

Societe Generale International Limited (SGIL)

31.12.2023 Annual Report and Financial Statements

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023	1
STRATEGIC REPORT	2
DIRECTORS' REPORT	17
STATEMENT OF DIRECTORS' RESPONSIBILITIES	24
INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS.....	25
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.....	27
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023	29
BALANCE SHEET AS AT 31 DECEMBER 2023	30
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023	31
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023	32
NOTE 1: ACCOUNTING POLICIES	32
NOTE 2: GROSS PROFIT.....	42
NOTE 3: STAFF COSTS.....	43
NOTE 4: DIRECTORS' EMOLUMENTS	44
NOTE 5: OPERATING PROFIT	44
NOTE 6: INTEREST INCOME AND EXPENSE	45
NOTE 7: TAXATION	45
NOTE 8: INTANGIBLE ASSETS.....	47
NOTE 9: INVESTMENTS AT FAIR VALUE THROUGH OCI	47
NOTE 10: FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L	48
NOTE 11: TRADE AND OTHER RECEIVABLES	49
NOTE 12: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L	50
NOTE 13: TRADE CREDITORS AND OTHER PAYABLES	52
NOTE 14: SUBORDINATED DEBT	52
NOTE 15: PROVISIONS AND CONTINGENT LIABILITIES.....	53
NOTE 16: SHARE CAPITAL	53
NOTE 17: CLIENT MONEY BALANCES	53
NOTE 18: TRADING DERIVATIVES AND OTHER FINANCIAL COMMITMENTS	54
NOTE 19: FINANCIAL INSTRUMENTS.....	55
NOTE 20: RELATED PARTY TRANSACTIONS.....	62
NOTE 21: PARENT COMPANY AND ULTIMATE CONTROLLING PARTY.....	63
NOTE 22: POST BALANCE-SHEET EVENTS.....	63

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS

Michael John COLLINS¹
Thierry D'ARGENT²
Lionel Thomas Marcel BIGNONE³
Alexandre FLEURY
Florence HILLAIRES⁴
David Michael LAWTON⁵
Keith MCARDLE
Diane Elizabeth MOORE
Mike NEWMAN⁶
Jurrien REINDERS⁷
Philippe Jacques Michel ROBEYNS⁸
Demetrio SALORIO⁹
Stephen Paul SWIFT

COMPANY SECRETARY

Gerard Alfred Marie de LAMBILLY¹⁰
Thomas SEIFERT¹¹

REGISTERED OFFICE

One Bank Street
London
E14 4SG

REGISTERED NUMBER

05407520 (England and Wales)

AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

¹ Resigned on 31 December 2023.

² Appointed to the Board on 21 December 2023, subject to FCA notification.

³ Appointed to the Board on 13 July 2023, subject to FCA approval. Approved by the FCA on 20 December 2023.

⁴ Appointed to the Board on 21 December 2023, subject to FCA notification.

⁵ Appointed to the Board on 1 December 2022, subject to FCA approval. Approved by the FCA on 17 March 2023.

⁶ Appointed to the Board on 1 January 2024, subject to FCA notification.

⁷ Appointed to the Board on 27 March 2023, subject to FCA notification which occurred on 10 August 2023.

⁸ Resigned on 21 December 2023.

⁹ Resigned on 19 December 2023.

¹⁰ Resigned on 27 September 2023.

¹¹ Appointed as Company Secretary on 28 September 2023.

STRATEGIC REPORT

The Directors of Societe Generale International Limited (SGIL or defined as ‘the Company’, ‘the Firm’ or ‘the Entity’) present their Strategic Report for the year ended 31 December 2023.

1. BUSINESS MODEL

SGIL is a 100% wholly owned subsidiary of Société Générale SA (‘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.

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 clients 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.

SGIL’s core earnings from its business model come from trading and/or clearing commissions and interest from financing of client portfolios.

SGIL is considered a large Non-SNI (Small and non-interconnected FCA investment firm) under the FCA’s Investment Firms Prudential Regime (‘IFPR’). In relation to its regulatory permission, SGIL does not deal with retail clients, or take proprietary speculative positions.

In September 2023, the Prudential Regulation Authority (‘PRA’) notified SGIL of its intention to regulate SGIL as a ‘designated investment firm’, making it a PRA-authorised Firm and subject to the Capital Requirement Regulation (CRR) section of the PRA Rulebook and PRA Supervisory Statements including SS 5/21 “International banks: The PRA’s approach to branch and subsidiary supervision”.

This decision by the PRA was based on two factors a) the size of SGIL’s Balance Sheet being in excess of a £15 billion threshold set by the PRA and b) the materiality of SGIL’s clearing activity on several UK CCP’s and the associated systemic risk SGIL could pose to the UK financial system in the event of a default or failure.

Designation is currently planned for 30 September 2024, following which SGIL will be dual regulated in the UK (being the PRA for prudential matters and FCA for conduct related matters).

Additionally, aligned with the SG 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 clients;
- Ensure that conduct risk policies and training are in place to ensure that conflicts of interests are avoided and that clients 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. BUSINESS AND STRATEGY UPDATE

During the year under review, the Company made a profit after tax of £153.2m (2022 profit: £197.1m). Total shareholders' funds for the year ended 31 December 2023 were £1,480.3m (2022: £1,518.7m). During the year there was a revision of the transfer pricing agreement by SG Group which had a global impact and resulted in an increase in SGIL costs. Additional factors that led to decreased profits include normalisation of market activities in 2023 and market interest rate increases. This followed on from the strong level of client activities in response to the highly volatile energy market in 2022.

2.1. Strategy update

SGIL is part of the global Prime Services and Clearing ('PSC') business line and is aligned with its business strategy.

SGIL continues with its strategy of simplifying its business model into an efficient prime brokerage offering. This strategy has three main objectives, namely:

- The simplification of the activities within SGIL with a focus on SGIL's core activity of Listed Derivatives, OTC Cleared and securities prime brokerage ('PB');
- The continued transformation of SGIL's platform from an operations and IT perspective to significantly increase automation, improve service and reduce operational risk and cost of the platform; and
- Improving the service offering to SGIL's clients by maintaining and / or expanding its offering on SGIL's core activities.

Based on the trend during the year, the Board expects that the Company will remain profitable and continue to be fully operational and meet its strategic targets which will ultimately enhance the services provided to its stakeholders.

2.2. 2023 achievements

SGIL made significant progress on its strategic objectives in 2023.

Client offering and booking centralisation

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

Further, subject to client consent, SGIL and SG SA have continued to centralise the booking of SGIL clients (where applicable), into SG SA. Client categories being booked in SG SA include banks, corporate customers, financial institutions, insurance companies, issuing authorities and mutual funds. Client origination and client facing teams along with all associated operations, IT and all support functions remain in SGIL. SGIL expects this to complete in 2024.

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 and architecture, leveraging new technologies such as cloud-based solutions and developing new service offerings. SGIL continues to make significant progress with its IT transformation. It completed two significant simplifications by migrating to SG Group tools for two specific business activities in 2022. In 2023 this transformation continued with decommissioning of the vendor tool for Clearing for Asia markets. The new in-house cloud based clearing platform will be rolled out to all EMEA and US markets in 2024. Completion of the wider transformation will not only materially upgrade SGIL's IT infrastructure, but also allows for significant cost savings for the platform, reducing the cost base and improving overall profitability for the Company.

3. REGULATORY DEVELOPMENTS

Since 1 January 2022 under the IFPR regime, SGIL has been designated as a large non-SNI and a significant SYSC firm and subject to the Prudential Sourcebook for MIFIDPRU.

From the 30 September 2024, SGIL will become a ‘designated investment firm’ under the Financial Services and Market Act 2000 (PRA-Regulated Activities) Order 2013 (SI 2013/556), meaning it will be dual regulated in the United Kingdom by the PRA and FCA (PRA for Prudential Regulation and FCA for Conduct Regulation). In preparation of this transition SGIL will produce an ICAAP and ILAAP in 2024 and implement the relevant metrics under the Capital Requirements Regulation (Regulation of the European Parliament and of the Council 575/2013EU on prudential requirements for credit institutions) as applied in the UK in accordance with the European Union (Withdrawal) Act 2018 and as amended (‘UK CRR’).

Following the transfer of European Economic Area (‘EEA’) customer activity to SG SA in 2020, no additional significant impact related to Brexit materialised during 2023. From a CCP recognition perspective, UK CCPs are covered by the temporary recognition of UK CCPs as third country CCPs under the European Market Infrastructure Regulation (‘EMIR’) valid until June 2025, as announced by the European Commission. Any future change in this recognition would have an impact on the service offering to clients from SG SA which would be assessed in advance.

Current Tax

In December 2023, the government of France, where the parent company is incorporated, enacted the Pillar Two income taxes legislation effective from 1 January 2024 including a Qualified Domestic Minimum Top-Up Tax rule. Under the legislation, the parent company will be required to pay top up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent.

Pillar Two legislation has been enacted in UK. The legislation will be effective for the Company’s financial year beginning 1 January 2024. The Company has performed an assessment of its potential exposure to Pillar Two income taxes. This assessment is based on the most recent tax filings, financial statements and financial information available regarding the financial performance of the Company. Based on the assessment performed, the Pillar Two effective tax rate is above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Company does not expect a material exposure to Pillar Two top-up taxes.

4. SUBSEQUENT EVENTS

Markets Update:

Given the continuing war in the Ukraine and the more recent conflicts in the Middle East, we are closely monitoring the resulting uncertainty in the markets. There has not been nor is there expected to be any significant impact on SGIL as a result of these events, however SGIL management will continue to assess the risk of escalation and the corresponding impacts on SGIL.

Dividend payments:

In respect of the 2023 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £153.2m (2022: £197.1m).

5. KEY PERFORMANCE INDICATORS

The Directors of the Company use a range of measures to monitor the ongoing performance of the Company. These include the following Key Performance Indicators, presented to provide an understanding of the development, performance or position of the Company’s business:

Criteria

	2023	2022
	£’000	£’000
Gross profit	380,020	314,973
Profit before tax	198,457	241,493
Cost/income ratio (Operating Expenses / Net Banking Income)	30%	32%
Own Funds	1,447,060	1,429,564
K-factors Requirement	154,904	188,795

The movement in the financial KPIs reflects the ongoing implementation of the business strategy and activities as described above. There are no non-financial KPIs on which management rely for monitoring the performance of SGIL. K-factors are the risk metrics that were introduced for IFPR reporting. These represent specific risks a firm can face and the risks they pose to the client, market and firm. As SGIL transitions to the PRA, the K-factor computation will no longer be relevant.

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 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 benefit 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, clients and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

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, in line with SG's vision and values.

Clients

One of the Group's priorities is to push further ahead with its commercial development, focusing on quality of service, added value and innovation to ensure client satisfaction. Aligned to this, the ongoing objective is to be a trusted partner and assist SGIL clients in order to provide the right service at the right time, acting always in the best interest of the client, 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 2023 the Directors have overseen the on-going centralisation of the booking centre (while maintaining client origination in SGIL) into SG SA to ensure that the best interests of SGIL's clients are factored into SGIL's strategic decisions. While booking of client business has been increasingly centralised in SG SA, client-facing teams along with all associated operations, IT and all support functions remain in SGIL, minimizing the disruption to clients.

Employees

SGIL management engages with employees through regular communication and feedback sessions; through a structured evaluation and appraisal process; and through annual 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.

Mental and physical wellbeing of SGIL employees continues to be a key priority with specific programmes related to mental health and well-being being promoted to all employees such as the Employee Assistance Programme ('EAP') as well as access to the Unmind technology application. SGIL has formally adopted a hybrid working model in line with SG Group and this provides flexible working through a social contract which ensures the needs of the business are met whilst assisting employees in managing work and family/personal priorities and feedback from employees is positive. SGIL also offers employees the opportunity for flexible working as set out in the SG UK Flexible Working Policy.

Directors further review a suite of KPIs which act as indirect employee engagement metrics and which provides an overview of the impact of SGIL's environment and incentives on the staff. These KPIs include ESG metrics and form part of the wider Conduct & Culture Dashboard which is presented to the Board Risk Committee on a quarterly basis.

Suppliers

SG SA seeks to build long-term and fair relationships with its suppliers based on trust and transparency. As a consequence, the group has received a number of recognitions^[1] 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.

SGIL also has many Outsourcing and Non-Outsourcing Third Party arrangements in place that are material to its day-to-day operations. Some of these services are determined to be material (as per the Prudential Regulation Authority ('PRA') designation) or Critical and Important Outsourced Services ('CIOS') (as per European Banking Authority ('EBA') designation) to the performance and functioning of the organisation. There is an established framework in place to ensure they are appropriately managed and monitored. SGIL's third party risk management meets the applicable regulatory requirements. In order to standardize the Third-Party Risk Management framework across the UK platform, SGIL's Executive Committee took the decision that it would also comply with these requirements. 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 Outsourcing rule book. All material and/or strategic outsourcing decisions are presented by SGIL Executive Management to the Board Risk Committee for review as appropriate.

Regulators

The culture of SGIL requires that the high standards of conduct are promoted within the Company and with all external parties. In particular, the Directors of the Company are committed to ensuring that safety, soundness and adherence to all relevant aspects of regulation are central to the business model. Directors and relevant staff maintain awareness of regulatory requirements through engagement with regulators, industry bodies and specialist advisors, including regulatory seminars, round table events and relevant online forums. Additionally, SGIL Executive Management maintains open dialogue with its regulators and meets with the FCA on a regular basis to keep them abreast of developments within the business, provide relevant market updates and discuss business strategy. In 2023, the key areas of engagement with the FCA were related to SGIL's long-term strategy, implementation of the IFPR, senior management and Board changes, and operational resilience across the business.

The Firm produced an Internal Capital Adequacy and Risk Assessment (ICARA) in 2022 which together with the Firm's Risk Appetite Framework ensures that an integral part of SGIL's risk management process is to identify and assess the harms the Firm faces or may generate to itself, to its clients and more broadly to financial markets. In line with the main objective of the ICARA, SGIL ensures that the Firm: (i) has the right mitigants in place to reduce identified and potential harms to the Firm, clients and markets; and (ii) holds sufficient capital and liquidity at all times to withstand a range of severe but plausible stress scenarios such that obligations can be met as they fall due.

Taken altogether, this work has allowed the Board to maintain oversight of increasing regulatory requirements and ensure the business operates to the standard required. SGIL is working to strengthen and improve the process particularly as we transition into the ICAAP regime.

^[1] <https://www.societegenerale.com/en/responsability/sourcing-and-suppliers/our-commitments/our-approach-responsible-sourcing/key-dates>

As noted above, in preparation for designation by the PRA, SGIL will produce an ICAAP and ILAAP in 2024 and, on designation, will be subject to the relevant metrics under the Capital Requirements Regulation (Regulation of the European Parliament and of the Council 575/2013/EU on prudential requirements for credit institutions) as applied in the UK in accordance with the European Union (Withdrawal) Act 2018 and as amended ('UK CRR'). The Firm was not required to produce an ICARA in 2023.

In line with the Company's commitment to maintaining its reputation for high standards of business conduct for all employees and external parties, SGIL maintains a firm-wide Risk Culture programme. The objective of this programme is 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 programme has been observed through proactive identification, understanding, escalation and mitigation of potential risks. The Directors and senior managers also maintain a high level of awareness of the regulatory framework via technical training, dedicated sessions with employees with strong regulatory expertise, and their own business networks. All of this allows the Directors to ensure that the Company discharges its regulatory obligations appropriately.

SG Group

SGIL is wholly owned by SG SA and the relationship between SGIL and SG SA is reflected in several ways. One of the Non-Executive Directors of the Company is the Co-Head of GBIS of SG Group and who provides insights on the business strategy of the corporate and investment banking division and its impact, where relevant, on SGIL. In addition, one of the Non-Executive Directors of the Company's Board is the Chief Country Officer for UK, providing alignment of strategy within the UK. The Group's view is further reinforced with the input of the European Head of the Prime Clearing Services Business Line who is also a Non-Executive Director of SGIL.

In addition, 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 areas of responsibility, thus allowing the Company to have the relevant influence and representation at Group level.

6.2. Environmental, Social and Governance (ESG)

SG SA is a leader in ESG research and advisory services, sustainable financing and sustainable investment, with well developed Corporate Social Responsibility ('CSR') and environmental impact reduction programmes. As a subsidiary, SGIL's ESG framework is integrated within that of the Group. It is committed to a fair, environmental and socially inclusive transformation based on the core themes of the Group's ESG policies.

Environmental

By joining the UNEP-FI Net-Zero Banking Alliance in 2021, the Group undertook to align its portfolios with trajectories aiming for carbon neutrality by 2050 (limiting global warming to 1.5°C), setting itself targets for 2030 (or sooner) and 2050, giving priority to its most GHG-intensive sectors. On top of its previous targets for thermal coal sectors (pledging fully to withdraw from the sector by 2030 for OECD countries and by 2040 elsewhere) and the shipping industry, SG raised the bar with bolder and more ambitious targets for the oil and gas production sectors and financing of power generation. The Group has set a new target for 2030 (vs. 2019) for a 30% reduction in absolute carbon emissions related to end use of oil and gas production. As regards power generation, the Group now has a stricter target for CO₂ emissions intensity of 125g of CO₂ per kWh by 2030 compared to the previous 2030 target of 163g of CO₂ per kWh. In line with these plans, SGIL is reviewing its own client base ensuring it supports the Group's ESG efforts in supporting carbon neutrality by 2050.

SGIL follows SG SA Group guidelines regarding climate change and the associated risks. The Group has a climate strategy structured around three core priorities: managing the risks associated with climate change, proactively managing its climate impacts, and supporting clients on a path to a greener future, specifically by devising appropriate advisory and financing solutions.

In line with the Group Risk Management Frameworks, SGIL assesses the impact of Group climate change policy on desk mandates, and applies the sectoral policies (e.g. oil & gas, thermal coal, nuclear, metals & mining) which forms part of the Group's Environmental & Social policies.

SGIL's 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 has run a number of waste roadshows in the UK where staff can learn about the different waste disposal streams available as well as how staff can help SG to meet its 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.

Governance

SGIL's Board and management are 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 Code of Conduct and Principles for Business with appropriate policies related to AML CFT, Market Abuse and Anti-Bribery and Corruption ('ABC') including Gifts and Entertainment. Major and minor breaches to such policies are diligently monitored and subject to an agreed breach management framework and where appropriate are brought to executive and Board Committees.

The Company continues to enhance its Operational Conduct Risk ('OCR') and Culture and Conduct ('C&C') monitoring, with KRIs monitored and reported to the Executive Committee and the Board at a minimum on a quarterly basis.

SGIL 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. The Employee Data Protection Policy was updated and enhanced in 2023.

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

Social

SGIL aligns itself and its initiatives with the Group's CSR policy. SG and the SG UK Foundation in the UK have 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. We also support small charities and social enterprises to enable and empower them to expand their reach, capability and impact. These initiatives 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; and
- 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.

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 providing employees with access to a wide variety of professional and personal development opportunities This was reinforced in 2023 with further participation in the Apprenticeship Levy scheme. SGIL has also been involved in the SG SPARK programme for high performing individuals, supporting the career aspirations of staff and ultimately internal mobility and talent retention;

- Developing a responsible and positive culture based on 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 which promotes psychological safety, and our staff's confidence in the principles and practice of Speak Up. In turn this enhances the Company's risk culture alongside its whistleblowing framework;
- SGIL fosters employee commitment and team spirit through fair and appropriate remuneration processes which promote responsible and sustainable business practices and positive culture and conduct;
- SGIL's Diversity and Inclusion policy promotes an inclusive organisation in all Human Resources ('HR') processes, prohibiting all forms of discrimination and supporting workforce diversity. SG is also a signatory of the HM Treasury's Women in Finance Charter. 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. SG supports diversity and inclusion in the UK through SG employee networks and their initiatives, which include Be Me, Pride & Allies, the Gender Network and Great Minds. SG in the UK is 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 the new hybrid working model, the Life@Work initiative has been launched. 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.

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 relevant consumption is limited.

The energy and emissions is calculated on the monthly consumption of the heating and electricity based on SGIL's occupancy of One Bank Street

The table below summarises the GHG emissions and Energy usage:

	2023		2022	
	Energy (kWh)	Emissions (tCO ₂ e)	Energy (kWh)	Emissions (tCO ₂ e)
Emissions from combustion of gas (Scope 1 – tonnes of CO ₂ e)	99,727	18.2	81,598	14.9
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO ₂ e)*	466,122	-	446,223	-
Total gross CO₂e based on above	565,849	18.2	527,821	14.9

Intensity ratios: Emissions per £m revenue (defined as gross profit):

Emissions from combustions of gas (Scope 1): 0.04 tonnes/£m (2022: 0.05 tonnes/£m)
 Emissions from electricity for own use (Scope 2): - tonnes/£m (2022: 0.00 tonnes/£m)

* Emissions from electricity usage has gone up with more prevalence of staff working from office and electricity consumption of One Bank Street building increasing overall. Average desk occupancy remaining steady between 2022 and 2023 (8% in both 2022 and 2023).

As part of the continued enhancement of reporting on energy and emissions, we confirmed all electricity purchased at our office at One Bank Street for which Ground to 5th floor is occupied by SGIL, SG London Branch and SG Kleinwort Hambros is from 100% renewable sources and contribute zero CO2 emissions for both 2023 and 2022.

7. REGULATORY FRAMEWORKS

SG SA is, a Global Systemically Important Bank ('G-SIB'), incorporated in France, and subject to regulation by the European Commission (EC), the European Central Bank (ECB) in its capacity as prudential supervisor, and the European Banking Authority (EBA). There are certain implications which flow from this for SGIL e.g. coverage in meetings of the College of Regulators.

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'). As a result of this designation, SGIL is also classified as an Enhanced firm for the purposes of the Senior Managers and Certification Regime ('SMCR').

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.

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, the Overview of Risk Management.

8.1. Operational Risk

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

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 the risk linked to the exposure to value loss due to fluctuations in volumes, margins, net fees and operating expenses that are not actively captured by other risk categories (such as interest rate risk in the banking book).

Strategic Risk is defined as the risk arising during the execution phase of a strategic initiative. SGIL's strategic initiatives are of a limited number and can be defined as being the main actions and means implemented to achieve the objectives that enable SGIL's 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 clients, 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, price of securities (equities, 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

ESG risks are considered factors that can aggravate traditional risk categories (including credit risk, counterparty risk, market risk, non-financial risk, structural risk, business and strategy risk, other types of risk and other risk factors). They are likely to have an impact on the Group's activities, results, operations and financial position in the short, medium and long term. SGIL leverages the Group framework summarised below for the identification, assessment and management of ESG risk factors.

The Environmental and Social (E&S) General Principles apply to all financial and banking transactions and services provided by Société Générale entities. They set out the framework applicable to the Group's activities, addressing the potential ESG impact of the associated product and service offerings. The sector policies, referred to as the E&S policies, define the standards that the Group agrees to apply in sectors considered potentially sensitive from an E&S or ethics perspective, based on its mapping of intrinsic E&S risks. The policies include aspects such as exclusion criteria and priority assessment criteria to enable the appropriate decision-making regarding clients, transactions, securities and services. The E&S General Principles and policies are updated in line with regulatory, scientific or societal developments, peer practices and the Group's strategy.

8.7. LIBOR (London Interbank Offered Rate) transition

SGIL completed the successful processing of the CCP-led USD LIBOR conversion in April, May and July of 2023, occurring on CME and LCH Ltd for cleared interest rate swaps. No USD LIBOR interest rate swaps now exist on SGILs client portfolios.

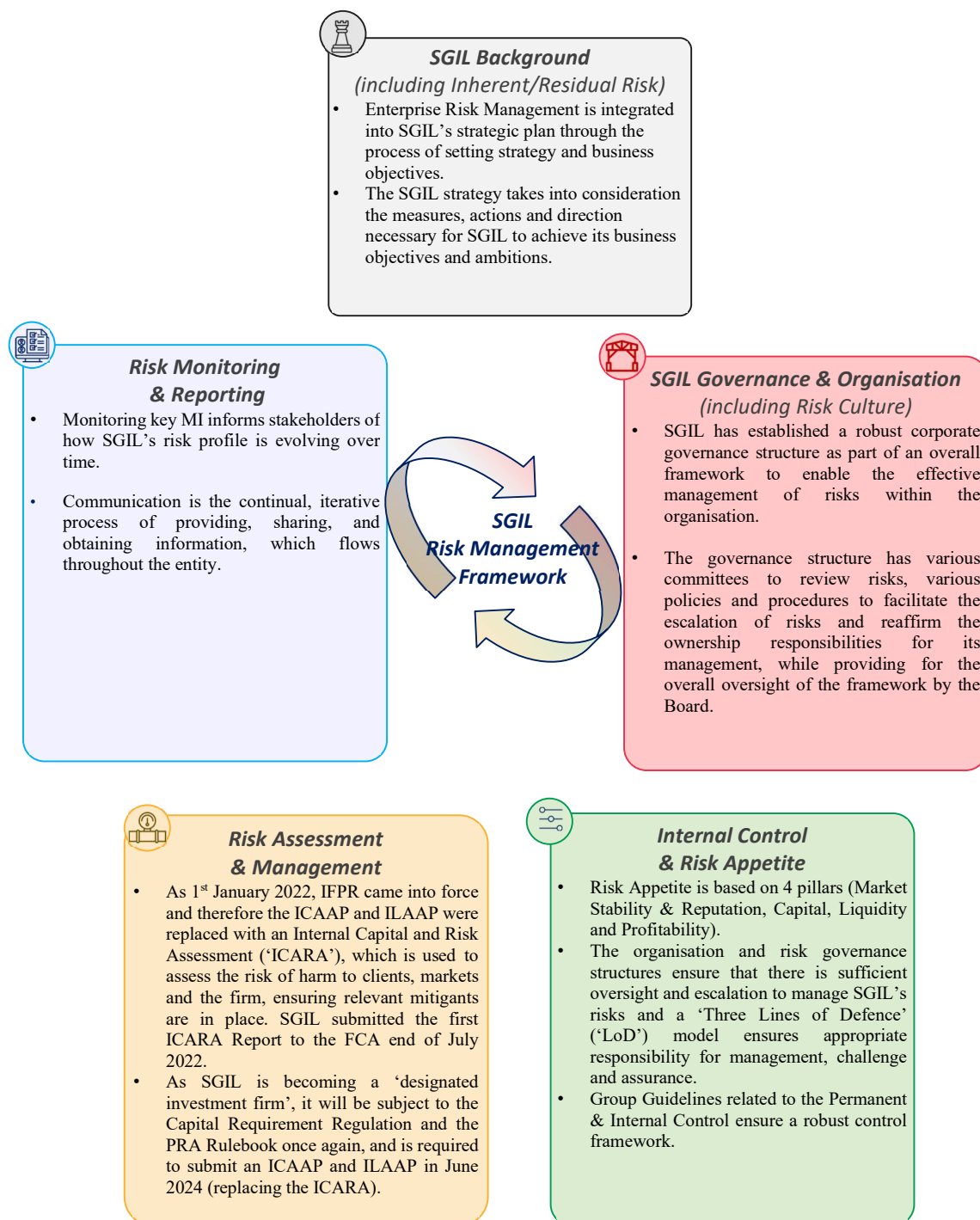
9. OVERVIEW OF RISK MANAGEMENT

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.

SGIL's Risk Management Framework (RMF) establishes how risk is managed and governed within SGIL; how the Group's Risk Management Framework and principles apply to SGIL; and how the three lines of defence model is designed and operated. This includes a structure within which SGIL identifies, assesses, monitors, controls and reports potential and realised risk exposures.

Risk culture is also a key aspect of the Risk Management Framework as it encompasses the general awareness, attitude and behaviour of employees to risk and the management of risks within the organisation. The Risk Management Framework aims to formalise the framework that SGIL uses to locally manage all risks and is therefore the foundation of a strong risk culture within the Firm.

The SGIL RMF comprises of the following components:



10. RISK GOVERNANCE AND ORGANISATION

The Company's strategy, performance and operations are overseen by the 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 Board of Directors (Board) 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 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 up to the end of the reporting period. 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 of the Board of Directors have been established, including the Board Risk Committee; and
- At the Executive level, the Executive Committee and its sub-committees have been established, including the Risk & Control Committee ('RCC').

The Senior Managers and Certification Regime continues to be the framework setting the required standards of accountability, conduct and competence of all SGIL employees and Senior Management.

The Directors seek to apply relevant principles set out in the Wates Corporate Governance Principles for Large Private Companies as the basis for SGIL's Corporate Governance Code. Further commentary relating to how the Company has applied the Wates Principles can be found in the Directors Report.

10.2. Outsourcing services

The management of risks related to Third Parties is defined in the UK's Third Party Risk Management Policy and through the application of the Third Party Risk Management Minimum Standards. 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 Board level.

10.3. Three Lines of Defence Organisation

SGIL has embedded a formal corporate governance structure, which ensures that the Board 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 (LoD1) is composed of any organisational unit or function that is accountable for one or more of SGIL's key risk types; engages in activities designed to generate revenue or reduce expenses; provides operational support or servicing to any business unit or service unit for the delivery of products or services to customers and clients; or provides technology services to any business unit or service unit. As the first line of defence, the business units and service units are accountable for current and emerging risk identification, measurement, monitoring, assessment, control, mitigation, and reporting.

The following divisions are in SGIL's LoD1:

- Business units: Corporate Coverage & Execution, Listed Execution, Clearing, Secure Financing Services
- Service units: Finance (including Treasury and Asset & Liability Management), Global Business Service Unit, Human Resources and Legal.

The Second Line of Defence (LoD2) is composed of the Risk and Compliance divisions, and the Finance Control division which collectively maintain an aggregate view of SGIL's risk profile. LoD2 is accountable for the independent oversight of risk-taking activities undertaken in pursuit of SGIL's strategic and business objectives. It further evaluates, oversees, and provides effective challenge to the plans and intended risk-taking and risk management actions of LoD1. LoD2 leads the articulation of the risk appetite across all relevant scope areas and monitors and reports on LoD1's adherence to the established risk appetite and associated limits.

The Third Line of Defence (LoD3) is undertaken by the Inspection and Internal Audit (IGAD) Service Unit. LoD3 operates independently from both LoD1 and LoD2. It is responsible for implementing an internal audit programme that is commensurate to the size, nature, scope and risk level of SGIL's activities. It also assesses the design and effectiveness of the risk management and internal control system, including the LoD1 and LoD2 activities and overall risk governance.

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. SGIL is under the IFPR regime for FCA prudentially regulated investment firms implemented since January 2022.

As SGIL will become a 'designated investment firm' as of 30 September 2024, it will be dual-regulated in the United Kingdom by the PRA and FCA (PRA for Prudential Regulation and FCA for Conduct Regulation). At the request of the PRA, SGIL will produce an ICAAP and an ILAAP by 30 June 2024, and this will replace the ICARA going forward.

The ICARA and its associated stress testing processes have been 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.

The risk assessment of the identified risks ensures that the root cause of the risk is identified which enables appropriate risk mitigating actions or strategies 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

SGIL uses various risk methods to measure the risks it is exposed to. For the major risks that SGIL is exposed to, these methods are described below:

Operational Risk

The principal exercise for assessing operational risk in SGIL is the Risk & Control Self-Assessment (RCSA), which is performed by each business unit / service unit to identify and evaluate inherent operational risks, the risk mitigations, and the residual risk levels. The exercise is built on a bottom-up approach based on self-assessments. The assessments, involve business unit and service unit performance of multiple unitary assessments, informed by multiple sources of operational risk data (e.g., internal incidents, key risk indicators). The RCSA outputs at local business unit / service unit level are reviewed and challenged by the operational risk team.

Using the operational risk taxonomy, a consolidated RCSA view of risks for SGIL is derived with the high and very high residual risks being considered the most material risks for the entity. Aside from the above exercise, risk identification is also performed for specific activities through processes dedicated to particular elements of the operational risk framework. This is the case for new products and third-party services prior to their launch. Additionally, Scenario Analysis is used to identify and assess risks. Beyond dedicated risk identification processes for specific areas of operational risk, risk identification also leverages BAU activity carried out by LOD1 teams and risk reviews carried out by LoD2 and LoD3.

Liquidity and Funding Risks

SGIL's liquidity risks mainly arise from an increase in CCP margin requirement that cannot be transferred to the client (either immediately or permanently), or by clients withdrawing the collateral in excess posted on their accounts.

SGIL primarily measures its liquidity and funding risks through liquidity stress tests based on a systemic market stress, an idiosyncratic stress on the credit worthiness of the firm and a combination of both. SGIL also monitors the regulatory LATR and BLAR indicators which are less binding.

Business and Strategic Risks

SGIL's business risk is the risk of not generating adequate profitability relative to the risks incurred. Its strategic risk is the risk that arises during the execution phase of any strategic initiative. To manage its exposure to business risk and strategic risk, SGIL takes the following measures:

- Sets and publishes the Company's strategy and objectives annually, in line with the strategic guidelines from SG SA;
- Adheres to an annual financial planning process, covering its capital, liquidity, profit and loss and balance sheet statements;
- Establishes a selective and prudent new activity/product approval process, ensuring alignment with the defined strategy and adequacy of the delivery capacity; and,
- Monitors profitability metrics against defined limits and thresholds.

Counterparty Credit Risk

The counterparty credit risk exposure (including concentration and settlement risk) faced by SGIL is largely short-term in nature due 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; and,
- 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 clients which ranges from financial services companies and regulated funds to corporates, such as energy companies and commodity trading houses.

CCR is measured with exposure at default metrics (Potential Future Exposure), stress tests and probabilities of default. This is assessed for individual counterparties as well as at portfolio level on a regular basis. Monitoring is performed by the dedicated 'Metrics Monitoring Group' team and consolidated at a SGIL level by the SGIL Risk department, independently from front office. Breaches are reported to the Board and Executive Committee according to the governance set in the Risk Management Framework and Risk Appetite Framework.

Market Risk

SGIL's market risk exposure can largely be attributed to the activities on its clearing and collateral management desk. The desk is responsible for optimising return while managing the collateral positions and exchange margin requirements from listed and cleared OTC client activity. Due to this activity, the desk enters FX swaps, resulting in cross-currency basis risk, and outright bond positions, resulting in credit risk.

SGIL primarily measures its market risk through value-at-risk metrics and stress testing based on historical and hypothetical scenarios.

12. RISK MONITORING AND REPORTING

SGIL's risk monitoring and reporting has been designed 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 – these include but are not limited to:

- The Risk Identification Process which is an effective tool of the Risk Management Framework as it identifies all risks that are or might become material in SGIL. This process is designed to cover all exposures and all risk categories in the Risk Taxonomy;
- The ICARA (which is currently being transitioned to the ICAAP and ILAAP), and its associated stress testing processes, to assess the adequacy of SGIL's capital and liquidity resources against certain stress events and scenarios;
- The annual RCSA process performed by the business designed to identify and assess inherent operational risks, the mitigation measures and residual risks that SGIL is exposed to through its activities; and,
- The annual COMPASS, managed by the Compliance function, is an annual SG Group risk assessment exercise driven by regulatory requirements with a focus on Non-Financial Crime and Financial Crime compliance risks.

Risk Appetite –SGIL's 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 SGIL stays within its risk appetite. Should the risk appetite monitoring 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 regulatory minimums are breached. They must ensure that the necessary stakeholders are duly informed, and actions taken.

There are a range of management reports provided on different cycles. These include:

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 SGIL's current risk profile, key metrics with commentary on monthly variations, overall management comments, and an escalation of alerts and breaches. The dashboard covers Finance, Treasury/ALM, Operational Risk, Credit Risk, Market Risk, Capital, and Compliance.

Quarterly Risk Appetite Dashboard which provides a view of SGIL's consumption of its risk appetite metrics, including any breaches of its risk appetite limits

APPROVED AND AUTHORISED BY THE BOARD AND SIGNED ON ITS BEHALF BY:

DocuSigned by:

A0259F9AA12B410.....
Lionel Bignone - Director
Date: 28 March

DIRECTORS' REPORT

The Directors of the Company present their report and the audited financial statements for the year ended 31 December 2023.

1. PROFITS AND APPROPRIATIONS

During the year under review the Company made a profit after tax of £153.2m (2022 profit: £197.1m). The Board have recommended the payment of a final dividend on the ordinary shares of £153.2m (2022: £197.1m).

Total shareholders' funds for the year ended 31 December 2023 were £1,480.3m (2022: £1,518.7m).

The Company's strategic highlights, business and future developments and principal risks and uncertainties are set out in the Strategic Report (page 2 to 16). Streamlined energy and carbon reporting is disclosed in Section 6.3 of the Strategic Report. 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:

Michael John COLLINS¹
Thierry D'ARGENT²
Lionel Thomas Marcel BIGNONE³
Alexandre FLEURY
Florence HILLAIRES⁴
David Michael LAWTON⁵
Keith MCARDLE
Diane Elizabeth MOORE
Mike NEWMAN⁶
Jurrien REINDERS⁷
Philippe Jacques Michel ROBEYNS⁸
Demetrio SALORIO⁹
Stephen Paul SWIFT

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

No Directors have any direct financial interests in the Company.

¹ Resigned on 31 December 2023.

² Appointed to the Board on 21 December 2023, subject to FCA notification.

³ Appointed to the Board on 13 July 2023, subject to FCA approval. Approved by the FCA on 20 December 2023.

⁴ Appointed to the Board on 21 December 2023, subject to FCA notification.

⁵ Appointed to the Board on 1 December 2022, subject to FCA approval. Approved by the FCA on 17 March 2023.

⁶ Appointed to the Board on 1 January 2024, subject to FCA notification.

⁷ Appointed to the Board on 27 March 2023, subject to FCA notification which occurred on 10 August 2023.

⁸ Resigned on 21 December 2023.

⁹ Resigned on 19 December 2023.

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 highlighted in the Strategic Report.

As per the Group's core CSR themes, SGIL is and commits to be always being a responsible employer. One of the primary considerations is ensuring the health, safety, diversity, equality, inclusion and well-being of its employees as well as ensuring the interests of staff are considered in key decisions. As well as Diversity, Equality and Inclusion training, all SGIL employees were required to have a mandatory DEI behavioural objective for this year.

The Company strongly promotes its 'Speak Up' programme 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 programme to ensure that employees feel comfortable to challenge management and Company practices when needed.

The Board engages with a wide range of members of staff who present to it and to its committees. Additionally, individual Directors are committed to developing relationships with the most important functions of the Company. The Board continues to engage employees, both directly and indirectly, as per Section 6.1 of the Strategic Report above.

4. BUSINESS RELATIONSHIPS

SGIL's business relationships with its clients, suppliers and other third parties are the cornerstone of its operational success and reputational integrity, and are continuously reviewed and scrutinised.

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

During 2023, the Board was kept informed 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 procedures and Group tools that SGIL staff should adopt and use to document their engagement with all third parties. The Firm also continues to enhance its Sanctions and Embargo ('S&E') governance to ensure that clients and products are authorised in line with existing restrictions, particularly in light of the on-going international events related to the Russia-Ukraine crisis and associated global sanctions.

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

5. CORPORATE GOVERNANCE ARRANGEMENTS

SGIL is a 100% wholly owned subsidiary of SG SA and the Board ensures it understands the views of its shareholder through regular interactions between SGIL Directors and senior Executives of SG SA. These include the Co-Head of Global Banking & Investor Solutions and the European Head of Prime Clearing Services who serve as Non-Executive Directors on the SGIL Board.

Please also see Section 5.2 (Board Composition) below.

The Board uses the Wates Corporate Governance Principles for Large Private Companies as the basis for SGIL's Corporate Governance Code ('the Code'). Set out below is a summary of how each of the Wates six principles have been applied in the year ending 31 December 2023.

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. This ensures that 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 Group values and leadership model which provide the basis for strong Board oversight and Executive Management, and set the tone for an innovative, inclusive, and open culture.

The Board and Executive Management work to ensure that 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 and Board Committee 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 of a culture of risk awareness and ethical behavior by Executive Management that SGIL should follow in the pursuit of its business goals.

During 2023 the Board continued to assess management plans for streamlining the operating model and the strategy as described in Section 2.1. 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 and ensuring that clients retained optionality regarding the services provided. This continues to be an area of focus as the plans are developed further and executed.

SGIL has maintained its focus on ensuring the communication, engagement and relationship with its employees. SG held an employee survey in H2-2023 to engage its staff and obtain feedback on management and the strategy of the Firm. 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 is included in the SG UK platform Town Halls, which provide staff with an opportunity to raise issues and feedback as part of the Q&A sessions. The UK platform also runs a series of 'In Conversation with...' sessions which enhances staff understanding of different areas of the business.

SGIL maintains regular staff engagement via employee email communications and 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. All staff are located in One Bank Street, which further enhances collaboration across the various teams.

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 Operational and Conduct Risks ('OCR') and Conduct and Culture monitoring and reporting which includes various KPIs and indicators designed to provide insight into key conduct risk and conduct & culture. This is presented to the Board on a quarterly basis.

SGIL's Whistleblowing Policy is reviewed annually and approved by the Board. The Policy sets out the principles and framework for staff to raise reportable concerns in accordance with relevant regulatory and legal requirements of good practice in the UK. Diane Moore, SGIL's Senior Independent Non-Executive Director, acts as the Board's whistleblowing champion. In addition to the normal internal escalation mechanisms in SGIL, a reportable concern can also be raised through a confidential whistleblowing tool which is externally hosted, guaranteeing protection of staff and confidentiality of matters raised. 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 and the wider SG UK platform senior management actively promote and 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.

5.2. Board Composition

Currently the composition of the SGIL Board of Directors is made up of five Non-Executive Directors ('NEDs'), (of whom two are Independent Non-Executive Directors ('INEDs')) and two Executive Directors. Michael Collins acted as the Chair of the SGIL Board of Directors until 31st December. Subsequently Mike Newman, a NED, was appointed Chair from 1st January 2024 onwards. Phillipe Robeyns acted as Chief Executive Officer and as an Executive Director of SGIL until he resigned on the 21st December, having been registered with Companies House as a Director in 2021. Lionel Bignone was registered with Companies House as a Director of SGIL on the 21st December and formally assumed the role of Chief Executive Officer from this date. The respective roles of Board Chair and CEO are clearly articulated in the ToRs and their respective appointment letters.

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.

The effectiveness of the Board and each Board Committee is self-assessed annually with the results presented and discussed at the Board. Periodically these reviews are conducted by an external advisor.

The Boards ongoing development is fostered through a Board and individual training programmes. Over the course of 2023 the Board and/or its committees has undertaken the following training aimed at improving the overall knowledge and skills of the Board, and ultimately its effectiveness:

- Client Assets
- UK Wholesale Regulation Update
- Model Risk
- Update on Cyber Security
- Enhancements of Stress Testing
- Financial Crime Awareness

5.3. Directors' 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 in 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 action plans and potential emerging risks are reviewed on a monthly basis and formally validated during the year through the RCC and the BRC. The Board continues to assess the risk to the business and this assessment was fully integrated with SGIL's risk appetite framework. The Board was responsible for approving the results of the ICARA, to be replaced by the ICAAP and ILAAP in 2024. The Board is responsible for approval of the Company's Risk Appetite Statement, material risk policies and risk tolerance statements and limits, as well as the annual AML and Compliance programmes. Prior to submission and validation by the Board, and in line with the terms of reference, the relevant risk assessments are reviewed and challenged by the RCC and ALCO (Asset Liability Committee).

As per the self-assessment, the Board Chair 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 Chair is also satisfied that there is an adequate level of understanding across the Board collectively, and individually by both Executive and Non-Executive members, of the role, responsibilities and duties expected and required as Directors 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 BRC ensures oversight of the risk and compliance functions and focuses on the risk management, risk appetite, capital and liquidity adequacy assessment. The BRC, through the review of the current and future risk appetite and risk management framework oversees the implementation of that strategy by the Executive Management and provides challenge to the day-to-day risk management and oversight arrangement. This includes developing the overall risk appetite, tolerances and metrics used to measure the company's appetite and making recommendations where material developments impact the company's overall risk profile, as well as oversight of the internal control framework with respect to current and emerging risks inherent in the business.

The BAC ensures the effectiveness of the internal control framework through its oversight of the internal audit function, which is responsible for independently evaluating and providing assurance to the Board on the adequacy, appropriateness and effectiveness of SGIL's risk management and compliance framework, including the control framework implemented by the First Line of Defence. Internal Audit reports quarterly to the BAC on their findings on the control framework, identifying control deficiencies and remediation actions, which are reviewed and challenged by the BAC. The BAC is also responsible for reviewing the financial, capital and liquidity performance of the company. The SGIL Board oversees both Board sub-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 main purpose of the SGIL Remuneration Committee's is 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 review by internal audit 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 2023 include: employee surveys, the promotion of employee inclusion networks, and presentation of the UK roadmap through Town Halls. SGIL's CSR ambitions are aligned to those of SG Group and further information on the Group's CSR ambitions may be found in the Société Générale Group's Universal Registration Document 2023. As a subsidiary, SGIL aligns its ESG framework to that of the Group and is committed to a fair, environmental and socially inclusive transformation based on the core themes of the Group's CSR policy described in section 6.2. Further information on stakeholder relationship and engagement can be found in Section 6.1 of the Strategic Report.

6. EMPLOYMENT POLICIES

The Company's employment policies summarised in the Employee Handbook and expanded through further HR policies available to staff through the 'UK Policy Hub'. These policies 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. Diversity Policy included in the Staff Handbook (Section IV/2) covers our commitment to diversity and includes definitions of Discrimination (direct and indirect) and sets out our Zero Tolerance (Section IV/2.6) approach to any employee being subjected to harm, threats of harm, bullying and harassment, discrimination, or any inappropriate behaviour or language in the workplace. In particular, this behaviour is expressly prohibited (but is not limited to) if it is on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (which can include gender identity or gender expression), and sexual orientation. All policies are legally compliant, SGIL does not discriminate against those with a disability and has a fair recruitment procedure which ensures an equal process for all.

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 conditions are met.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts that forms an integral part of its capital and liquidity planning. Additionally in preparation for designation as a PRA-authorised investment firm and subject to the Capital Requirement Regulation (CRR), the Directors have assessed the potential impact on the Firm's ability to comply with the capital and liquidity requirements under UK CRR. The adequacy of capital resources under a period of stress has been considered and Directors were satisfied that the level of capital surplus held would allow sufficient coverage of requirements under stress. The Directors were also satisfied that SGIL had developed sufficient plans that could be executed if required to ensure compliance the new liquidity requirements at the time of transition.

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 is currently SGIL's auditor in office with the firm resigning from this role after the signing of the 2023 financial accounts at the end of their permitted term acting for the Firm. For the 2024 financial statements SGIL's proposed auditor will be PricewaterhouseCoopers LLP.

APPROVED AND AUTHORISED BY THE BOARD AND SIGNED ON ITS BEHALF BY:

DocuSigned by:

A0253F9AA12B41C.....
Lionel Bignone – Director
Date: 28 March

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 FRS 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 of 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 the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Societe Generale International Limited (the ‘Company’):

- give a true and fair view of the state of the Company’s affairs as at 31 December 2023 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” (United Kingdom Generally Accepted Accounting Practice).

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.

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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, including those that are specific to the company's business sector.

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 specialists regarding the opportunities and incentives that may exist within the organization 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

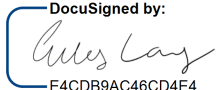
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:
E4CDB9AC46CD4E4...
Giles Lang, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London | United Kingdom
28 March 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Profit and loss from continuing operations:			
Turnover	2	2,956,933	1,774,866
Operating costs	2	<u>(2,576,913)</u>	<u>(1,459,893)</u>
Gross profit		380,020	314,973
Administrative expenses	3, 4, 5	<u>(112,425)</u>	<u>(99,838)</u>
Operating profit	5	267,595	215,135
Dividend income	5	15,738	33,474
Interest income	6	103,948	33,568
Interest expense	6	<u>(188,824)</u>	<u>(40,684)</u>
Profit before taxation		198,457	241,493
Tax on profit on ordinary activities	7b	<u>(45,217)</u>	<u>(44,370)</u>
PROFIT FOR THE YEAR		<u>153,240</u>	<u>197,123</u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
Gains and Losses on FVTOCI investments		7,309	(23,977)
Deferred tax on losses on FVTOCI investments	7c	<u>(1,837)</u>	<u>6,185</u>
Other comprehensive income / (loss) net of tax		5,472	(17,792)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>158,712</u>	<u>179,331</u>
Profit attributable to:			
Equity shareholder of the Company		<u>153,240</u>	<u>197,123</u>
Total comprehensive income attributable to:			
Equity shareholder of the Company		<u>158,712</u>	<u>179,331</u>

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

BALANCE SHEET AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	237	237
Financial assets at fair value through P&L	10	26,394	-
Other receivables	11	996,700	1,031,600
Deferred tax assets	7	2,890	4,570
		<u>1,026,221</u>	<u>1,036,407</u>
CURRENT ASSETS			
Investments at fair value through OCI	9	381,652	568,665
Financial assets at fair value through P&L	10	131,510	599,123
Trade and other receivables	11	17,528,555	31,835,603
Cash and cash equivalents		<u>8,484,257</u>	<u>21,719,063</u>
		<u>26,525,974</u>	<u>54,722,454</u>
TOTAL ASSETS		<u>27,552,194</u>	<u>55,758,861</u>
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities at fair value through P&L	12	(195,665)	(543,867)
Trade creditors and other payables	13	<u>(25,725,072)</u>	<u>(53,545,579)</u>
		<u>(25,920,737)</u>	<u>(54,089,446)</u>
NON-CURRENT LIABILITIES			
Subordinated debt	14	(150,000)	(150,000)
Provisions	15	<u>(1,130)</u>	<u>(677)</u>
		<u>(151,130)</u>	<u>(150,677)</u>
TOTAL LIABILITIES		<u>(26,071,867)</u>	<u>(54,240,123)</u>
NET ASSETS		<u>1,480,327</u>	<u>1,518,738</u>
EQUITY			
Share capital	16	1,150,000	1,150,000
Other reserves		(6,639)	(12,111)
Retained earnings		336,966	380,849
TOTAL EQUITY AND RESERVES		<u>1,480,327</u>	<u>1,518,738</u>

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

DocuSigned by:

 A0253P9AA12B41C:.....
 Lionel Bignone - Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share Capital £'000	Other reserves £'000	Retained Earnings £'000	Totals £'000
At 1 January 2022		1,150,000	5,681	324,979	1,480,660
Issue of share capital	16	-	-	-	-
Dividend Paid	22	-	-	(141,253)	(141,253)
Profit for the year		-	-	197,123	197,123
Other comprehensive income/ (loss) for the year		-	(17,792)	-	(17,792)
At 31 December 2022		1,150,000	(12,111)	380,849	1,518,738
Issue of share capital		-	-	-	-
Dividend Paid	16	-	-	(197,123)	(197,123)
Profit for the year	22	-	-	153,240	153,240
Other comprehensive income/ (loss) for the year		-	5,472	-	5,472
At 31 December 2023		1,150,000	(6,639)	336,965	1,480,327

NOTE 1: ACCOUNTING POLICIES

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

Basis of preparation

Societe Generale 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 2 to 16.

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

At the date of authorisation of these financial statements, the following new Standards and Interpretations were in issue and have been enacted in these financial statements:

- Amendments to IFRS 17 Insurance Contracts is effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 1 – IFRS 17 Insurance Contracts
- Amendments to IAS 1 Classification of liabilities as current or non-current is effective for annual periods beginning on or after 1 January 2023
- Amendments to IFRS 10 and IAS 28 (September 2014) Classification of liabilities as current or non-current is effective for annual periods beginning on or after 1 January 2023

Going concern

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that the conditions are met.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts that forms an integral part of its capital and liquidity planning. Additionally in preparation for designation as a PRA-authorised investment firm and subject to the Capital Requirement Regulation (CRR), the Directors have assessed the potential impact on the Firm's ability to comply with the capital and liquidity requirements under UK CRR. The adequacy of capital resources under a period of stress has been considered and Directors were satisfied that the level of capital surplus held would allow sufficient coverage of requirements under stress. The Directors were also satisfied that SGIL had developed sufficient plans that could be executed if required to ensure compliance the new liquidity requirements at the time of transition.

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, net gains and losses 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 or 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

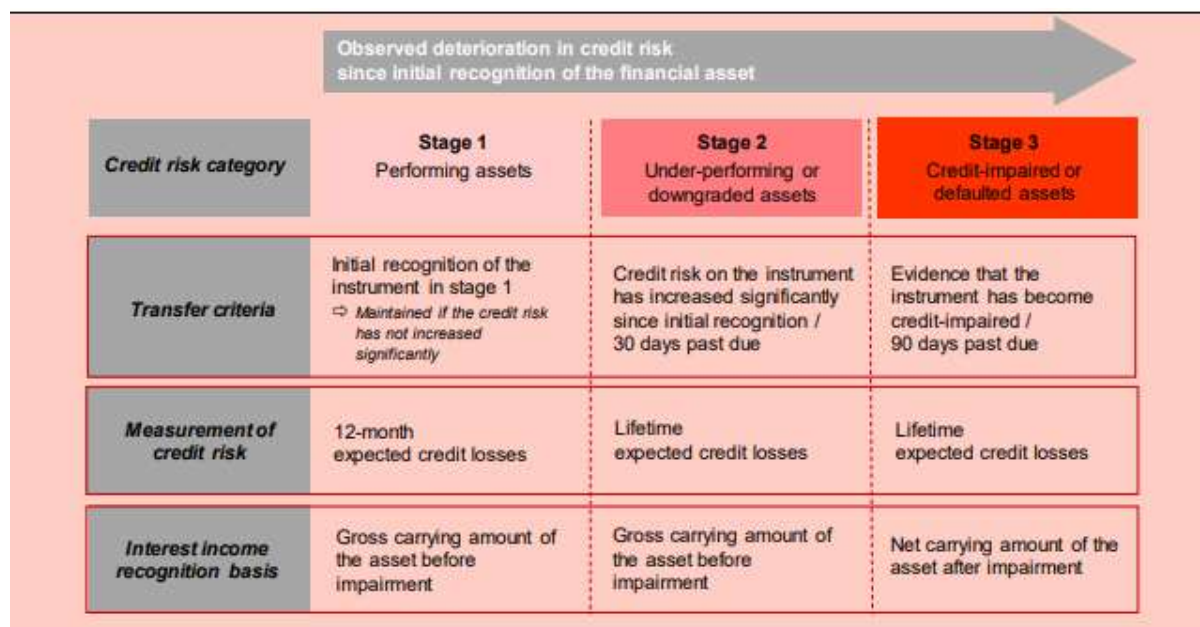
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- 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 clients, 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:



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. The listed derivatives held by SGIL are settled to market and these instruments are presented in the financial statements in trade and other payables and receivables on a net by currency basis.

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.

The Company has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

The Directors do not believe that any critical accounting judgements are applied and no 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 £'000	Commission and fee income/ expense £'000	Net gains and losses on financial instruments £'000	Total £'000 £'000
Turnover	2,023,606	901,373	31,954	2,956,933
Operating costs	(1,818,413)	(758,500)	-	(2,576,913)
At 31 December 2023	205,193	142,873	31,954	380,020
Turnover	998,164	775,620	1,082	1,774,866
Operating costs	(804,603)	(655,290)	-	(1,459,893)
At 31 December 2022	193,561	120,330	1,082	314,973

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:

	2023 £'000	2022 £'000
United Kingdom	1,448,509	860,701
France	56,813	23,379
Rest of Europe	638,072	442,348
Americas	296,417	153,698
Asia-Pacific	370,589	217,253
Other	146,532	77,487
	2,956,933	1,774,866

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

	2023	2022
	£'000	£'000
Wages and salaries	38,448	37,406
Social security costs	5,061	5,786
Pension and other staff costs	3,887	3,533
	47,396	46,725

As at the year-end, there were no unpaid pension contributions (2023: £nil).

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

	2023	2022
	£'000	£'000
Management	11	13
Front office	92	79
Support	191	208
	294	300

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 gain of £82k (2022: gain of £197k). The profit and loss recognised in the year related to the plan was an expense of £2,375k (2022: £633k).

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

	2023	2022
	£'000	£'000
Directors' remuneration	1,070	1,008
Pension contributions to defined contribution schemes	17	8
	1,088	1,016
Remuneration of the highest paid director:		
	2023	2022
	£'000	£'000
Directors' remuneration	428	410
Pension contributions to defined contribution schemes	9	4
	437	414

The defined contribution schemes refer to 1 director for 2023 (2022: 2).

NOTE 5: OPERATING PROFIT

	2023	2022
	£'000	£'000
Net movement of impairment	(880)	(686)
Expected credit loss provision	1,125	(665)
Operating rental recharges	(3,478)	(3,521)
Fees payable to Company's auditor for:		
- The audit of the Company's annual accounts	(1,273)	(1,266)
- Other services	(295)	(295)
Dividend income received (refer to Note 20)	15,738	33,474

Included in administrative expenses are amounts recharged from other SG SA Group companies for £34,493k (2022: £21,409k).

NOTE 6: INTEREST INCOME AND EXPENSE

	2023 £'000	2022 £'000
Interest income from deposits with Group companies (Note 11)	103,948	33,568

	2023 £'000	2022 £'000
Interest expense on borrowings with Group companies (Note 13)	188,824	40,684

NOTE 7: TAXATION

The UK corporation tax was increased to 25% from 1 April 2023. The average rate applicable for financial reporting is 23.5% (2022: 19%).

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

	2023 £'000	2022 £'000
Current tax		
UK corporation tax	44,578	44,206
Adjustment in respect of prior periods	794	(11)
Total current tax	45,372	44,195
Deferred tax		
Origination and reversal of temporary differences in the current year	(28)	146
Adjustment in respect of prior periods	(125)	(17)
Changes in Corporation tax rate	(2)	46
Total deferred tax	(155)	175
Total taxation on profit on ordinary activities	45,217	44,370

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

	2023 £'000	2022 £'000
The charge for the year can be reconciled to profit and loss as follows:		
Profit on ordinary activities before tax	198,457	241,493
Tax on profit on ordinary activities at standard tax rate of 23,5% (2022: 19%)	46,637	45,884
Effects of:		
- Expenses not deductible for tax purposes	-	-
- Non-taxable income	(2,087)	(720)
- Adjustment in respect of prior years and other	669	(42)
- Changes in Corporation Tax rate	(2)	46
- Financial Asset at FVTP&L	0	(798)
	45,217	44,370

(c) **Deferred tax assets/ (liabilities):**

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

	2023	2022
	£'000	£'000
Depreciation in excess of capital allowances	373	450
Provision for temporary differences	456	330
Equities at FVTP&L	(547)	(689)
Loss (Gain) investments at FVTOCI	2,467	4,303
IFRS 9 transitional adjustments	141	176
	2,890	4,570

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

	2023	2022
	£'000	£'000
Deferred tax asset at 1 January	4,570	(1,439)
Amount charged to the income statement	28	(146)
Adjustment in respect of prior periods	127	17
Amount credited to other comprehensive income	(1,837)	6,185
Changes in Corporation Tax rate	2	(47)
Deferred tax asset at 31 December	2,890	4,570

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.

Legislation has been passed in the Finance Bill 2021, to increase the main rate of corporation tax for the Financial Year 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 2023	237	237
Movement	-	-
At 31 December 2023	237	237
AMORTISATION / IMPAIRMENT		
At 1 January 2023	-	-
	-	-
Movement	-	-
Amortisation for the year	-	-
At 31 December 2023	-	-
NET BOOK VALUE		
At 31 December 2023	237	237
At 31 December 2022	237	237

The above intangible asset held by SGIL represents an indefinite useful life asset, and as such there is no amortisation applied.

NOTE 9: INVESTMENTS AT FAIR VALUE THROUGH OCI

	2023 Treasury notes and bonds £'000	2022 Treasury notes and bonds £'000
At 1 January	568,665	747,440
Additions	0	0
Disposals	(192,328)	(141,516)
Coupon	(835)	245
Amortisation of premium/ discount	(1,362)	(2,791)
Revaluation (*)	7,512	(34,713)
At 31 December	381,652	568,665

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.

(*) £6,334k (2022: £(21,335) 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

	2023 £'000	2022 £'000
Derivative financial instruments	128,826	558,985
Fidelity Plan Hedge	23	36
Investment in joint venture*	26,394	36,864
Equities investment	2,660	3,238
	<u>157,904</u>	<u>599,123</u>

(*) As a result of a change in the Company's intentions to transfer its Investment in Joint Venture to another SG entity within a 12 month period, the investment has been reclassified from current to non-current assets for 2023.

Derivative financial instruments consist of interest rate, foreign exchange, 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 is performed a year 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 £128,826k (2022: £559,641k).

NOTE 11: TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Financial assets with brokers, exchanges and clearing houses	7,534,158	9,844,028
Securities purchased under resale agreements	9,029,528	18,569,246
Receivable from clients and banks	627,577	3,320,078
Settlement account on securities transactions	47	12,197
Intragroup loans	150,000	-
Trade debtors	118,035	51,114
Other debtors	51,409	55,180
VAT receivable	22,245	12,603
Current tax	1,929	-
	17,534,928	31,864,446
Allowance for impairment losses	(6,373)	(28,843)
	17,528,555	31,835,603
Amounts falling due after one year:		
Intragroup loans	996,700	1,031,600
	996,700	1,031,600

Included within Trade debtors are Transfer Pricing amounts for the Listed Derivatives business as part of the SG Group's Transfer Pricing Agreement. Comparative figures for 2022 have been aligned accordingly as in previous years the amounts were part of Other debtors.

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

	2023 £'000	2022 £'000
7-12 months	210	485
13-18 months	-	-
19-24 months	-	-
25-36 months	-	-
37-48 months	-	-
	210	485

Included within receivable from clients is £6,373k (2022: £28,843k) of assets that are impaired.

	2023 £'000	2022 £'000
At 1 January	(28,843)	(24,662)
Additional impairment charge	(430)	(1,534)
Write-off	21,301	834
Recovery charge	1,125	(665)
Exchange rate movement	474	(2,816)
	(6,373)	(28,843)

Trade and other receivables include amounts due from other SG SA group companies for £9,360,615k (2022: £14,671,687k).

This includes nineteen intragroup loans with SG SA:

Amount 2023 £000	Amount 2022 £000	Value date	Time to maturity	Interest rate % p.a.	Interest type	Fair Value of the loan at 31.12.2023 £000	Fair Value of the loan at 31.12.2022 £000
160,000	240,000	17-Dec-15	2 Years	2.90%	Fixed	157,303	237,418
80,000	80,000	17-Dec-18	5 Years	2.31%	Fixed	75,920	74,583
80,000	80,000	17-Dec-19	6 Years	1.72%	Fixed	73,117	70,878
44,400	51,800	10-Oct-19	5 Years	2.35%	Fixed	44,049	51,221
87,400	87,400	17-Dec-20	7 Years	0.99%	Fixed	74,730	71,446
35,000	35,000	25-Mar-20	7 Years	1.61%	Fixed	32,059	30,916
27,500	27,500	25-Mar-20	6 Years	1.54%	Fixed	25,336	24,695
27,500	27,500	25-Mar-20	5 Years	1.53%	Fixed	25,811	25,141
7,500	7,500	25-Mar-20	4 Years	1.49%	Fixed	7,113	6,974
7,500	7,500	25-Mar-20	3 Years	1.46%	Fixed	7,193	7,129
7,500	7,500	25-Mar-20	2 Years	1.40%	Fixed	7,293	7,243
7,500	7,500	25-Mar-20	1 Year	1.30%	Fixed	7,506	7,406
114,900	114,900	22-Dec-21	1 Year	1.39%	Fixed	111,475	111,059
50,000	50,000	23-Dec-22	9 Years	5.10%	Fixed	56,395	56,030
50,000	50,000	23-Dec-22	8 Years	5.05%	Fixed	55,597	55,304
150,000	150,000	17-Jan-22	1 Month	SONIA+1.0793%	Variable	151,949	143,150
110,000	-	18-Dec-23	10 Years	4.88%	Fixed	122,592	-
50,000	-	29-Jun-23	9 Years	5.95%	Fixed	59,617	-
50,000	-	29-Jun-23	8 Years	5.97%	Fixed	58,748	-

Loans are recorded at amortised cost and expected to be held to maturity and subsequently the loan will be repaid by the end of the term.

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

	2023 £'000	2022 £'000
Fidelity Plan Hedge	273	161
Derivative financial instruments	195,392	543,706
	195,665	543,867

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 £250k (loss) as at December 2023 (2022: £125k loss).

Financial liabilities at fair value include amounts due to other SG SA, Group companies for £195,392k (2022: £543,831k).

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 on bonds which can have 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, 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 effectiveness		Fair value of the hedging instrument (liabilities)	
2023	2023	2023	2022	2023	2022	2023	2022
%	%	£000	£000	£000	£000	£000	£000
1	1	£151,953	£208,119	£14,825	£20,920	£169,613	£229,039

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 (SOPF) in which the hedged item is included	Change in value used for calculating hedge effectiveness		Accumulated amount of FVH adjustments in SOPF for hedged items that have ceased to be adjusted for hedging gains and losses	
2023	2022	2023	2022		2023	2022	2023	2022
£000	£000	£000	£000		£000	£000	£000	£000
£151,953	£208,119	£137,115	£186,945	Financial assets at Fair value through OCI	£(14,839)	£(21,173)	£14	£253

Hedged item		
Amount of hedge ineffectiveness recognised in profit or loss (P/L)		Line item in P/L in which hedge ineffectiveness is included
2023	2022	
£000	£000	
£14	£253	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, effectiveness rate 2023: 100.59% (2022: 100.53%).

NOTE 13: TRADE CREDITORS AND OTHER PAYABLES

	2023 £'000	2022 £'000
Securities sold under agreements to repurchase	3,611,476	10,055,342
Payables to clients and banks	21,910,441	43,305,829
Settlement accounts on securities transactions	43	14,017
Trade creditors	176,815	95,315
Other creditors	23,533	70,781
Current tax payable	71	2,739
Other tax payable and social security	31	57
Accrued interest on subordinated debt	2,663	1,499
	<u>25,725,072</u>	<u>53,545,579</u>

Included in other creditors are amounts related to sundry creditors and employee benefits.

Trade creditors and other payables include amounts payable to other SG SA, Group companies for £19,417,113k (2022: £36,122,584k).

This includes £5,065,217k (2022: £4,496,175k) drawn down against a £8,523,059k (2022: £8,727,046k) facility with SG SA, in tranches that are repayable from overnight to 1 year that bear a weighted average outstanding positive interest rate of 0.32% (2022: 0.25%), the terms of which are determined by SG SA Group treasury.

NOTE 14: SUBORDINATED DEBT

	2023 £'000	2022 £'000
Subordinated debt	<u>150,000</u>	<u>150,000</u>

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 2022. The carrying value of the subordinated debt approximates its fair value at 31 December 2023.

The accrued interest payable of £2,663k (2022: £1,499k) is mentioned in Note 13.

NOTE 15: PROVISIONS AND CONTINGENT LIABILITIES

	Deferred Bonus £'000	Other Provisions £'000	Totals £'000
At 1 January 2023	562	115	677
Charge for period	941	-	941
Utilisation	(367)	(115)	(482)
Reversals	(6)	-	(6)
Revaluation	0	-	0
At 31 December 2023	<u>1,130</u>	<u>0</u>	<u>1,130</u>

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, issued and fully paid:

	Number	Nominal value	2023 £'000	2022 £'000
Share capital	1,150,000,000	£1	<u>1,150,000</u>	<u>1,150,000</u>

In respect of 2023 financial year, the Board have recommended the payment of a dividend on the ordinary shares of £153.2m (2022: £197.1m) at £0.1333 (2022: £0.1714) per share.

NOTE 17: CLIENT MONEY BALANCES

As at 31 December 2023 segregated Client Money balances held on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts amounted to £7,969,482k (2022: £15,012,329k). These balances do not constitute part of the balance sheet of the Company.

NOTE 18: TRADING DERIVATIVES AND OTHER FINANCIAL COMMITMENTS

	2023 £'000	2022 £'000
Commitments granted		
Equity and index instruments	2,433	1,249
<i>Firm instruments</i>	2,433	1,249
Foreign exchange instruments	24,900,571	48,993,951
<i>Firm instruments</i>	24,900,571	48,993,951
Interest rate instruments	1,930,711	208,119
<i>Firm instruments</i>	1,930,711	208,119
Guarantee commitments granted	7,516,111	20,334,749
Securities pledged as collateral	7,366,901	8,492,173
Total commitments granted	41,716,727	78,030,241
Commitments received		
Equity and index instruments	0	0
<i>Firm instruments</i>	0	0
Foreign exchange instruments	24,977,298	48,998,651
<i>Firm instruments</i>	24,977,298	48,998,651
Interest rate instruments	1,930,711	208,119
<i>Firm instruments</i>	1,930,711	208,119
Guarantee commitments received	10,328,896	24,660,755
Securities received as collateral	3,348,903	4,896,982
Total commitments received	40,585,808	78,764,507

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 clients.

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	157,904	381,652	-	539,556
Trade and other receivables	-	-	18,507,454	18,507,454
Cash and cash equivalents	-	-	8,484,257	8,484,257
At 31 December 2023	157,904	381,652	26,991,711	27,531,267

	Financial Assets at FVTPL £'000	Financial Assets at FVTOCI £'000	Financial assets at amortised cost £'000	Totals £'000
Financial assets	599,123	568,664	-	1,167,787
Trade and other receivables	-	-	32,883,444	32,883,444
Cash and cash equivalents	-	-	21,719,063	21,719,063
At 31 December 2022	599,123	568,664	54,602,507	55,770,294

Categorisation of financial liabilities

	Financial Liabilities at FVTPL £'000	Financial liabilities amortised cost £'000	Totals £'000
Subordinated debt	-	150,000	150,000
Financial liabilities	195,665	-	195,665
Trade and other payables	-	25,724,971	25,724,971
At 31 December 2023	195,665	25,874,971	26,070,636

	Financial Liabilities at FVTPL £'000	Financial liabilities amortised cost £'000	Totals £'000
Subordinated debt	-	150,000	150,000
Financial liabilities	543,867	-	543,867
Trade and other payables	-	53,542,783	53,542,783
At 31 December 2022	543,867	53,692,783	54,236,650

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 Financial Adequacy Rule (OFAR). 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 IFPR 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	0	0	0	0	150,000	150,000
Financial liabilities	0	195,665	0	0	0	195,665
Trade and other payables	17,918,934	5,885,427	1,907,617	12,992	0	25,724,971
At 31 December 2023	17,918,934	6,081,092	1,907,617	12,992	150,000	26,070,636

	Overnight	1-3 months	3-12 months	1-5 years	Greater than 5 years	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Subordinated debt	-	-	-	-	150,000	150,000
Financial liabilities	-	543,867	-	-	-	543,867
Trade and other payables	39,023,057	12,273,775	2,232,648	13,303	-	53,542,783
At 31 December 2022	39,023,057	12,817,642	2,232,648	13,303	150,000	54,236,650

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 clients, issuers or other counterparties to meet their financial commitments.

Following the implementation of the Prudential Regime for Investment Firm on the 1 January 2022, the credit, market and operational risk to calculate SGIL capital requirements have been replaced by quantitative indicators (K factors) which represent the risks that an investment firm can pose to clients, market and the firm itself.

The Company uses the IMR as it is a standard market metric used for listed derivatives counterparties. The counterparty credit rating of clients subject to IMR as at 31 December 2023 is as follows:

	2023	2022
Moody's/S&P or Fitch rating equivalent:	%	%
Investment Grade	91%	89%
Aa3/AA- and above	0%	1%
A1 to A3/A+ to A-	72%	57%
Baa1 to Baa3/BBB+ to BBB-	19%	31%
Non - Investment Grade	9%	11%
Ba1 to Ba3/BB+ to BB-	8%	8%
B1 to B3/B+ to B-	1%	3%
	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 5% of all the counterparties in 2023 (2022: 3%). These counterparties are subject to enhanced counterparty risk management, notably through conservative margin parameters and regular due diligence.

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 8.5 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 Euro, JPY and US dollar currencies and a 1% decrease in Sterling against all foreign currency denominated monetary assets and liabilities at 31 December 2023 would decrease the Company's profit before tax by £40,636k (2022: decrease in profit before tax of £9,027k).
- A 1% parallel change on the interest rate (holding all other variables constant) at 31 December 2023 would decrease the Company's profit before tax by £10,449k (2022: increase by £1,368k).
- Both equity and commodity portfolios arise from fully hedged trading positions and therefore the Company faces minimal market risk exposures.

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>

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 clients and its reputation and ensure adherence to minimum Regulatory limits.

	2023	2022
	£'000	£'000
Tier 1 capital:		
- Share capital	1,150,000	1,150,000
- Profit and loss reserves	330,327	368,737
- Intangible assets	(237)	(237)
Tier 2 capital:		
- Subordinated debt	150,000	150,000
Total capital resources	<u>1,630,090</u>	<u>1,668,500</u>

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 32):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Investments at FVTOCI	381,651	-	-	381,651
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	-	-	-
- Foreign exchange derivatives	-	114,001	-	114,001
- Equity and index derivatives	-	23	-	23
- Commodity derivatives	-	-	-	-
Investment in joint venture	-	-	26,394	26,394
Equity investment	-	-	2,660	2,660
At 31 December 2023	381,651	114,024	29,055	524,730

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Investments at FVTOCI	568,664	-	-	568,664
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	-	-	-
- Foreign exchange derivatives	-	538,065	-	538,065
- Equity and index derivatives	-	36	-	36
- Commodity derivatives	-	-	-	0
Investment in joint venture	-	-	36,864	36,864
Equity investment	-	-	3,238	3,238
At 31 December 2022	568,664	538,101	40,102	1,146,867

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 2023	40,101	-	40,101
Additions		-	-
Disposals	-	-	-
Revaluations	(11,047)	-	(11,047)
At 31 December 2023	29,054	-	29,054

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 32):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Financial liabilities at FVTPL:				
Derivative instruments:				
- Interest rate derivatives	-	75	-	75
- Foreign exchange derivatives	-	195,317	-	195,317
- Equity and index derivatives	-	273	-	273
At 31 December 2023	-	195,665	-	195,665

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Financial liabilities at FVTPL:				
Derivative instruments:				
- Interest rate derivatives	-	-	-	-
- Foreign exchange derivatives	-	543,706	-	543,706
- Equity and index derivatives	-	161	-	161
At 31 December 2022	-	543,867	-	543,867

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 reserves in respect of financial instruments classified at FVTOCI are presented in Other Comprehensive Income (page 31). Subsequent gains or losses arising on FVTOCI realised during the year are 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	24,527,586	(23,988,029)	539,556	(2)
Trade and other receivables	24,722,397	(6,214,943)	18,507,454	(4,250,069)
Cash and cash equivalents	8,484,257	-	8,484,257	-
Financial Assets at 31 December 2023	57,734,240	(30,202,972)	27,531,267	(4,250,071)
Subordinated debt	150,000	-	150,000	-
Financial liabilities at fair value	24,183,694	(23,988,029)	195,665	(2)
Trade and other payables	31,939,914	(6,214,943)	25,724,971	(4,250,069)
Financial Liabilities at 31 December 2023	56,273,607	(30,202,972)	26,070,636	(4,250,071)
	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	43,647,060	(42,479,273)	1,167,787	(538,673)
Trade and other receivables	45,766,354	(12,882,910)	32,883,444	(3,904,689)
Cash and cash equivalents	21,719,063	-	21,719,063	-
Financial Assets at 31 December 2022	111,132,477	(55,362,183)	55,770,293	(4,443,362)
Subordinated debt	150,000	-	150,000	-
Financial liabilities at fair value	43,023,140	(42,479,273)	543,867	(538,673)
Trade and other payables	66,425,693	(12,882,910)	53,542,783	(3,904,689)
Financial Liabilities at 31 December 2022	109,598,833	(55,362,183)	54,236,650	(4,443,362)

NOTE 20: RELATED PARTY TRANSACTIONS

Related Parties

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

- Altura Market, Sociedad De Valores, SA
- SG Americas Securities LLC
- SG Kleinwort Hambros Bank Limited
- SG Securities (Singapore) Pte Ltd
- SG Securities Korea, Ltd
- Société Générale - Paris
- Société Générale Capital Canada Inc
- Société Générale Private Banking (Suisse) SA
- Société Générale Securities Australia PTY LTD
- SG Securities Asia International Holdings Limited
- Société Générale Securities Japan Limited

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:

- SG Securities Asia International Holding Ltd
- 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, Ltd
- SG Americas Securities, LLC
- SG Americas Securities Holdings, LLC
- SG Zurich
- SG Singapore
- SG London
- Société Générale – Paris
- Société Générale European Business Services S.A.
- SG Frankfurt

All related parties are 100% owned subsidiaries or branches 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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	8,394	15,544	153	157
Total	8,394	15,544	153	157

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

	Trade income		Trade expenses	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	0	0	121	155
Total	0	0	121	155

During 2023 SGIL received dividends from Altura Markets S.V. in amount of €18,314k equivalent of £15,738k (2022: €39,693k equivalent of £33,474k).

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

Markets Update:

Following the war and conflicts arisen in Gaza, we are closely monitoring the resulting uncertainty in the markets. There has not been nor is there expected to be any significant impact on SGIL as a result of the event, however SGIL management will continue to assess the risk of escalation and the corresponding impacts on SGIL.

Dividend payments:

In respect of the 2023 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £153.2m (2022: £197.1m).