potential and relevant scenarios is made by using primary risk data (such as incidents, RCSA, KRIs, control testing results, among others), as well as external risk data (such as external losses, regulatory fines and market trends).

## 3.6. *STRUCTURAL RISK MANAGEMENT*

Structural risk is compiled of two sub-categories, as per the SGIL risk taxonomy:

- Market risk in the banking book is defined as the risk of loss or write-downs in the Firm's net asset value arising from variations in interest rate, foreign exchange rate.
- Liquidity and Funding Risk on all on- and off-balance sheet positions, including market activities. The principles, governance and framework for providing LOD2 oversight are detailed in the SGIL Liquidity and Funding Risk Policy (LFRP).

SGIL Treasury, ALM Team and the relevant BUs are responsible for identifying and assessing key liquidity and funding risks originating from their activities, and for ensuring the implementation and effectiveness of internal controls and processes to manage them. SGIL RISQ is responsible for independently overseeing firm's liquidity and funding risk and effectively challenging their management. A detailed identification and assessment of SGIL's liquidity and funding requirements is documented in the ICARA which analyses necessary levels of current and future levels of liquidity resources, ensuring adequatecy amount, quality, to ensure that all future obligations can be met as they fall due.

Limits, thresholds and Early Warning Indicators (EWIs) are employed as the primary control to ensure that the firm's liquidity risks are aligned with it's risk appetite. Levels are calibrated and proposed by LOD1 based on their business needs and agreed or challenged by SGIL's LOD2 Risk team.

Limits, thresholds and metrics include, but are not limited to, stress testing, balance sheet measures or market related indicators.

## 3.7. *MARKET RISK MANAGEMENT*

Market Risk is the risk of loss in the value of financial instruments as a result of unfavourable change in market parameters. Market parameters include the price of shares and bonds, interest and exchange rates, credit spreads etc. and the associated volatility and correlation. Market risk includes the risk of variations in the CVA (the portion of the instrument's value sensitive to credit spreads)

Locally, SGIL adopts the SG Group methodology regarding market risks and abides by the risk limits defined at Group level (and specifically to the limits defined for its scope of activities).

Market risk limits are defined at different levels (for example, SG Group, Business Unit, Sub Business Units and trading desk mandates). Each individual desk within SGIL has specific thresholds, and in addition, thresholds are defined at Branch level.

Market risk limits are included in the SGIL RAS, periodically reviewed and validated by the Group and by SGIL RCC, BRC and Board of Directors.

SGIL contributes to overall SG Group market risk limits and thresholds, principally via the markets (MARK) Business Unit ("BU").

MARK operates globally and market risk exposures from all jurisdictions, including the UK, are consolidated for assessment, management, monitoring and reporting purposes.

Limit calibration is determined based on analysis and indicators, the objectives of which are to qualify and where appropriate, quantify portfolio risks. This analysis covers:

- The adverse stress test on the corresponding limit/threshold including: The Profit & Loss impact corresponding to the shock, the global stress test limit/threshold of the desk and the time horizon used in the stress test calibration;
- Market conditions including current and historical market levels compared to the shock of the market stress test, liquidity and its evolution, possibility to macro hedge the risk, time to close or hedge the position, concentration in the market of this risk or on the activities generating the risk and potential dislocation risk;
- Constraints including Volcker rules, French Banking Law and scarce resources (funding, capital and reserves);
- The production environment including: the reliability of market data and parameters, the reliability of models, the reliability of the booking systems and the frequency of calculation; and
- The impact on related limits and thresholds (to avoid over allocation and to anticipate any further limit changes).

Limits are reviewed on a regular basis, the frequency of which is determined by the limit type. Ad-hoc reviews are also completed should market conditions dictate.

Market risk management is based on a combination of several types of indicators:

- The Value at Risk ("VaR") is a statistical measure to evaluate the potential losses on risk positions over a given time horizon and confidence level
- The Market Stress Test consists of a series of historical and hypothetical multi-factor stress tests to evaluate market risk in stressed scenarios (extraordinary market disruptions assume to occur once in a ten-year time horizon). These scenarios are supplemented by a set of adverse stress tests calculated by activity or risk factor to take extreme conditions in a specific market parameter into account (e.g. dislocation, liquidity or concentration). Both "sensitivity" and "nominal" indicators are used to measure and control the size of exposures. Other indicators which can also be used include market control ratio, holding period and maximum maturity.

# 4. CAPITAL ADEQUACY

## 4.1. *OWN FUNDS*

SGIL's own funds consists of Common Equity Tier 1 (CET 1) capital of fully issued ordinary shares and Tier 2 capital. The firm does not hold any Additional Tier 1 capital.

| | Item | Amount (GBP Thousands) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
|---|---|---|---|
| **1** | **OWN FUNDS** | 1,429,564.35 | |
| **2** | **TIER 1 CAPITAL** | 1,279,564.35 | |
| **3** | **COMMON EQUITY TIER 1 CAPITAL** | 1,279,564.35 | |
| 4 | Fully paid up capital instruments | 1,150,000.00 | Note 16 (share capital) |
| 5 | Share premium | | |
| 6 | Retained earnings | 183,725.00 | Balance sheet (retained earnings) - Statement of comprehensive income (profit of the year) |
| 7 | Accumulated other comprehensive income | - 14,772.00 | Balance sheet (other reserves) |
| 8 | Other reserves | 2,661.00 | |
| 9 | Adjustments to CET1 due to prudential filters | - 1,711.65 | |
| 10 | Other funds | | |
| 11 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER | - 40,338.00 | Note 8 (intangible assets) + Note 10 (Investment in joint venture + equities investment) |
| 19 | CET1: Other capital elements, deductions and adjustments | - | |
| **20** | **ADDITIONAL TIER 1 CAPITAL** | - | |
| 21 | Fully paid up, directly issued capital instruments | | |
| 22 | Share premium | | |
| 23 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | | |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | | |
| 25 | **TIER 2 CAPITAL** | 150,000.00 | |
| 26 | Fully paid up, directly issued capital instruments | 150,000.00 | Note 14 (subordinated debt) |
| 27 | Share premium | | |
| 28 | (-) TOTAL DEDUCTIONS FROM TIER 2 | | |
| 29 | Tier 2: Other capital elements, deductions and adjustments | | |

***Figure 9: Composition of regulatory own funds as at 31 December 2022***

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published/audited financial statements | Under regulatory scope of consolidation | Crossreference to template OF1 |
| | | As at 31/12/2021 | | |
| | **Assets - Breakdown by asset classes according to the balance sheet in the audited financial** | | | |
| | | | | |
| | *NON-CURRENT ASSETS* | | | |
| 1 | Intangible assets | 237 | | 11 |
| 2 | Other receivables | 1,031,600 | | |
| 3 | Deferred tax assets | 4,570 | | |
| | *CURRENT ASSETS* | | | |
| 4 | Investments at fair value through OCI | 568,665 | | |
| 5 | Financial assets at fair value through P&L | 599,123 | | |
| 6 | Trade and other receivables | 31,835,603 | | |
| 7 | Cash and cash equivalents | 21,719,063 | | |
| | **Total Assets** | **55,758,861** | | |
| | | | | |
| | **Liabilities - Breakdown by liability classes according to the balance sheet in the audited** | | | |
| | | | | |
| | *CURRENT LIABILITIES* | | | |
| 8 | Financial liabilities at fair value through P&L | 543,867 | | |
| 9 | Trade creditors and other payables | 53,545,579 | | |
| | *NON-CURRENT LIABILITIES* | | | |
| 10 | Subordinated debt | 150,000 | | 26 |
| 11 | Provisions | 677 | | |
| 12 | Deferred tax liabilities | 0 | | |
| | **Total Liabilities** | **54,240,123** | | |
| | | | | |
| | **Shareholders' Equity** | | | |
| 13 | Share capital | 1,150,000 | | 4 |
| 14 | Other reserves | -12,111 | | 7 and 8 |
| 15 | Retained earnings | 380,849 | | 6 |
| | **Total Shareholders' equity** | **1,518,738** | | |

*Figure 10: Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements*

## 4.2. CAPITAL REQUIREMENTS

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

**Permanent Minimum Requirement**

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

**Fixed Overheads Requirement**

SGIL's fixed overheads requirements is equal to GBP 22.4mio.

**K-Factor Requirement**

The following table provide the details of the K-Factor Requirement computation performed as of 31 December 2022.

| | £ Millions |
|---|---|
| Sum of K-AUM, K-CMH and K-ASA | 76.1 |
| Sum of K-COH and K-DTF | 51.9 |
| Sum of K-NPR, K-CMG , K-TCD and K-CON | 60.8 |
| **Total k factors Requirement** | **188.8** |

*Figure 11: Own Funds Requirements as at 31 December 2022*

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

## 4.3. *OVERALL FINANCIAL ADEQUACY RULE*

In line with MIFIDPRU 7.4.7 regarding the overall financial adequacy rule, SGIL must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

(a) the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and

(b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

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

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

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

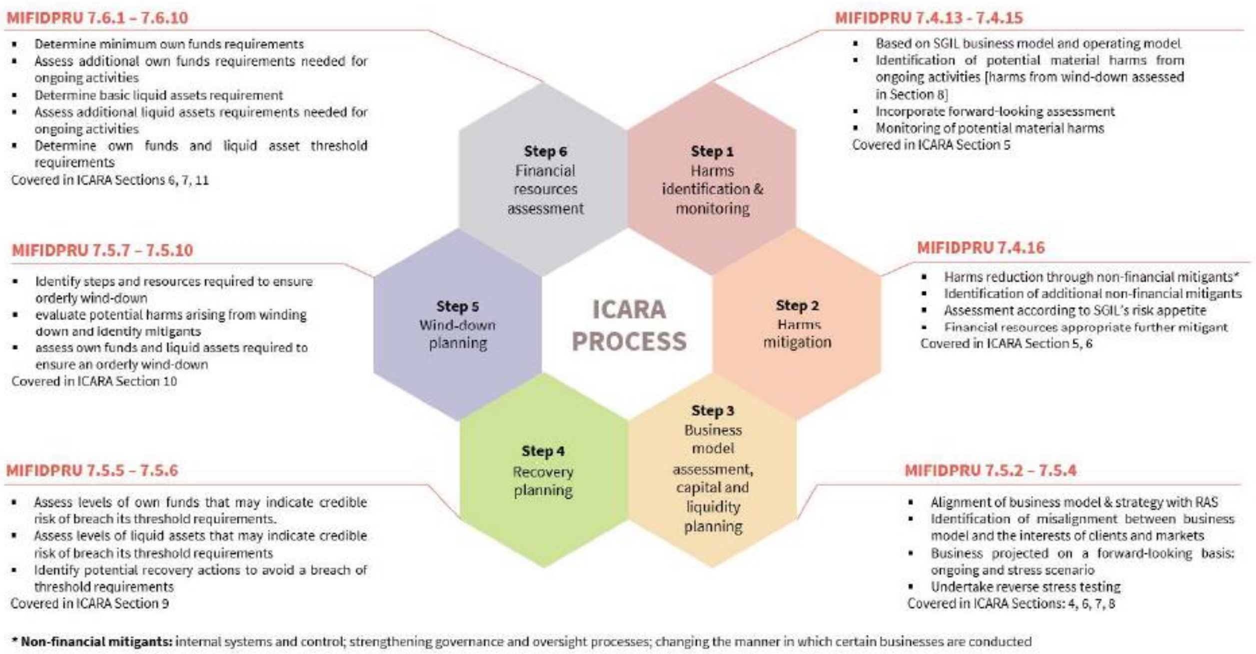


*Figure 12: ICARA process*

# 5. REMUNERATION

## 5.1. INTRODUCTION

The below disclosures are made in accordance with Article 8.6 of the Markets in Financial Instruments Directive Prudential Regulation ("MIFIDPRU"). The Investment Firms Prudential Regime ("IFPR") is the FCA's new Prudential Regime for MIFID investment firms which came into force on 1 January 2022.

In line with the above regulations, the disclosures below provide information regarding the remuneration policies and practices for the firm.

Under the UK MIFIDPRU Remuneration Code (SYSC 19G), Societe Generale International Limited ("SGIL") is categorised as a large Non-SNI MIFIDPRU Investment Firm and this has been communicated to the FCA.

## 5.2. REMUNERATION PRINCIPLES

SGIL's remuneration policies and practices are designed to support the strategy of the Company and align with its risk appetite, whilst supporting SGIL's aim as part of the wider Societe Generale Group ("SG Group"), of building together, with our clients, a better and sustainable future through responsible and innovative financial solutions. Remuneration is used as a tool to attract, motivate and retain employees who contribute to the long-term success of the company, while ensuring appropriate management of risk and compliance .
The objectives of the remuneration policy are as follows:

(a) Rewarding individual and collective performance

(b) Attracting, retaining and motivating strategic talents and key resources

(c) Promoting sound and effective risk management, and ensuring that employees are not incentivised to take risks that exceeds the level tolerated by the Company

(d) Aligning employees' interests with the interests of the Group and its Shareholders

(e) Promoting equal pay among employees regardless of gender

(f) Ensuring that employees follow regulations and internal rules, whilst also ensuring customers are treated fairly.

SGIL's remuneration practices, policies and procedures aim to ensure the remuneration arrangements properly take into account all types of risks, liquidity and capital levels. They also ensure that the remuneration is consistent with and promotes sound and effective risk management, in line with the business strategy, objectives, culture and values and the long-term interest of the firm and the shareholders.

## 5.3. COMPOSITION AND THE MANDATE OF THE REMUNERATION COMMITTEE

SGIL Board of Directors adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for overseeing its implementation.

The Remuneration Committee, which comprises members of the Board who do not perform any executive function in the Company, is responsible for preparing the Board decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Company.  The Remuneration Committee, subject to the general oversight and authority of the Board of Directors of SGIL, has the following Terms of Reference:

The role of the Remuneration Committee is to:

(a) review and recommend to the Board, the framework or policy for the remuneration of the Company's Chief Executive, the Executive Directors and any employee identified as a Material Risk Taker under the relevant regulatory authority criteria;

(b) take steps to satisfy itself that the remuneration policy of the Company complies with relevant financial services industry standards, its shareholder policy globally, and regulatory requirements, including the requirement to ensure that the Company's remuneration policies, procedures and practices (i) are consistent with and promote sound and effective risk management, and (ii) are in line with the business strategy, objectives, values and long-term interests of the Company; (iii) address broader societal factors including diversity and CSR; and (iv) fulfil all requirements under UK corporate governance code selected by the Board;

(c) review the ongoing appropriateness and relevance of the remuneration policy and oversee any major changes in employee benefits structures of the Company;

(d) exercise independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity;

(e) review decisions regarding remuneration, including those which have implications for the risk and risk management of the Company and which are to be taken by the Board, taking into account the long-term interests of shareholders, investors and other stakeholders in the Company;

(f) ensure appropriate interaction between the Board Risk Committee, SGIL management, Risk, Compliance and HR functions and equivalent SG Group functions regarding remuneration decisions, in particular with respect to ensuring remuneration decisions reflect sound and effective risk management;

(g) oversee and receive reports in relation to the implementation of the Company's remuneration policies, including meeting with human resources at least annually to understand the application of the policies performance adjustment arrangements, including information around the decisions take in relation to performance adjustment, deferral and claw back of remuneration;

(h) ensure that the implementation of the Company's remuneration policies is subject, at least annually, to 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 and that any findings from the review are assessed by the Committee;

(i) within the terms of the agreed remuneration policy and in consultation with the Chief Executive Officer, approve the total individual remuneration package of those identified in the Board Terms of Reference;

(j) within the terms of the agreed remuneration policy and in consultation with the Chief Executive Officer, review and recommend for approval to the Board the compensation of the Chairman and each Non-Executive Director;

(k) within the terms of the agreed remuneration policy and in consultation with SG Senior Management, approve the total individual remuneration package of the Chief Executive Officer;

(l) approve the design of, and determine targets for, any performance related compensation schemes operated by the Company and approve the total annual payments made under such schemes;

(m) review any public disclosures related to remuneration or any disclosures to regulatory bodies related to remuneration.

Members of the Remuneration Committee are appointed to enable the Committee to exercise competent and independent judgement on remuneration policies and practices and the impact of remuneration on managing risks, capital and liquidity. No individual is involved in decisions relating to his or her own remuneration.

During 2022 the members of the Committee were:

| | |
|---|---|
| Michael Collins | Chairman & Non Executive Director |
| Diane Moore | Independent Non Executive Director |
| Marcia Cantor-Grable | Independent Non Executive Director |
| Stephen Swift | Non Executive Director |

During the year, the SGIL Chief Executive Officer provided briefings to the Committee on business performance, human resources context and remuneration policy execution. The Committee also received advice from the SGIL Head of Human Resources and representatives from the Societe Generale compensation department (headed by the Head of Compensation, UK & EMEA, Societe Generale).

In 2022 the Remuneration Committee met 6 times.

The Committee has not sought to use external consultants to determine remuneration policy but SGIL has sought advice from Linklaters on certain regulatory issues.

## 5.4. SCOPE OF THE IFPR REGULATED POPULATION IN 2022

In accordance with the Investment Firms Prudential Regime, the method used to identify Material Risk Takers is based on the criteria set out in SYSC 19G.5 of the MIFIDPRU Remuneration Code.

SGIL's 2022 regulated population includes:

- The Chief Executive Officer
- The members of the Board of Directors
- The members of the SGIL Executive Committee
- Senior Head of Business Units
- Heads of Control Functions (Audit, Compliance, Risk)
- Head of Money Laundering & Financial Crime
- Risk & Control Committee
- Individuals responsible for significant revenue
- Head of Trading Desks

## 5.5. 2022 REMUNERATION POLICIES AND PRINCIPLES

The award of variable remuneration depends on both individual and collective performance and takes into account quantitative and qualitative criteria which are defined ex ante. It also takes into consideration the economic, social, and competitive environment.

The variable remuneration pool for SGIL is defined at the level of Global Banking & Investor Solutions ("GBIS") business, by the Societe Generale ("SG") Group Remuneration Committee; the allocation of this pool between business lines and notably to SGIL is decided by the senior management of SG Group in charge of the GBIS business. The pool for SGIL is generated based on performance indicators which take into account all the costs and risks inherent to the activities (liquidity, credit, market, operational risks as well as capital requirements) of Global Banking & Investor Solutions (GBIS) and the specific business lines within SGIL. Performance indicators include Operating Income (excluding variable remuneration) and Return on Normative Equity (calculated on the basis of the Risk Weighed Assets of GBIS and SG Group). Market practices and trends, as well as the market environment and relative performance are also taken into account. The remuneration pool ultimately allocated to SGIL is reviewed by SGIL senior management.

The individual allocations of variable remuneration for all employees, including Material Risk Takers, are correlated with the individual annual performance appraisal which takes into account the level of achievement of quantitative and qualitative objectives.

There is no direct or automatic link between the financial results of an individual employee/amount of revenue generated and his or her level of variable remuneration since they are subject to an overall assessment, including the manner in which the results were achieved. This is to avoid any conflicts of interest.

The qualitative objectives are individual, in relation with the professional activity of the employee and adapted to the position held (i.e. where applicable the managerial or decisional level of the position). The quality of risk management, compliance with the appropriate regulations and rules, the behaviours used to achieve the results, compliance with the Code of Conduct, cooperation and teamwork and personnel management are some examples of behavioural qualities which might be assessed.

Thus, the level of individual variable remuneration depends on:

- for business functions, the results of the employee's business line; for control functions, the achievement of objectives linked to function;

- individual performance, assessed on the basis of annual qualitative and quantitative objectives and assessment of behaviour in terms of compliance with applicable regulations and internal rules;

- the way in which performance level has been reached: prudent risk management (including market risks, counterparty risks, and operational risks), compliance with the professional rules of conduct, and the quality of cooperation internally (for example between front offices and back/middle offices).

Compensation of control functions is independent from the performance of the business areas they control.

### 5.5.1. RISK ADJUSTMENT

Ex-ante incorporation of risks in determining variable remuneration pools and individual allocation

- Groupwide use of quantitative financial indicators taking into account risks and also qualitative indicators for the definition of the variable remuneration pools. Individual evaluations are based on pre-defined quantitative and qualitative objectives, which may include criteria associated with risk management, customer interests and satisfaction, observation of the rules and regulations applicable to the employee's position;
- In addition, independent annual evaluations are conducted by the risk and compliance Divisions regarding risk and compliance management by the business lines/entities having a major impact on the Group's risks profile. They evaluate how they manage credit, market, operational structural risks (including model risks) and compliance risks. This assessment may lead to an adjustment in the distribution of variable remuneration pools between the business lines. Evaluations are also carried out by SGIL risk and compliance on regulated individuals.

Ex-post incorporation of risk

- For the IFPR regulated population: at least 40% is deferred variable remuneration spread out over three years vesting on a pro-rata temporis basis, when the variable remuneration amount overpasses the regulatory threshold of £167k, or one-third of total remuneration; payment of at least 50% of total variable remuneration in financial instruments; unvested portion subject to conditions of continued employment, financial performance, and appropriate risk management and compliance;

- outside the scope regulated staff, for employees above a given threshold, variable remuneration is partially deferred at a progressive rate over three years vesting on pro-rata temporis basis and partly paid in financial instruments; unvested portion subject to the same vesting conditions as for regulated staff.

### 5.5.2. GUARANTEED VARIABLE REMUNERATION

Guaranteed bonuses are awarded on an exceptional basis and are limited to specific new hires for a maximum of one year.

#### 5.5.3. Severance payments

Payments relating to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

### 5.6. Structure of remuneration

#### 5.6.1. Fixed remuneration

The Fixed remuneration component rewards employee's qualifications, the level and scope of responsibility of their job and their expertise and professional experience. It includes items such as base salary and any allowances associated with mobility and/or position in accordance with regulations. Fixed remuneration is reviewed on an annual basis.

#### 5.6.2. Variable remuneration

Variable Remuneration for all employees, including Material Risk Takers, is discretionary.

In accordance with the IFPR, for MRTs where annual variable remuneration exceeds £167K or is greater than or equal to one-third of total annual remuneration, the following deferral structure apples;

- An unvested portion subject to conditions of continued employment, performance, appropriate risk management and compliance, vested equally over three years, with a deferral rate of at least 40% and up to 60% for the highest variable remunerations;
- 50% awarded in share linked instruments – this includes both the vested and unvested portion;
- All share linked instruments awarded to MRTs in relation to their variable remuneration are subject to a 6 month retention period.

In addition, variable remuneration granted to all employees is also subject, when it reaches a certain threshold, to deferred payment at a progressive rate over three years on a pro-rata basis, with the first payment in cash and next two payments in share linked instruments. The vesting conditions for the unvested portion are the same as those for the IFPR regulated population and linked to the performance of the applicable business of SG Group.

SGIL does not have any executive Long-Term Incentive Plans; however, employees are eligible for consideration for a discretionary grant under the SG Group Performance Shares Plan. Certain key support and other junior employees are eligible for consideration; subject to caps on the total amount granted. The Performance Shares granted are subject to specific performance conditions until the vesting date.

Above a certain threshold, all SGIL employees (including Material Risk Takers) are subject to progressive deferral of variable remuneration, attribution in instruments and performance adjustment linked to the performance of the applicable business of SG Group.

### 5.6.3. PERFORMANCE ADJUSTMENT

For all staff whose variable remuneration is partially deferred, the vesting of the deferred variable remuneration component depends entirely on both (i) the fulfilment of financial performance conditions and (ii) appropriate risk management and compliance. Financial performance conditions are based on SG Group's Core Tier One ratio and the profitability of the Group and the Core business or activity. If performance conditions are not met each year, deferred variable compensation is partially or fully forfeited.

In addition, any excessive risk-taking or behaviour deemed unacceptable by the Senior Management may lead to a reduction or non-payment of deferred variable compensation. The Forfeiture condition could be applied by SGIL in the following events: (i) material financial loss at any level of SG Group (ii) SG Group determines that information it referred to when taking its decision to award the bonus was materially incorrect or misstated. Moreover, the Forfeiture condition will be applied in the situation of (but not limited to) (i) fraud; (ii) unauthorised disclosure of confidential information; (iii) breach of a non-solicitation provision, non-competition etc.

Awards are also subject to clawback up to five years after the award date should any forfeiture condition be contravened.

## 5.7. QUANTITATIVE DISCLOSURE

Using the definition of Material Risk Takers set out in SYSC 19G.5 of the MIFIDPRU Remuneration Code and following a review by the SGIL Chief Risk Officer and Chief Compliance Officer, 34 people were identified as Material Risk Takers for the performance year 2022. This was reviewed and validated by the SGIL Remuneration Committee and the SGIL Board.

The list of Material Risk Takers for SGIL includes all SGIL Senior Management and the Heads of all SGIL Business Lines.

| | Other Staff | Senior Management | Other MRTs |
|---|---|---|---|
| **2022 Total Remuneration** | 31,642,210 | 5,066,791 | 4,282,950 |
| **2022 Fixed Remuneration** | 24,191,124 | 2,924,391 | 2,309,950 |
| **2022 Variable Remuneration** | 7,451,087 | 2,142,400 | 1,973,000 |
| ***Cash*** | - | 1,139,900 | 1,270,474 |
| *Or which upfront* | - | 863,900 | 805,300 |
| *or which deferred* | - | 276,000 | 465,174 |
| ***Share Linked Instruments*** | - | 1,002,500 | 1,422,526 |
| *Or which upfront* | - | 450,500 | 684,300 |
| *of which deferred* | - | 552,000 | 738,226 |
| | | | |
| Deferred for previous years unvested as at 31 December 2022 | - | 658,451 | 530,425 |
| Due to vest 2023 | - | 304,881 | 226,584 |
| Due to vest in future years | - | 353,569 | 303,841 |
| Deferral vested in 2022 and paid | - | 240,145 | 168,150 |

***Figure 13: Remuneration disclosure***

*Note: The information above include remuneration for SGIL Material Risk Takers performing executive roles related to SGIL but employed by SG London Branch. The information above reflects actual remuneration paid in 2022 to employees (for joiners and leavers in 2022, the amounts included reflect the period employed in 2022 only). Two severance payments and one guarantee were paid during/in respect of 2022, however amounts will not be disclosed to prevent individual disclosure.*