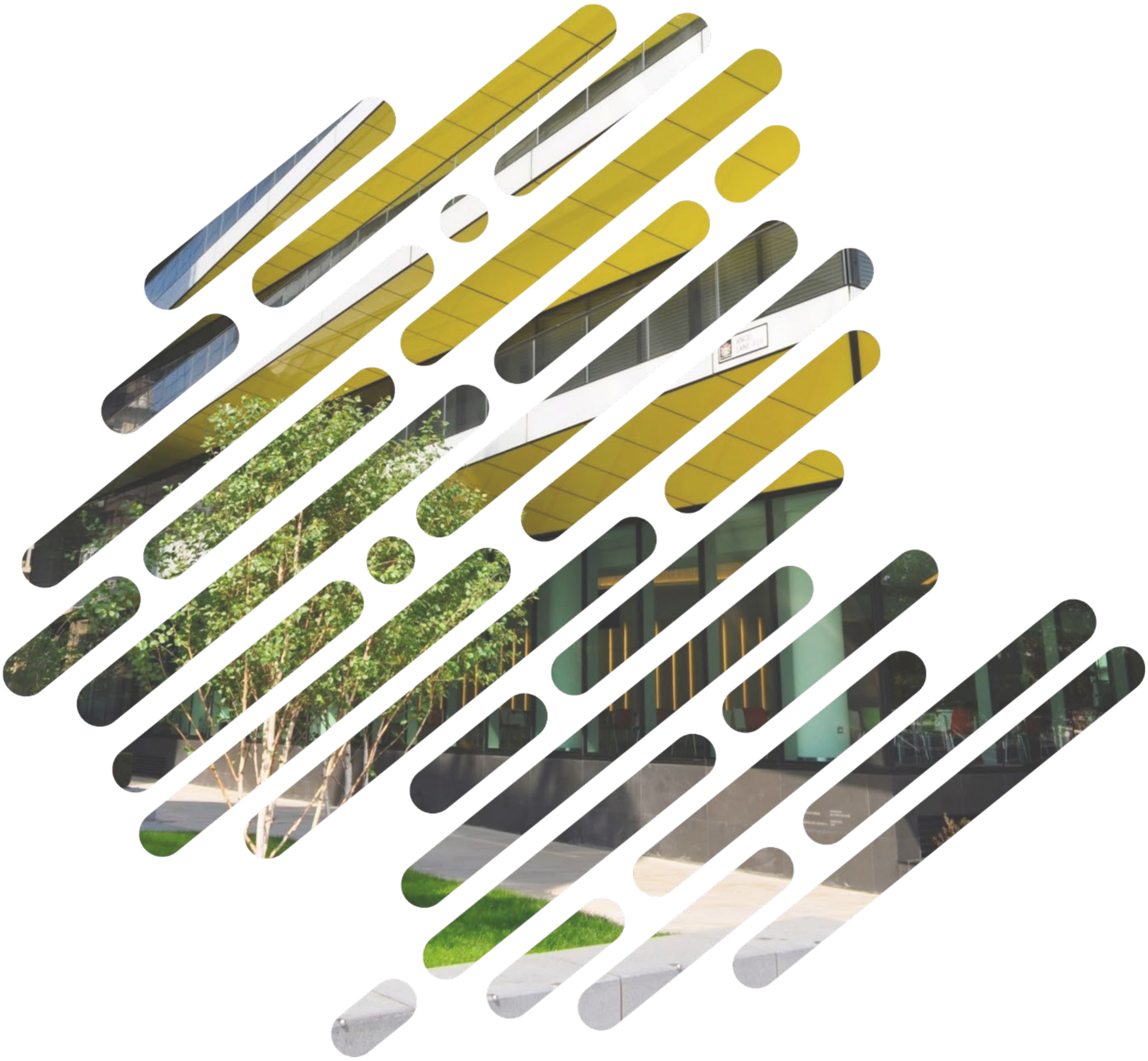


Winterflood Securities Limited

Investment Firms Prudential Regime Disclosure

For the year ending 31 July 2024

Contents

1 Introduction

1.1 Overview

The Investment Firms Prudential Regime ("IFPR") came into force on 1 January 2022 to provide a new framework for the prudential regulation of UK investment firms. Winterflood Securities Limited ("Winterflood") falls within the regime and is categorised as a non-small non-interconnected ("non-SNI") firm. The regime is implemented through the "MIFIDPRU" chapter of the FCA Handbook and references in this document will relate to the rules within that chapter.

A key requirement of the regime is the public disclosure by firms of information explaining the firm's approach to governance and remuneration, as well as its prudential position.

1.2 Basis of disclosure

Each year Winterflood will make the disclosures required under MIFIDPRU 8 on its website, following the end of its financial year on 31 July. In this document, unless stated otherwise, disclosures reflect the position as at 31 July 2024.

Winterflood is a wholly-owned subsidiary of Close Brothers Group plc. Under IFPR, Winterflood is required to disclose on an individual entity basis and the information in this document relates solely to Winterflood unless otherwise specified.

2 Risk Management Objectives and Policy

2.1 Risk Management Structure

The Company has embedded a risk governance framework designed to ensure risks are identified, assessed and managed. This framework has been developed within the Group Enterprise Wide Risk Management Framework ("ERMF"), and has been approved by the Board.

The core components of the Company's risk framework are:

- Risk appetite statements – These are signed off by the Board via the Risk and Compliance Committee ("RCC"). Ensuring consistency with the Group risk appetite statements forms part of this process.
- The RCC has the delegated authority from the Board to implement and oversee the risk management framework. The Chief Risk Officer has a clear mandate in place from the Board to oversee the compliance and risk management frameworks.
- The Company operates a clear three lines of defence structure within its risk management framework. As such, the business has day to day ownership, responsibility, and accountability for risk.
- The Company has adopted the Group ERMF, detailing key components / structures of risk management, including the three lines of defence, risk governance / oversight, risk policies, risk appetite, culture and assurance.

Under the SMCR, the FCA has established a prescribed responsibility for, safeguarding the independence of, and oversight of, the performance of the risk function. This is a prescribed function and at Winterflood is allocated to the CEO in their Statement of Responsibilities. A key element in delivering this responsibility is the Risk Mandate.

Under the Senior Manager arrangements at Winterflood during the financial year to 31 July 2024, the individual performing SMF4 (Chief Risk Function) has responsibility for the overall management of the risk framework, including:

1. The setting and managing of the Company's risk exposures; and

2. Reporting directly to the governing body of the Company [the Board] in relation to its risk management arrangements.

2.2 Risk Appetite

Risk appetite forms a key component of the Company's risk management framework and refers to the sources and levels of risk that it is willing and able to assume to achieve its strategic objectives and business plan. It is managed through an established framework that facilitates ongoing communication between the Board and management with respect to the Company's evolving risk profile.

A well-defined risk appetite is set on a top-down basis by the Board via the RCC. Appetite measures, both qualitative and quantitative, are used to inform decision making, monitoring and reporting processes. Early warning trigger levels are also employed to drive required corrective action before overall tolerance levels are reached.

The Company conducts a formal review of its risk appetite annually. This aligns risk-taking with the achievement of strategic objectives. Adherence is monitored through the Company's RCC on an ongoing basis with interim updates to individual risk appetites considered as appropriate through the year. Quantitative risk appetite thresholds are also monitored monthly at the RCC in the form of Key Risk Indicators ("KRIs").

The Company outlines risk appetite statements for the following:

1. Capital Adequacy Risk
2. Market Risk
3. Credit & Counterparty Risk
4. Operational Risk
5. Regulatory & Legal Risk
6. Model Risk
7. Funding & Liquidity Risk
8. Reputational Risk
9. Conduct Risk
10. Business & Strategic Risk

2.3 Approach to Capital, Concentration & Liquidity Risk Management

Capital risk

Capital risk is the risk that Winterflood has insufficient capital to meet its regulatory minimum requirement. Winterflood's capital requirements are calculated and submitted to the FCA on a quarterly basis. These requirements are driven by the firm's annual expenditure as well as the potential harm it could cause to clients, the market and itself.

The overall financial adequacy rule requires Winterflood to hold adequate own funds to ensure that: a) it is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and (b) Winterflood's business can be wound down in an orderly manner.

Concentration risk

Winterflood monitors and controls all of its concentration risks. This is not only limited to regular monitoring of trading book exposures, monitoring of concentration in assets recorded outside of the trading book plus any off-balance sheet items, it also includes any concentration risk that arises from the following:

- Intragroup exposures.
- The location of client money.
- Location of client securities.
- Location of Winterflood's own cash deposits.
- Earnings from all activities of the firm.

This contributes to the company's daily K-CON monitoring. Winterflood has identified that it did not have any such exposures which exceeded the concentration risk hard or soft limits as at 31st July 2024.

The management of concentration risk helps Winterflood to mitigate potential material losses that could impact itself or its clients.

Liquidity risk

Liquidity risk is the current or prospective risk arising from Winterflood's potential inability to meet its obligations or liabilities as they come due without incurring unacceptable losses or excessive costs. Liquidity risk is inherent to Winterflood's business model and as such has a defined risk appetite in place and is governed by Winterflood's Funding and Liquidity Standard.

Winterflood monitors its liquidity position daily to ensure that the regulatory minimum requirements are met, and to monitor emerging liquidity trends and future liquidity needs. Stress testing is used to identify whether the Company holds sufficient liquid assets.

The overall financial adequacy rule requires Winterflood to hold adequate liquid assets to ensure that: a) it is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and (b) Winterflood's business can be wound down in an orderly manner.

2.4 Assessing the Effectiveness of Risk Management Processes

Winterflood allocates significant resource to its risk and control environment. This investment includes human capital and technology across both the first and second lines of defence. The effectiveness of this risk and control environment is formally assessed internally through risk assurance and compliance monitoring reviews. Independent assurance is also provided through Close Brother's Group Internal Audit function and external auditors.

3 Governance arrangements

3.1 Winterflood's Board of Directors

Winterflood's Board of Directors defines and oversees the governance arrangements of the firm, led by the Chair and Chief Executive Officer. The Board make-up is designed to ensure that each business area and operational function is represented, providing the management body with a complete and detailed view of operations and risk management across the firm. The Group Chief Executive Officer of Winterflood's ultimate parent, Close Brothers Group plc, acts as the Chair of the Winterflood Board and the Group Finance Director is also a director.

3.2 Allocation of Responsibilities

Under its established senior management arrangements, Winterflood has defined and allocated responsibility for every area of the business, both revenue-generating and operational, to a specific senior manager. Ownership of the firm's risks are explicitly aligned to first line senior managers to ensure clarity of ownership and accountability. These arrangements are regularly reviewed and redefined where necessary to optimise segregation of duties.

3.3 Conflicts of Interest

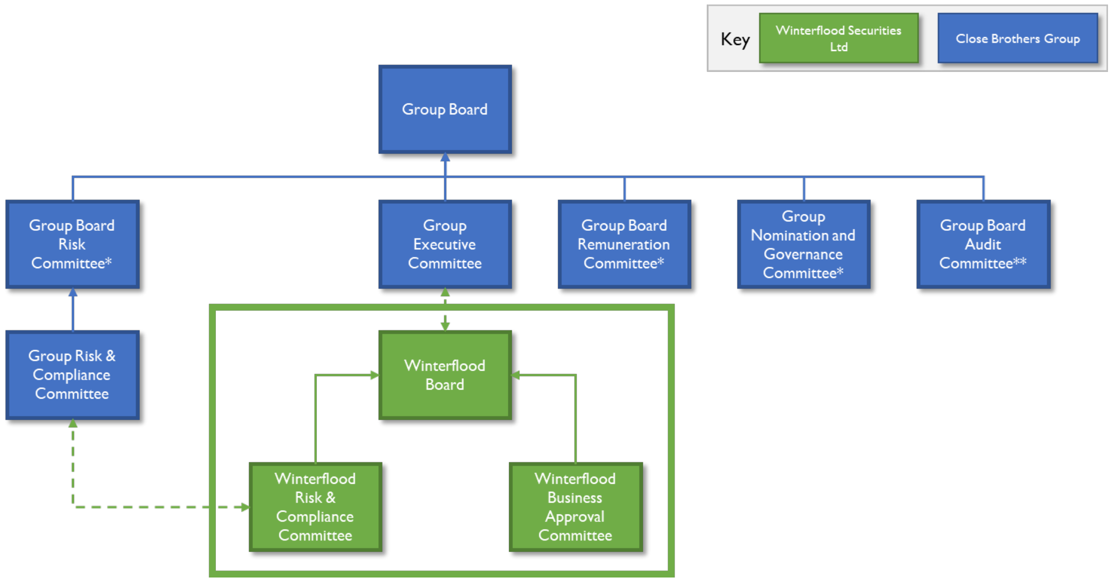
Directors are obliged to disclose all personal interests and potential conflicts with outside interests are authorized by the Board on an annual basis. Winterflood maintains clear policies and procedures for the identification and management of conflicts of interest arising within the firm and training is provided to all staff on a periodic basis. All actual and potential conflicts of interest must be disclosed and reviewed by the firm's Compliance function, with appropriate measures implemented to eliminate, manage or disclose the conflict of interest as required. Winterflood operates both physical and technological information barriers between different business areas to ensure that information that may give rise to a conflict of interest does not pass between teams. Staff receive regular training on market conduct and how to identify and report suspected abusive activity.

Close Brothers Group conducts regular assessments to identify and manage potential institutional conflicts of interest between different entities and businesses within the group.

3.4 Board Committees

Winterflood's Board of Directors delegates its authority to two formal Board committees: the Winterflood Risk & Compliance Committee ("RCC") and the Business Approval Committee ("BAC"). Each committee has clearly defined Terms of Reference and has membership comprising Board directors/Senior Managers, supplemented as necessary by subject matter experts from across the business. In addition to the formal Board committees, a number of informal committees and management forums operate in order to facilitate the effective management of the firm and its risks.

As a wholly-owned subsidiary of Close Brothers Group plc, Winterflood sits within the wider group governance structure as illustrated below:



* Further to a rule modification granted by the FCA, Winterflood has a waiver from the requirement in MIFIDPRU 7 to establish entity-level non-executive Risk, Remuneration and Nomination Committees, which it would otherwise be obliged to do. These committees are established at Group Board level and include Winterflood within their Terms of Reference. The chairs of the respective committees are approved by the FCA to perform senior manager functions in relation to Winterflood, as group entity senior managers.

** Winterflood has not established a local internal audit function but instead relies upon the Group Internal Audit ("GIA") function, which includes Winterflood within its scope. As for the Group Board Committees mentioned above, GIA is overseen by the Group Board Audit Committee, the Chair of which is approved by FCA to perform senior manager functions in relation to Winterflood as a group entity senior manager.

3.5 Approach to diversity

3.5.1 Overview

Winterflood understands and values the multiple benefits diversity of thought brings to both the Company in terms of a healthy and inclusive culture, strong governance, and the evidenced improvement to both standards of conduct and performance of the business.

Winterflood has continued to evolve its diversity and inclusion strategy, in order to maintain and increase a pipeline of diverse talent at all levels of the business.

Winterflood's commitment to promoting a diverse and inclusive workforce free of harassment and discrimination is set out in the Company's Diversity & Inclusion (D&I) strategy, Our Way code of conduct, Our Dignity at Work policy and is reinforced through all of our people related processes.

As part of the Close Brothers Group, who are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes and social enterprises, including the Race at Work Charter, the Social Mobility Pledge, the Women in Finance Charter and the Valuable 500 we are committed to evolving to improve gender balance and representation from minority groups. We continue to partner with leading diversity organisations, including Stonewall and the Business Disability Forum, to help inform our thinking and subsequent actions. We continue to run inclusive leadership training sessions for our managers, senior managers and our Board, highlighting how actions and behaviours can shape our inclusive culture.

3.5.2 Board Diversity

Appointments to the Winterflood Board are subject to Group Nomination committee approval. The approach to executive recruitment combines an assessment of a broad set of qualities inclusive of skills, technical capabilities alongside an assessment of competencies against the Group's leadership and Winterflood behavioural frameworks.

Due to the nature of our industry and commitment to our people, Winterflood primarily focuses on growing its own diverse talent from entry level programmes. We understand that it will take time to see significant improvements especially at Board and managerial levels as historically the pool of available talent within the sector has suffered from limited diversity, hence our commitment to improve diversity in these areas by encouraging a diverse pipeline of internal talent for our future management team. Executive Search firms are engaged in respect of

Board appointments to identify and recommend appropriate external and/or diverse talent, having evaluated the balance of suitability and diversity attributes represented at Board level, and to measure the strength of internal candidates against their external peer group.

The current composition of the Winterflood Board can be viewed here. The Board reflects differences in respect of gender, social mobility and personal life experiences which provides diversity of thought and experience (Board social economic background 63% Professional, 0% Intermediate, 37% Working Class, compared with the Financial Services as a whole at 45%, 21%, 34% respectively). 63% of the Board attended state schools (25% selective, 38% non-selective). 25% of the Board have registered as a person with a disability, and 25% have primary caring responsibilities. The Board are committed to an improvement in diversity over the long term and all Board executives have a personal objective related to diversity and inclusion, and improvement in their area of oversight.

3.5.3 Targets

In order to align to methodologies proposed by the Parker Review for the measurement of progression at senior levels, the Company has changed the definition of Senior Manager from "*manager of manager(s)*" to "*the members of the Company's Board and the senior executives reporting directly to them*".

Winterflood continues to monitor progress against gender and ethnicity targets for FY25 in respect of our total staff population, our managerial and senior manager population. Unfortunately, despite our efforts, we have seen a reduction in respect of female representation at each level (20% at senior manager, 21% at manager and 26% for our population overall, a reduction of 2%, 1% and 3% on FY23 respectively) but have achieved an improvement in ethnicity minority representation for our total population rising from 13% to 16% year on year, and maintaining levels of 6% and 2% at manager and senior manager levels respectively.

Aligned to FY23, gender parity in the population is lower in our technology and trading environments and within the senior management population. Our progress relating to ethnic minorities continues across all departments, but as with the broader industry, more progress is needed at senior manager level.

The Board have implemented a 3-year Diversity & Inclusion strategy, in conjunction with the wider Group strategy in order to continue to improve and maintain the progress made to date. The strategy focuses on four core areas; Tone from the top and the middle, improvement and retention of diversity, maintenance of a strong inclusive culture and enhancing our brand's reputation as an inclusive employer. Further information on the Company initiatives to improve diversity & inclusion can be found in our Gender Pay Gap report published on our website www.winterflood.com The Board will set FY27 targets for gender and ethnicity shortly as part of the plan progression. Progress against the plan will be communicated internally to all staff on an annual basis.

Our most recent pulse Employee Opinion Survey closed in February 2024. We retained high levels of engagement in line with benchmark at 83%, but lower than prior year surveys. Our response rate remained strong at 68% allowing us to draw insight from our results but was lower than prior 3 years' rates of 89% or above. Feedback showed a strong sense of belonging with 92% of colleagues feeling included by their colleagues, 93% of colleagues feeling able to speak up and 88% feeling all employees were treated fairly irrespective of their characteristics or how they chose to identify.

3.6 Directorships

No member of the Winterflood Board holds more than one executive or non-executive directorship in addition to their directorship of Winterflood Securities Ltd. This excludes directorships of Winterflood's subsidiaries or other group entities, and directorships of organisations which do not pursue predominantly commercial objectives.

The following table sets out the number of directorships held by members of the Winterflood Board as at 31 July 2024 (inclusive of Winterflood Securities Limited):

Director	Number of Group directorships[1]	Outside directorships
Adrian Sainsbury (Chair)	5	0
Rebekah Coughlan	1	0
Bradley Dyer (Chief Executive Officer)	5	0
Grant Davidson	5	0
Alex Kerry	2	0
Mike Morgan	6	0
Simon Rafferty	5	0
Alex Skrine (to 2nd October 2023)	5	0
James Stapleton	5	0

Matthew Wilkinson	1	1
Joe Winkley	1	0

[1] Includes holding and nominee companies

As at 31 July 2024 the FCA had not granted any modification or waiver in order to allow a member of the Winterflood Board to hold additional directorships.

4 Own Funds

4.1 Table OF1: Own Funds Composition

The following table shows the composition of Winterflood's own funds:

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**87,292**	
2	**TIER 1 CAPITAL**	**87,292**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**87,292**	
4	Fully paid up capital instruments	120	SOCE*
5	Share premium	2,668	SOCE
6	Retained earnings	86,301	SOCE
7	Accumulated other comprehensive income		
8	Other reserves	1,000	SOCE
9	Adjustments to CET1 due to prudential filters	(2,796)[1]	
10	Other funds	N/A	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/A	
19	CET1: Other capital elements, deductions and adjustments	N/A	
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		

*Statement of Consolidated Equity. [1] Deductions: suspended shares; intangibles; investments; and loan for fractional portfolio

29	Tier 2: Other capital elements, deductions and adjustments	

4.2 Table OF2: Reconciliation of Own Funds with the capital in the balance sheet in the audited financial statements to 31 July 2024.

	Amount in GBP (thousands) as at period end	Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Cross-reference to Table OF1
Assets – Broken down by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Assets	624	N/A	
2	Tangible Assets	9,119	N/A	
3	Investments	1,284	N/A	
4	Right of Use Assets	15,041	N/A	
5	Deferred Tax Assets	0	N/A	
6	Long Positions in Securities	41,826	N/A	
7	Debtors – amounts falling due within one year	663,772	N/A	
8	Corporation Tax	7,063	N/A	
9	Cash at Bank and in Hand	62,285	N/A	
	Total Assets	**801,014**		
Liabilities – Broken down by liability classes according to the balance sheet in the audited financial statements				
1	Short Positions in Securities	14,798	N/A	
2	Creditors – amounts falling due within one year	678,382	N/A	
3	Provisions	1,424	N/A	
4	Non-current liabilities or Creditors – amounts falling due after one year	16,321		
	Total Liabilities	**710,925**		
Shareholders				
1	Called Up Share Capital	120	N/A	Item 4
2	Share Premium Account	2,668	N/A	Item 5
3	Capital Redemption Reserve	1,000	N/A	Item 8

4	Profit and Loss Account	86,301	N/A	Item 6
	Total Shareholders Equity	**90,089**		**Items 1 & 9**

4.3 Table OF3: Main features of Own Instruments issued by Winterflood Securities Limited:

Public or private placement	Private
Instrument type	Ordinary shares
Amount recognized in regulatory capital (GBP thousands, as of 31 July 2024)	£120,292.60[2]
Nominal amount of instrument	£0.10
Accounting classification	Called up share capital
Original date of issuance	All shares have been in issuance since at least 2001
Perpetual or dated	Perpetual

[2] Before deductions

5 Own Funds Requirements

5.1 Calculation of K-Factor Requirements and Fixed Overhead Requirement

(1) the K-factor requirement, broken down as follows:

(a) the sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement		
	K-AUM[3]	-
	K-CMH	£530,547
	K-ASA	£5,517,301
	Total	***£6,047,848***
(b) the sum of the K-COH requirement and the K-DTF requirement		
	K-COH	£113,050
	K-DTF	£501,903
	Total	***£614,953***
(c) the sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement;		
	K-NPR	£8,219,350
	K-CMG[3]	-
	K-TCD	£78,098
	K-CON[4]	-
	Total	***£8,297,448***
Total K-factor requirement		**£14,960,249**

(2) the fixed overheads requirement:

Total fixed overhead requirement (FOR)	**£19,443,421**[5]

The own funds of Winterflood consist of the sum of its common equity tier 1 capital (which is a sum of fully paid-up capital instruments, share premium, retained earnings and other disclosed reserves; all components are available to Winterflood for unrestricted and immediate

[3] K-AUM and K-CMG are not applicable to Winterflood
[4] K-CON is applicable to Winterflood but there was no requirement in the period
[5] In accordance with MIFIDPRU 4.5.2R(1), the fixed overheads requirement calculation shown above is based on the figures in Winterflood's most recent audited annual financial statements (to 31 July 2024). Winterflood's fixed overheads requirements based on relevant expenditure during the preceding year (to 31 July 2023) was £18,454,627.

use to cover its risks or losses as soon as these occur). Winterflood follows a regulatory risk-oriented approach to own funds requirements, to ensure that capital backing is in line with risks.

Winterflood's capital requirement (Own Funds Threshold Requirement) is determined by the company’s annual internal capital adequacy and risk assessment (ICARA) process. As described in the MIFIDPRU rules, it is the highest of: the permanent minimum requirement; an assessment of the risks from its ongoing operations; and an assessment of the financial resources required for an orderly wind down.

5.2 Approach to Assessing the Adequacy of Own Funds

Winterflood assesses its capital adequacy on at least an annual basis through the ICARA process. For the assessment of the risks from ongoing operations, the Company first identifies any relevant risks in addition to the prescribed K-factor risks. Both these additional risks and K-Factor risks are then stressed to determine the loss that could occur under a severe but plausible scenario.

For the assessment of own funds required for an orderly wind down, the Company first determines the length of time an orderly wind down would take to minimise harm to clients and the market. Estimates are then made of the people, technology, premises and other resources needed throughout the wind down period.

6 Remuneration

This remuneration disclosure has been prepared to satisfy the requirements of MIFIDPRU 8.6 (Remuneration Policy and Practices) in the Financial Conduct Authority (“FCA”) Handbook. Winterflood Securities Limited (“the Company”) is subject to the ‘extended’ remuneration requirements of the MIFIDPRU Remuneration Code and therefore this disclosure has been undertaken in line with the MIFIDPRU 8.6 provisions applicable to non-small and non-interconnected (“non-SNI”) firms subject to the extended remuneration requirements. The Company is a fully-owned subsidiary of Close Brothers Group plc (“CBG”) and therefore forms part of the wider CBG corporate group (“Group”).

6.1 Remuneration policy and principles

The Group and Company Remuneration Policy for all staff is outlined in the Group’s Total Reward Principles (“Company Remuneration Policy”), with the exception of the approach to CBG Executive Directors, which is outlined in the Directors’ Remuneration Policy. Where the Company remuneration principles or approach differ to that applied to the Group as a whole, the differences are outlined in Appendix 2 of the Company Remuneration Policy.

The aim of the Company Remuneration Policy is to ensure remuneration for our employees is appropriate and promotes sound and effective risk management, good outcomes for clients and the markets we serve, achievement of our long-term strategy and is appropriate when reviewed against business and individual performance. The policy is designed to ensure that the impact to the Company’s long-term sustainability is considered when remuneration decisions are made.

6.2 Approach to Remuneration

The Group and Company approach to remuneration is overseen by the Group Remuneration Committee (“Remuneration Committee”) to ensure that the way we pay our people is aligned to our business performance and long term strategy, is compliant with regulation and legislation, and promotes effective risk management and the demonstration of behaviours outlined in Our Way, the Company's Code of Conduct.

The reward structure aims to:

- Reward and drive good performance and ethical behaviour;
- Ensure clear governance around remuneration;
- Retain and develop key talent at all levels of the Company;
- Promote the achievement of the Company's long-term strategic objectives;
- Support effective risk management and the maintenance of the Company's culture, as outlined in Our Way (the Company's Code of Conduct).

6.3 The Remuneration Committee

The Remuneration Committee serves as the Company's Remuneration Committee, pursuant to a waiver granted by the FCA. Its members consist of at least three Non-Executive Directors of CBG. The Group Chief Executive, Group Head of Human Resources and Group Head of Reward & HR Operations attend meetings by invitation.

The Remuneration Committee's mandate is to determine the overarching principles and parameters of the Company Remuneration Policy applicable to the Group, taking into account all legal, regulatory and corporate governance requirements. The Remuneration Committee is responsible for ensuring that the reward structure of the Company and broader Group achieves the aims outlined in our Approach to Remuneration. In addition, the Remuneration Committee ensures that the Company Remuneration Policy is implemented effectively across the Group.

The Remuneration Committee receives input from Second Line functions Risk and Compliance, in respect of any concerns relating to risk management or behaviour displayed, which will impact the Remuneration Committee's decisions in respect of any risk adjustments that should be applied at pool or individual level.

The Remuneration Committee is also responsible for the review and approval of the Company's process for identifying Material Risk Takers ("MRTs") under SYSC 19G.5, including reviewing the Company's specific identification criteria, and the resulting list of MRTs. The Remuneration Committee also oversees and approves remuneration awarded to

MRTs. Variable remuneration is awarded to non-MRTs (the Company's employees not identified as MRTs) at the discretion of the Company's Management Board but is subject to review and challenge by the Group Head of Reward and HR Operations, Group Head of HR and Group CEO when required by the Group Remuneration Approval Framework. Any change in the overarching principles or approach would need ratification and approval from the Remuneration Committee.

The Remuneration Committee used Deloitte LLP as external consultants in the annual review and development of the group remuneration policies and practices. Deloitte confirmed to the Remuneration Committee that the Company's remuneration practices continue to meet the regulatory requirements outlined in the MIFIDPRU Remuneration Code.

During FY23, in preparation for FY24, the wording of the Total Reward Principles was updated to comply with the Governance and Culture section of the FCA's Consumer Duty requirements. The Performance Share Award was introduced to replace the LTIP for senior managers within the Group and Bank. The Remuneration Committee's Terms of Reference are reviewed regularly and are available in full on the Group's website.

6.4 Material Risk Takers (MRT)

The Company's material risks from its business model and strategy are identified in the ICARA, on at least an annual basis. The risks are assessed using the bottom-up aggregation of the functional Risk and Control Self-Assessment (the "RCSA") process, as well as a top-down overlay from the Company's Management Board, to determine a resultant list of risks that, if realised, may result in material harm to the Company's clients, counterparties, the markets in which the Company operates, and associated stakeholders.

The Company reviews the employee population against the MRT identification criteria outlined in SYSC 19G.5 and considers criteria relating to the specific types of activities and risks relevant to the Company in identifying its MRT population. As a specialist services firm operating in the trading ecosystem, examples of Company-specific risks can be found below:

- Market risk, arising from client facilitation activities that the Company undertakes; the primary source of this risk is price changes in the underlying securities in the Company's equity portfolio. Additional sources of market risk can be seen in the interest rate risk that arises from fixed income activities, and foreign exchange risk relating to international trades.

- Conduct risk, namely the risk that acts or omissions by the Company or its employees deliver poor or unfair outcomes for clients, employees, Company stakeholders and the markets in which the Company operates, can arise from personal or collective financial or non-financial misconduct and/or the failure to safeguard positive behaviour and good culture.

The Company's MRT selection, as well as its application of the mandatory and Company-specific criteria applied, has been reviewed and approved by the Remuneration Committee for FY24.

During FY24, the Company had 12 MRTs, 10 of which were Senior Managers of the Company. The MRTs were segregated into three categories: Front Office, Back Office and Control Functions and ratios for remuneration were then set and applied to these MRT populations.

6.5 Remuneration components

The Company and the wider Group aims to deliver total remuneration (which will always incorporate fixed compensation but may be a combination of fixed and variable compensation) at a level aligned to the market for the role. The same categories applied to the MRT population are applied to the population as a whole, and thus the same ratios apply as a maximum ratio of fixed to variable compensation for role categories.

Remuneration at the Company is made up of:

- Fixed remuneration inclusive of salaries, pension, and benefits. Salaries are set in line with the employee's professional experience and industry benchmark for the role, and approach set by the Remuneration Committee and documented in the Company Remuneration Policy. Employer pension contributions and benefits package are benchmarked to the financial services industry and all employees are eligible, subject to each benefit scheme's outlined criteria.

- Variable Remuneration consists of a discretionary annual bonus, which depends on individual, team and company performance. Any variable remuneration, inclusive of deferred portions, is paid or vests only if sustainable according to the Company's financial situation as a whole. All employees are eligible to be considered for a discretionary award, and therefore eligible to receive variable remuneration.

6.6 Remuneration links to Performance

6.6.1 Performance of the firm

The overall bonus pool is normally funded by the adjusted operating profit ("AOP") for the financial year to which the variable remuneration applies. Prudent accounting methods ensure a true and fair evaluation of financial performance has been completed, aligning variable compensation directly with the performance of the Company (and relevant business units within this) and directly evidencing affordability.

For FY24, the bonus pool was calculated based on the Winterflood Business Services profit after direct costs in isolation, as the core business lines were loss making. The change to the calculation was approved by the Group Remuneration Committee for the FY24 year only for the retention and incentivisation of staff.

6.6.2 Performance of the individual

Awards are made on an individual basis based on individual performance and behaviour assessments, which include a measure of financial performance where appropriate, in line with expected performance given market conditions. Non-financial criteria include compliance & risk breaches, disciplinary action and conduct rules breaches, as well as client and 360 feedback, nominations and Our Way awards. Both performance and behaviour assessments result in a rating which is matrixed to provide an overall rating for the performance year. Ratings are calibrated and supporting commentary reviewed, and Compliance & Risk participate in the annual compensation review process, inclusive of rating calibration meetings.

Compensation mix and total package is benchmarked against industry comparators, in order to ensure compensation is competitive and aligned to market.

6.7 Risk adjustment

The Company regularly assesses and mitigates current and future risks in respect of the aforementioned ICARA and RCSA processes. As the Company's bonus pool is calculated from AOP, accruals made in respect of any current risks have already been taken into consideration. The Group Chief Risk Officer, taking into consideration input from Winterflood's Chief Risk Officer, provides the Remuneration Committee with an associated assessment to ensure the final bonus pool takes into consideration current and future (ex-ante) risks, including financial risks (e.g. a material downturn in Company performance, profit or adjusted operating profit) and non-financial risks (e.g. conduct in conflict with the culture and values outlined in Our Way, failure to pass the Fitness and Propriety assessment to maintain certificated status or Senior Manager Functions, operational failing leading to poor or unfair client outcomes, issues or incidents which lead to reputational damage in respect of the Company or the Group).

Ex-post risk adjustments to current year awards can be applied to all staff, irrespective of MRT status. The application and extent of ex-post risk adjustments (including in-year adjustments, malus and clawback) are considered on a case-by-case basis, taking into consideration factors including but not limited to:

- Severity and impact of the incident or issue and scale of loss or damage (financial, reputational or otherwise), any resulting client detriment, cost of any regulatory actions or impact on WINS or Group relationships with other stakeholders.
- Individual accountability in respect of the incident inclusive of culpability and proximity to the issue.
- Role and seniority of the individual
- Root cause analysis, and remedial action
- Potential or realised resultant harm to the client, firm or markets which the Company serves.

Malus is applied for the duration of the applicable deferral period applied to MRTs (and the retention period, in the case of awards in Instruments). For MRTs, clawback spans a four year period in respect of awards vesting in Instruments, and a three year period in respect of elements vesting in cash. Non-MRTs who are categorised as "Front Office" or are subject to the certification regime are also subject to deferral ("Deferral Population"). For the Deferral

Population, malus applies for the duration of the two-year deferral period and clawback is applicable for a three-year period post award.

Malus may be applied to MRTs and the Deferral Population in respect of the below, which is not exhaustive:

- Reasonable evidence of employee misbehaviour or material error
- A material downturn in financial performance
- A material failure in risk management
- The determination of a variable award was based on material error, materially inaccurate or misleading information
- Payment of any award is not sustainable in respect of the Company's financial situation or justified in respect of its performance.

The vesting of awards may also be deferred pending resolution of an investigation into any of the above matters, or on approval by the Remuneration Committee in respect of former employees or those having given or received notice of termination of employment.

6.8 Non-standard Variable Remuneration

All non-standard variable remuneration for Company MRTs requires Remuneration Committee approval and are subject to deferral, malus and clawback. Any such awards are included in the calculation of the fixed-to-variable remuneration ratio for the performance year in which the award is made. The exceptional pay ratio set for the relevant MRT categories applies in such scenarios. Non-standard variable remuneration awarded to non-MRTs may be subject to approval from the Remuneration Committee where criteria within the Remuneration Governance Framework applies.

6.8.1 Guaranteed Variable Remuneration

The Company may occasionally award guaranteed variable remuneration to candidates as part of an offer of employment, in exceptional circumstances. Guaranteed variable remuneration can only be granted in the first year of employment, when the Company has a strong and sound capital base.

6.8.2 Buy-out awards

Buy-out awards may be made to compensate new employees for the forfeiture of unvested deferred variable remuneration awarded by their prior employer. Buy-out awards will be no more than the original award; periods of deferral, malus and clawback will match or exceed the original award.

6.8.3 Retention Awards

Retention Awards are not normally made. They would only be made in the context of a defined event or where the Company requires key individual(s) to remain in place i.e. restructure, wind-down, change of control. If a Retention Award is awarded to an MRT, the same conditions of award will apply. All Retention Awards are subject to Remuneration Committee approval.

6.8.4 Severance Payments

Severance pay relates to non-contractual payment in respect to the early termination of a contract of employment. The value of severance pay will vary dependent on the scenario in which it is applied, but it will not reward failure or misconduct. Criteria such as the length of an individual’s employment, rational for early cessation of employment and potential risks, cost of legal fees and settlement costs. Malus and clawback will apply to severance pay awarded to an MRT, as will the applicable exceptional pay ratio.

6.9 Deferral & Retention Periods

In line with the requirements of the MIFIDPRU Remuneration Code, MRTs are subject to 40%-60% deferral dependent on the total value of variable remuneration awarded in the relevant performance year (“the Variable Remuneration”), with vesting prorated over a four-year period. 50% of the Variable Remuneration is awarded in Instruments. Elements of the award vesting in Instruments are subject to a one-year retention period, or a one-year maturity period in respect of non-deferral. Write-down provisions based on the Company's own fund requirements and service conditions apply until the end of the retention period.

Due to the nature of the Company's activities, and an assessment of what would constitute a reasonable time period in which misconduct or material error would be expected to come to light, the total maturity period of four years (three year vesting period and one year retention) is considered to be a sufficient time period for the Company to have become aware of any issue which could warrant the application of malus and/or clawback for the MRT population. The pro-rated vesting of variable remuneration is considered to be appropriate to balance the Company's ability to retain talent with the ability to apply a sufficient risk adjustment during the timeframe for the maturity of the award.

25% of the Deferral Population's Annual Discretionary Award is deferred in cash for a two year period vesting on a prorated basis. As the Deferral Population are not MRTs and are considered to have a lesser potential impact on the risk profile of the business, the shorter time frame for maturity of the award was deemed appropriate in respect of the considerations outlined above.

6.10 Individual Proportionality

For MRTs who meet individual proportionality criteria, requirements relating to deferral and payment in instrument are disapplied subject to the Remuneration Committee's approval, and the Award conditions applied to the Deferral Population are applied instead.

6.11 Quantitative disclosures

Total amount of remuneration awarded in performance year to 31 July 2024

£m Remuneration	Senior Managers	Other MRTs	Other Staff	TOTAL
Fixed	2.5	0.4	24.7	27.5
Variable	0.6	0.0	1.6	2.1
Total	3.1	0.4	26.2	29.7

Total amount of guaranteed variable remuneration and severance pay awarded to MRTs

£m Remuneration	Senior Managers	Other MRTs	Other Staff	TOTAL
Guaranteed variable awards	0.0	0.0	0.0	0.0
Severance awards	0.1	0.0	0.5	0.6

No guaranteed variable awards were awarded to MRTs in 2024. The highest severance payment received by a MRT was £0.1m.

Payout process rules disclosures

£m Remuneration	Senior Managers		Other MRTs		TOTAL	
Variable remuneration						
	Non-deferred	**Deferred**	**Non-deferred**	**Deferred**	**Non-deferred**	**Deferred**
Cash	0.4	0.2	0.0	0.0	0.4	0.2
Shares	0.0	0.0	0.0	0.0	0.0	0.0
Share-linked instruments	0.0	0.0	0.0	0.0	0.0	0.0
Other forms of remuneration[6]	0.0	0.0	0.0	0.0	0.0	0.0

[6] It is not considered that shares issued by Winterflood's ultimate parent company, Close Brothers Group plc, are sufficiently correlated to Winterflood's own performance to provide an adequate non-cash instrument for variable remuneration of Material Risk Takers. Winterflood, therefore, has implemented a bespoke instrument for the deferral of variable remuneration, designed to comply with the relevant FCA criteria for a non-cash instrument as set out in the MIFIDPRU Remuneration Code.

For all 12 individual MRTs, the Company relied on the individual proportionality exemption set out in SYSC 19G.5.9R, in respect of the payment of variable remuneration in instruments, and the application of retention periods and deferral. Their total remuneration (split into fixed and variable remuneration) is set out in the first table above. The Company did apply a deferral period to 30% of Senior Manager MRTs' total variable remuneration, conditions of the award inclusive of malus and clawback allied to conditions applied to the Deferral Population.

£m Remuneration	**Senior Managers**	**Other MRTs**	**TOTAL**
Deferred remuneration due to vest in financial year of disclosure			
Of which has been/will be paid out	2.8	0.0	2.8
Of which has been/will be withheld as a result of performance adjustment	0.5	0.0	0.5

£m Remuneration	**Senior Managers**	**Other MRTs**	**TOTAL**
Deferred remuneration awarded for previous performance periods			
Of which due to vest in financial year of disclosure	3.2	0.0	3.3
Of which due to vest in subsequent years	1.1	0.0	1.1

7 Investment Policy

7.1 Introduction

Winterflood's Market Making & Sales business facilitates client trading activity. In doing this, however, Winterflood may incidentally hold shares in a company for extended periods in order to facilitate actual or anticipated client business and in rare instances this may exceed 5% of voting rights in that company.

As a matter of policy, Winterflood does not exercise any voting rights except where this is necessary to protect its or its clients' interests, for example in the case of corporate actions.

7.2 Table IP1: Proportion of Voting Rights

The following table shows companies where Winterflood held an end-of-day position representing greater than 5% of all voting rights during the year to 31 July 2024.

In addition to the information required by MIFIDPRU 8.7.2R, we have included information on the number of business days the position was held, to help provide context on the nature of holdings.

Company Name	LEI	Proportion of Voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R	*Total business days for which end-of-day holding exceeded 5% of voting rights*
ACG Acquisition Company Limited	549300NXL2KSHKJXTU29	Minimum 4.86% Maximum 10.21%	*120*
Active Energy Group Plc	213800P9PW3HJ5YJRK43	Minimum 5.01% Maximum 5.37%	*23*
Dukemount Capital PLC (pre Consolidation)	213800IVPZ932NP24O44	Minimum 6.02% Maximum 6.68%	*5*
Dukemount Capital PLC (Post Consolidation)	213800IVPZ932NP24O44	Minimum 5.02% Maximum 26.37%	*21*
File Forge Technology Plc (previously Clarify Pharma Plc)	984500B744CA787B4C14	5.09%	*31*
Graft Polymer (UK) Plc	2138005PH7OJRCRPUD88	Minimum 8.45% Maximum 13.8%	*4*
Itsarm PLC	2138007SBFARUPP3OP60	5.39%	*214*
Invesco Perpetual Select Trust	549300JZQ39WJPD7U596	9.70%	*4*
Igraine PLC	213800VX2NIA6TZN3I39	Minimum 5.73% Maximum 6.45%	*254*
Mast Energy Dev	213800HFVHGJ9YGO9F71	Minimum 6.03% Maximum 9.54%	*52*
Milton Capital plc	213800HP1JUEEDRXTV09	Minimum 5.05% Maximum 6.11%	*7*
Mosman Oil and Gas Ltd	213800PWZID9URNNGZ54	6.49%	*1*
Omni Egis plc	213800P3SDAEQQESWY91	5.24%	*1*
Saietta Group plc	213800OOUPLXQIFOO462	5.32%	*1*

Techfinancials Inc	213800I5OKKV1D59JY51	Minimum 5.07% Maximum 5.20%	*254*
V22 PLC	213800GJOAYLQ8UPXD97	5.36%	*126*
Walls & Futures	213800CJV93R1FPNT553	Minimum 5.29% Maximum 5.72%	*8*
Wheelsure Holdings	2138005C1U9IIBMMIM55	9.81%	*82*

7.3 Table IP2.01: Description of Voting Behaviour

Row	Item	Value
1	Number of relevant companies in the scope of disclosure	17
2	Number of general meetings in the scope of disclosure during the past year	5
3	Number of general meetings in the scope of disclosure in which the firm has voted during the past year	0
4	Does the investment firm inform the company of negative votes prior to the general meeting (Yes/No/Other – please explain)	No
5	On a consolidated basis, does the investment firm group possess a policy regarding conflicts of interests between relevant entities of the group (Yes/No)	Not applicable – Winterflood is not part of an investment firm group
6	If yes, summary of this policy	Not applicable

7.4 Table IP2.02: Voting Behaviour

Row	Item	Number	Percentage (of all resolutions)
1	General meetings resolutions:	0	0
2	The firm has approved management's recommendation	0	0
3	The firm has opposed management's recommendation	0	0
4	In which the firm has abstained	0	0
5	General meetings in which the firm has opposed at least one resolution	0	0

7.5 Table IP2.03: Voting Behaviour in Resolutions by Theme

Row	Item	Voted for	Voted against	Abstained	Total
1	Voted resolutions by theme during the past year:	N/A	N/A	N/A	N/A
2	Board structure	N/A	N/A	N/A	N/A
3	Executive remuneration	N/A	N/A	N/A	N/A
4	Auditors	N/A	N/A	N/A	N/A
5	Environment, social, governance not covered by rows 2-4	N/A	N/A	N/A	N/A
6	Capital transactions	N/A	N/A	N/A	N/A
7	External resolutions (e.g. shareholder proposals)	N/A	N/A	N/A	N/A

8	Other	N/A	N/A	N/A	N/A
9	Percentage of all resolutions put forward by the administrative or management body that are approved by the firm	N/A	N/A	N/A	N/A

7.6 Table IP3: Use of Proxy Advisory Firms

Winterflood does not use proxy advisor firms.

8 Disclaimer

The information contained within this document has been prepared for the purposes of disclosing and making available the basis upon which Winterflood complies with the requirements of MIFIDPRU8 and has not been audited. Whilst every effort has been made to ensure that information presented is correct, no representation or warranty is made as to the accuracy or completeness of any information presented herein and these disclosures should not be relied upon by any party. The information presented, relates to Winterflood only and does not address the responsibilities requirements to which the Close Brothers Group plc. may be subject to.

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