Deutsche Bank Group
Deutsche Numis

Numis Securities Limited

Incorporated in England & Wales (registration number 02285918)
Authorised and regulated by the Financial Conduct Authority (Firm Reference Number 144822)

Investment Firms Prudential Regime Disclosures

For the year ended 30 September 2023

Contents

1 Introduction

1.1 Disclosure requirements

This disclosure document is prepared in accordance with the Financial Conduct Authority's ("FCA") Investment Firms Prudential Regime ("IFPR"), which came into force on 1 January 2022. The IFPR sets out the prudential rules and disclosure requirements in the Prudential sourcebook for MiFID investment firms ("MIFIDPRU"). The disclosures are published to provide stakeholders and market participants with information on governance arrangements, risk management objectives and policies, own funds capital resources and requirements, and the remuneration policies and practices within the firm.

1.2 Scope

Numis Securities Limited ("NSL" or "the Firm") is a MiFID investment firm, authorised by the FCA (Firm Reference Number ("FRN") 144822). The IFPR categorises investment firms depending on the size, nature, scale, and complexity of their activities. NSL meets the definition of a non-small and non-interconnected firm (a "non-SNI firm"). NSL is the main operating entity of the Deutsche Numis group of companies , which is regulated by the FCA as an investment firm group.

1.3 Basis and frequency of disclosure

The disclosures are made as at 30 September 2023, which was the most recent annual accounting reference date of the Firm. Relevant updates have been made in this document to reflect the completion of the acquisition of Numis Corporation PLC by Deutsche Bank AG on 13 October 2023, which was a significant event that arose after the accounting reference date.

Senior management has reviewed and approved this document. The disclosures are not subject to audit and do not constitute any form of audited financial statement.

Senior management believes that the publication of this document on the Numis website (www.numis.com) is the most appropriate medium and location.

1.4 Corporate background

NSL provides UK equity market investment bank services to large, mid, and small cap corporate companies and their investors. The core business areas are:

Investment Banking:
- Equity capital markets
- Mergers & acquisitions
- Debt advisory
- Retained broker & adviser
- Private capital raising

Equity Research, Sales, Trading & Execution:
- Research on UK listed companies
- UK sales
- Trading of mainly UK listed companies
- Distribution & execution

On 30 September 2023, NSL had 164 corporate clients in a wide range of sectors.

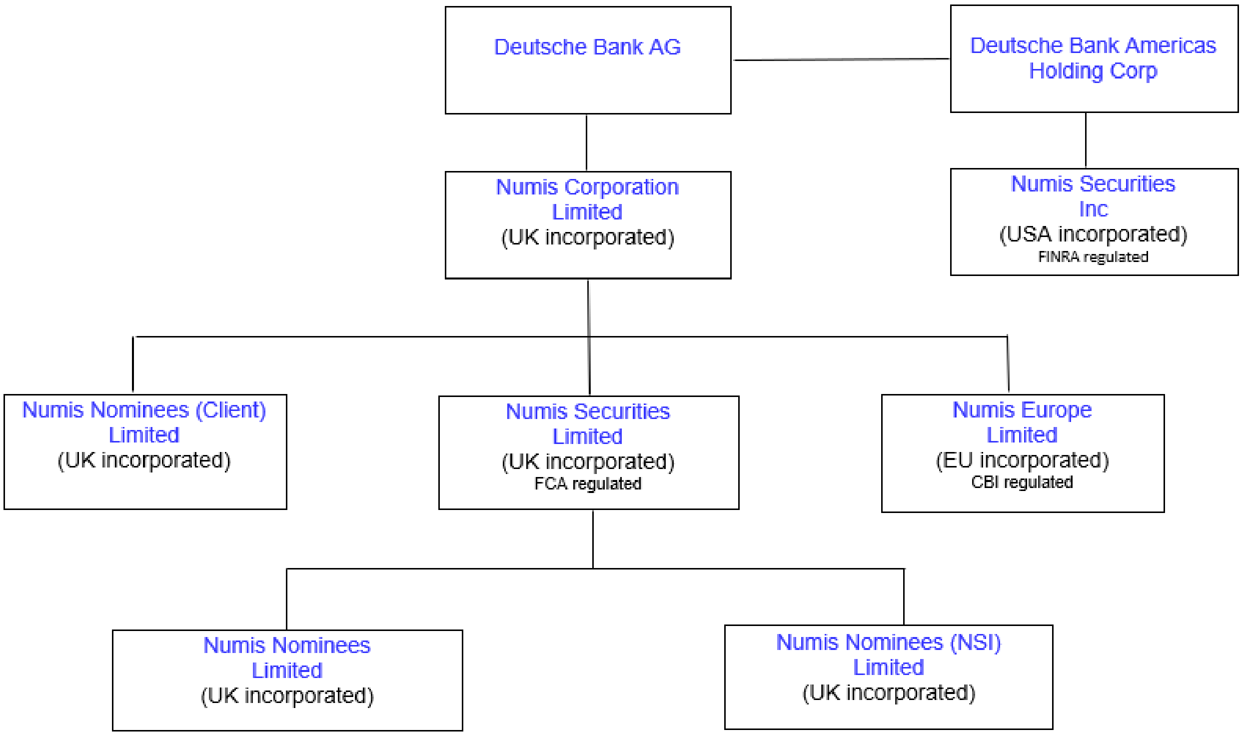
On 30 September 2023, NSL had 317 employees..

2 Governance arrangements

2.1 Legal structure

NSL is a wholly owned subsidiary of Numis Corporation Limited ("NCL"). The group structure of legal entities is shown below and reflects the re-registration of Numis Corporation PLC as NCL following the completion of the acquisition of the Numis Corporation PLC by Deutsche Bank AG on 13 October 2023 and the consequent cancellation of admission to trading on AIM of shares in Numis Corporation PLC. On the same date, ownership of Numis Securities Inc ("NSI"), a wholly owned subsidiary of NSL operating in the USA, was transferred to Deutsche Bank Americas Holding Corp. Deutsche Bank AG is the ultimate holding company of the Deutsche Numis Group. The "Group" means NCL and its subsidiary undertakings.

DEUTSCHE NUMIS GROUP STRUCTURE



NCL

NCL performs supervisory roles in respect of the wider Group. Its Legal Entity Identifier ("LEI") is 213800ARWWDZZCNBHD25.

NSL

NSL is the main trading entity of the Group and is based in the UK. It is regulated by the FCA. Its LEI is 213800P3F4RT97WDSX47.

NSI

NSI is the Group's operating company in the USA. NSI primarily conducts a sales activity in the USA to institutional clients who invest in UK equities. It is regulated by the Financial Industry Regulatory Authority ("FINRA") as a registered broker/dealer (CRD 128471 / SEC 8-66139. Its LEI is 213800GW3YZJDBPALN37. NSI was 100% owned by NSL. On 13 October 2023 it was transferred from NSL to Deutsche Bank Americas Holding Corp. Therefore references to the "Group" relating to the period following 13 October 2023 do not include NSI. Following its operational integration with Deutsche Bank, NSI will be wound down.

Numis Europe Ltd ("NEL")

NEL is the Group's operating company in the EU. NEL primarily conducts a sales activity in the EU to institutional clients who invest in UK equities. It is regulated by the Central Bank of Ireland. Its LEI is 2138009PEDF83DRV6M95.

Numis Nominees entities

The Numis Nominees entities are used to hold client and firm assets separately in custody accounts at depositaries.

2.2 Group board and committee structure

Deutsche Numis recognises the importance of good corporate governance and strives to adopt and apply best practice. All Deutsche Numis risk management functions ultimately report to the NCL board. The NCL board's fundamental role in the management of risk is to set the tone, risk management strategy, and influence the culture of risk management within the Group to minimise harm to consumers, the financial markets, the firm and other stakeholders. NCL has the following committees which serve the Group:

Risk Committee – Non-Executive Directors ("NEDs")
Audit Committee – NEDs
Remuneration Committee – NEDs
Nominations Committee – NCL Chairman and NEDs

Full details of the composition of boards and committees are given on the Deutsche Numis website (www.numis.com) under the Investors/ The Board and Main Committees section.

Risk Committee

The Risk Committee comprises of the NEDs and meets at least four times each year. It is responsible for establishing the overall risk management framework, including overseeing the risk appetite and accountabilities, monitoring performance against risk appetite, and progress against internal audit recommendations or risk-related action plans.

Audit Committee

The Audit Committee comprises of the NEDs and meets at least four times each year. It is responsible for the overall financial reporting, including the full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. It also reviews the scope of internal and external audit, their effectiveness, independence, and objectivity, considering relevant regulatory and professional requirements.

Remuneration Committee

The Remuneration Committee comprises of the NEDs and meets at least two times each year. It is responsible for the design and operation of remuneration policies to promote effective risk management and alignment with regulatory, legal, compliance, and conduct policies.

Nominations Committee

The Nominations Committee comprises of the NEDs and meets at least once each year. It is responsible for the recruitment process for the selection of members of the management body.

Diversity policy for management body

Deutsche Numis recognises the importance and benefits of having diverse boards. The Nominations Committee is responsible for the recruitment process for the selection of members of the management body of all Group entities.

The Nominations Committee seeks to ensure it remains an effective driver of diversity in the broadest sense, having regard to gender, ethnicity, background, skillset, and breadth of experience. Numis is committed to developing an environment which promotes equality of opportunity, values diversity, supports differences, and encourages input from all perspectives.

2.3 NSL board

The NCL board has delegated its authority to deal with the implementation of business strategy and management of day-to-day operational matters to the Co-CEOs and the subsidiary boards. The board of NSL (the "Board") is the management body that is responsible for establishing and monitoring the effectiveness of the Firm's internal governance and strategic direction. In turn, the Board has delegated certain responsibilities to senior management within the Firm. This segregation of duties to senior managers is documented under the Senior Managers and Certification Regime ("SMCR").

The Board meets formally at least four times a year. In line with all other Group entity boards and committees, the NSL Board reviews its effectiveness at least annually.

The Group is committed to undertaking its business in accordance with high ethical standards. In turn, the Board oversees the annual process of mapping potential conflicts of interest. The output of this process drives how the Firm identifies and monitors conflicts of interest. The Firm has a Conflicts of Interest policy which sets out further details of the techniques it uses to identify, manage, and mitigate conflicts of interest. The policy can be viewed on the Numis website (www.numis.com) under Legal & Regulatory/ Conflicts Policy. These factors combined provide assurance that the Firm has appropriate governance processes to ensure it a) acts in its clients' best interests and b) promotes the integrity of the wider market.

2.4 NSL committee structure

NSL has established the following risk committees and councils, as required under MIFIDPRU 7.3.1R, to ensure effective and prudent management of the Firm:

- Financial Risk Committee
- Non-Financial Risk Council (formerly Operational Risk Committee)
- Client Assets ("CASS") Committee
- New Business Committee
- Transaction Review Committee
- Transaction Risk Committee
- Underwriting Committee

Financial Risk Committee ("FRC")

The FRC meets monthly (or more frequently as it deems necessary) to discuss and manage the market, credit, capital, liquidity, and related operational risks. The key responsibilities include monitoring market risk of NSL's trading book against risk appetite, credit risk to market counterparties, the level of excess capital, and the availability of liquidity to meet business needs.

Non-Financial Risk Council ("NFRC")

The NFRC meets at least nine times a year to assess all significant operational risk exposures. The Committee's remit encompasses the methodology applied to identify, measure, and report the impact of such risks. The key responsibilities of the NFRC include ensuring responsibilities and accountability for controls are clear and effective and, when residual risks exceed target levels, progress on action plans is carried out.

Client Assets ("CASS") Committee ("CC")

The CC meets monthly (or more frequently as it deems necessary) and has oversight of all issues in relation to safeguarding client custody assets and client money.

New Business Committee ("NBC")

The NBC is responsible for oversight of all new corporate client relationships and mandates.

Transactional Review Committee (“TRC”)

The TRC examines relevant transactions to ensure responsibilities and obligations are challenged and properly performed.

Transactional Risk Committee

The Transaction Risk Committee reviews relevant transactions to consider risk issues prior to launch or document publication.

Underwriting Committee (“UC”)

The UC is responsible for considering all proposed underwriting commitments to be taken on by NSL, evaluating the risks and the associated mitigating actions of the proposed transaction.

2.5 Directorships

The total number of directorships that are held by each non-executive member of the overarching management body (the NCL board) ranges between one and four non-executive positions. The NCL Board is satisfied that each member of the management body can devote sufficient time to perform the duties relevant to their individual function within the Group, considering the nature, scale, and complexity of the Group’s activities along with the requirements of directorships held outside of the Numis Group of companies.

Executive members of the management body are not permitted outside non-executive positions. Consequently, excluding a. other Deutsche Numis Group companies (such that relevant directorships within the Group of companies count as one directorship collectively) and b. entities not undertaking predominantly commercial objectives, each executive member of the NSL Board holds just one executive position.

3 Risk management

3.1 Risk management objectives

Effective risk management is key to the successful achievement of our strategic objectives. The Group's business model presents inherent risks which must be assessed so that the Group can set policies to control them. The Group has established a Risk Management Framework ("RMF"), including risk policies, which sets out its approach of strong risk governance, and how risks are identified, analysed, measured, and managed to ensure that risk exposures are understood, limited, monitored, reported, and escalated appropriately. The aim is to achieve performance and profitability targets with the best use of resources, whilst remaining within a defined risk appetite and protecting the Group from an unacceptable level of financial volatility or adverse reputational impact. Thereby, the Group should avoid any action which would cause harm to clients, the market, or its stakeholders.

The RMF enables risk to be considered in a consistent way across all areas of the business and is key to embedding an effective and strong risk culture which is central to the Group's corporate governance and to achieving its strategic objectives whilst remaining within its risk appetite. The Group sets its risk appetite across the entire population of risks by consideration of the inherent risks, the preventative and detective controls to mitigate those risks, and the assessment of whether the resulting residual risks are acceptable and meet its target levels considering the possible harm to clients, the market, and its stakeholders. The Group monitors the risks which threaten the achievement of its strategy as well as those that present the greatest opportunity, and therefore NSL's risk appetite is intrinsically linked to the business strategy. Key performance indicators are used to measure and monitor the underlying performance of the business and provide early warnings of emerging strategic risks.

The following diagram illustrates how our strategy, policies and RMF fit together. Our business model and strategy present inherent risks which must be assessed so that we can set a policy to control them.

NSL operates a 'three lines of defence' risk governance model, where risk management, risk oversight and assurance are distinct activities that are carried out by different individuals, teams, and committees.

1st Line: Risk Management – the first line of defence consists of the business front line employees that understand their roles and responsibilities and carry them out correctly and completely. Notwithstanding management oversight, the effective control of risk within risk appetite depends upon all employees being conscientious and taking responsibility for their actions.

2nd Line: Risk Oversight – the second line is the independent oversight by subject matter experts, the risk and compliance functions. They set and monitor policies, define work practices, and oversee the business front lines with respect to risk and compliance.

3rd Line: Assurance – the third line of defence is internal auditors who regularly review both the business front lines and the oversight functions to ensure that they are carrying out their tasks to the required level of competency.

Each line of defence has responsibility to step in to ensure that risk management systems, processes and controls are operating in line with the policies, procedures, standards, and decision-making governance of the business. This approach is designed to guard against the materialisation of unwanted risks that exceed the Firm's risk appetite. The three lines of defence model enables each employee to do this in a way that is consistent with his or her specific role, responsibilities, and objectives. Management oversight and segregation of duties are fundamental to checking this first line of control.

Under IFPR, NSL undertakes an Internal Capital Adequacy and Risk Assessment ("ICARA"), which is integrated with the RMF and approved by the Board. It documents NSL management's assessment of the risk profile of the business, the resulting capital and liquidity requirements, the adequacy of the capital and liquidity resources in relation to the Firm's risk profile, and the processes and reporting mechanisms established to ensure that the Firm can meet its minimum regulatory requirements - known as the Overall Financial Adequacy Requirement ("OFAR"). Stress testing is incorporated to assess the Firm's exposure to extreme events and to ensure that appropriate management actions and mitigating plans are in place.

3.2 Risk management policies

An effective and strong risk culture and appropriate policies are central to our corporate governance and to achieving our strategic objectives whilst remaining within our risk appetite. The Firm's internal risk assessment considers the impact of risks to the client, to the market, and to its stakeholders. Policies and procedures are documented to ensure appropriate levels of governance are clear and effective.

Risk to Client ("RtC")

RtC captures the areas of the business for which the Firm could create harm to its clients. Under IFPR, the K-factors which capture this consider the client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

NSL's clients consist of eligible counterparties (mostly institutional clients), professional clients, and retail clients. NSL is authorised to hold client assets and the Firm's CASS policy sets out eh standards expected to meet the relevant regulatory rules.

Client orders are executed either on a riskless principal basis, or when NSL may bring together two or more client orders under the extended definition of receipt and transmission, or when NSL holds inventory of the stock for which is it market-making. NSL has established policies and procedures in order to minimise any harm to its clients including, for instance, an order execution policy to mitigate inefficient or ineffective order handling and data privacy management policy to mitigate breaches in privacy laws and regulations; a complaints policy and procedures to ensure that any complaint raised by a client is dealt with professionally, promptly, and in accordance with regulatory requirements; and a conflicts of interest policy which sets out details of the techniques the Firm uses to identify, manage, and mitigate conflicts of interest. These policies and procedures provide assurance that the Firm has appropriate governance processes to ensure it acts in its clients' best interests and minimises any harm to clients.

As part of the operational resilience monitoring, the Firm identified important business services that, if suspended for any reason, have the potential to cause harm to clients. Emphasis on the operational resilience of these services is prioritised and mitigated to ensure that any harm to clients is minimised.

Further details on these policies can be viewed on the Numis website (www.numis.com) under the Legal & Regulatory/ Policies & Statements section.

Risk to Market ("RtM")

RtM captures the risks that the Firm could pose to other market participants and the markets in which it operates for positions held in financial instruments, in foreign exchange and in commodities. Under IFR, the K-factors which capture this are net position risk (K-NPR) and clearing margin given (K-CMG).

NSL is a market-maker on the London Stock Exchange and has a trading book of inventory stocks. Market risk on the stock holdings is monitored and subject to oversight and limits to ensure that risk is controlled. Operational risk over order handling is also monitored closely to ensure that the Firm adheres to its responsibilities in respect to an orderly market.

NSL has some limited non-trading book exposure to foreign exchange ("FX") risk because of receivables or payables in a currency other than its base currency ("GBP"). NSL has procedures in place to monitor this FX exposure daily and to actively minimise its impact on the Firm. The exposure is captured in the calculation of the firm's K-NPR.

NSL has an Underwriting Committee which assesses all potential underwriting including the identification and management of associated risks. NSL does not enter an underwriting transaction without having first established risk mitigants. Limits are set on the value of underwriting permitted at any one time.

Whilst a level of exposure to market risk is an inevitable consequence of the Firm's business activities, NSL maintains controls to manage this exposure and the impact of any associated volatility. The market risk policy identifies the areas of RtM for NSL, and sets out how those risks are identified, assessed, monitored and managed to minimise impact. Operational risks to avoid causing harm to the market are covered in operational risk policies such as the kill switch policy and transaction reporting policy.

The Firm's investment banking operations are regulated and strictly monitored to ensure that no harm is caused to the markets in which it operates. For instance, market abuse of price sensitive information is controlled by information barriers, policies, procedures and processes, effective Compliance monitoring and ongoing training for all staff. All staff have a responsibility to adhere to regulations and policies. There is no appetite for breaches. There are training courses on our policies, dedicated Legal and Compliance teams, internal and external audits, and regular contact with regulatory bodies to ensure harm to the market is minimised. The Firm's operational risk policy sets out the overarching approach for identifying, managing, mitigating, and reporting of operational risk.

Risk to Firm ("RtF")

RtF captures the risks an investment firm may pose to its stakeholders through its trading activities. Under IFPR, the K-factors which capture this consider an investment firm's exposure to the default of its trading counterparties (K-TCD), concentration risk (K-CON), and operational risks from a firm's daily trading flow (K-DTF).

The Firm is exposed to credit risk through a default of a counterparty prior to settlement, and a default of other receivables. All NSL clients are onboarded through a strong governance process, which includes an assessment of perceived creditworthiness. The majority of NSL's clients are regulated, UK-based institutional entities. Credit limits are applied to each trading client and are monitored/reported daily. Settlement is usually on a Delivery versus Payment ("DvP") basis, which limits credit exposure. Unsettled positions are actively managed and prioritised accordingly.

For other receivables, expected credit loss is usually very low due to the nature of the counterparties and the short-term nature of the receivables. Nonetheless, the Firm has robust provisioning procedures in place to monitor and manage such exposures to minimise impact. The Firm's credit risk policy sets out the criteria for assessing creditworthiness and applying relevant credit limits, as well as the provisioning procedures, and the general procedures for identifying, assessing, monitoring, and managing such risks.

NSL order executions are captured under K-DTF and subject to the Firm's order execution policy.

Concentration Risk

Concentration risk is an investment firm's exposure to a client or group of connected clients. The Firm assesses and monitors its exposure to concentration risk in terms of geography, liquidity, clients, and sources of revenue. The Firm does not have significant concentration risks in terms of sectorial, geographic, or other concentrations.

Liquidity Risk

Liquidity risk is the risk that funds are either not available to meet day-to-day funding requirements or are only available at a high cost or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous. Liquidity is of vital importance to the Firm to enable it to continue operating in even the most adverse circumstances. The Firm monitors its liquidity levels to ensure that it can at all times meet its day-to-day funding requirements as well as continuously meeting the minimum liquid assets regulatory requirement. The Firm has established indicators to alert when liquidity levels may be deteriorating to a level which could result in a liquidity shortfall. Monitoring and escalation procedures have been established accordingly. Following the acquisition of the Group by Deutsche Bank AG, NSL's Revolving Credit Facility was replaced by an intra-group funding facility.

4 Own Funds and requirements

4.1 Composition of regulatory Own Funds

NSL's capital resources are comprised only of Common Equity Tier 1 ("CET1") capital. NSL's CET1 includes ordinary share capital and retained earnings less declared dividends, intangible assets, investments in financial sector entities and deferred tax assets. The annual external financial audit for the year ended 30 September 2023 was completed by PwC in November 2023. The regulatory capital resources calculation is shown in the table below.

Table OF1 – Composition of Regulatory Own Funds

Composition of Regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance in the audited financial statements**
1	**OWN FUNDS**	104,562	
2	**TIER 1 CAPITAL**	104,562	
3	**COMMON EQUITY TIER 1 CAPITAL**	104,562	
4	Fully paid up capital instruments	2,000	Note 23
5	Share premium		
6	Retained earnings	122,759	Statement of changes in equity
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters	(20,197)	Note 12,14,15,17
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	0	
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**	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustment		

4.2 Reconciliation of Own Funds to balance sheet in the audited financial statements

The table below shows a reconciliation of regulatory own funds in the balance sheet in the audited financial statements of the Firm.

Table OF2 – Reconciliation of Own Funds to balance sheet in the audited financial statements

		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at 30 Sep 2023	As at 30 Sep 2023	
		£'000	£'000	
1	Property plant and equipment	8,471		
2	Intangible assets	128	128	Item 9
3	Right-of-use assets	30,333		
4	Investment in subsidiaries	923	923	Item 9
5	Deferred tax asset	11,308	11,308	Item 9
6	Trade and other receivables	244,535		
7	Trading investments	40,681	7,836	Item 9
8	Stock borrowing collateral	8,656		
9	Current Income tax receivable	6,816		
10	Derivative financial instruments	33		
11	Cash and cash equivalents	89,510		
12	**Total Assets**	441,394		
	Liabilities			
1	Trade and other payables	264,445		
2	Trading instruments	12,030		
3	Lease liabilities < 1 year	2,992		
4	Lease liabilities > 1 year	37,168		
5	**Total Liabilities**	317,284		
	Shareholders' equity			
1	Share capital	2,000	2,000	Item 4
2	Retained earnings	122,759	122,759	Item 6
3	**Total Shareholders' equity**	124,759	(20,197)	Item 9

4.3 Main features of own instruments issued by the Firm

Instrument type	Ordinary shares
Issuer	Numis Securities Ltd
Governing laws of the instrument	England & Wales
Regulatory classification	CET1
Amount recognised in annual financial statements	2,000,000
Nominal amount of instrument	2,000,000
Issue price	£1
Accounting classification	Shareholders' Equity

4.4 Own Funds requirements

K-Factor Requirement and Fixed Overheads Requirement

<table>
<tr><th colspan="2">Item</th><th>Amount £'000</th></tr>
<tr><td rowspan="3">K-Factor</td><td>SUM of K-AUM, K-CMH and K-ASA</td><td>1,150</td></tr>
<tr><td>SUM of K-COH and K-DTF</td><td>271</td></tr>
<tr><td>SUM of K-NPR, K-CMG, K-TCD and K-CON</td><td>10,998</td></tr>
<tr><td colspan="2">Fixed overheads requirement (FOR)</td><td>21,246</td></tr>
</table>

4.5 Summary of approach to assess adequacy of own funds

NSL assesses the adequacy of its own funds and liquidity to comply with the OFAR. The Firm's approach is set out in its ICARA process. This process has been embedded within NSL's governance and has been approved by the Board. Ongoing monitoring of risk levels, risk appetite, stress test results and relevant indicators is performed throughout the year to ensure that the Firm continues to meet the OFAR. NSL's minimum own funds requirement is determined as the higher of its FOR, permanent minimum capital requirement and K-factor requirement. The Firm also undertakes an internal risk assessment which considers material sources and effects of risk to clients, to the markets and to the Firm itself, as well as other risks, in order to determine if the minimum own funds requirement amount sufficiently covers the risks identified. The details of this analysis, the process and the conclusions are set out in the ICARA.

The ICARA document therefore (i) sets out NSL's business model and strategy, (ii) shows how the Firm identifies vulnerabilities and manages them with appropriate systems and controls to reduce potential material harms, (iii) assesses the level of capital and liquidity required to meet the residual risks, and (iv) analyses how our capital and liquidity levels would be affected under stressed scenarios to ensure NSL's financial resources are adequate for ongoing activities or to enable an orderly wind-down. In addition, we map out the process and cost of winding down our business in the least disruptive manner to our clients and the market, without threatening the integrity of the wider UK financial system.

The ICARA is updated on an annual basis, or more frequently if risks, risk assessments and/or assumptions significantly change, or there is a material change in the Firm's business or the environment it operates in. Each update is completed using the latest audited financial year-end figures.

5 Remuneration policies and practices

NSL is required to disclose certain information relating to its remuneration policy and practices in accordance with the MIFIDPRU Remuneration Code (SYSC 19G) of the FCA Handbook and the MIFIDPRU 8.6 rules and guidance.

5.1 Qualitative disclosure

Governance

The NCL Board is responsible for the Remuneration Policy and ensuring that it is aligned with the overall corporate governance framework, risk culture and appetite. The Remuneration Committee is responsible for overseeing the implementation of the Remuneration Policy and principles for all Numis entities. The remit of the Remuneration Committee includes:

- considering the appropriateness of the Remuneration Policy and payments, including the approach to both fixed and variable remuneration, considering the risk profile, long term objectives and goals of Numis.
- ensuring that the Remuneration Policy complies with applicable regulation and legislation.
- reviewing the process to determine Material Risk Takers and reviewing the list of those included.

Numis ensures that promotion and reward is based on merit regardless of gender, ethnicity, or other issues. As part of this, the Remuneration Committee monitors overall remuneration levels to ensure that pay is awarded in a gender-neutral way.

Composition of the Remuneration Committee

The chairperson and members of the Remuneration Committee comprise three independent non-executive directors of NCL who do not perform any executive function within the subsidiaries. The Remuneration Committee is responsible for the approval of awards to all staff, including individuals who are defined as a Material Risk Takers ("MRT").

The Remuneration Committee met three times during the year to 30 September 2023, in addition to documented discussions via telephone, particularly throughout the period in which year-end remuneration processes were undertaken.

Decision-making process for determining Remuneration Policy

The Remuneration Policy aims to promote sound and effective risk management by setting out clear and explicit policies, together with consequences for breaches of those policies. Numis has, and will continue to make use of, available sanctions under the disciplinary procedure and compliance breaches process which provide for both financial and non-financial penalties for such breaches.

Responsibility for the regular monitoring and updating of the Remuneration Policy lies with the Head of Human Resources ("HR") (and is subject to sign-off of any changes by the Remuneration Committee and subsequent adoption by the Board). This review will be carried out at least annually (or more frequently where material changes occur). Numis will consider best practice standards and both UK, and where relevant, non-UK regulation and legislation covering:

Applicable employment and equality law
FCA/PRA Codes of Practice
FSB Implementation Standards
Tax legislation
Pension legislation

Numis will also ensure that the Remuneration Policy is reviewed annually by the Head of HR, the control functions (Risk and Compliance), and the Remuneration Committee itself. Periodically, the Firm's internal audit function also carries out an independent review of the design, implementation, and effects the Remuneration Policy has on the Firm's risk profile.

Remuneration framework and objectives

Numis established a remuneration framework designed to create a direct link between reward and performance on a gender-neutral basis. The framework has been designed to apply equally across the Numis entities to ensure a performance and conduct-led remuneration system that:

- is flexible and sustainable throughout the business cycle.
- ensures remuneration payments are appropriate and proportionate considering the risk profile, objectives and goals of Numis.
- is in compliance with applicable regulations and legislation.

This is complemented by performance review and remuneration practices which:

- provide a stringent governance structure for setting and communicating goals.
- include both financial and non-financial goals in goal setting and performance evaluation.
- consider individual conduct including compliance with regulatory requirements and internal procedures, and the Group's risk appetite and policies.
- rewards employees with appropriate incentives in a manner that is compatible with a prudent risk-taking approach.

This approach ensures that remuneration awarded is consistent with and promotes sound and effective risk management and good conduct, and is aligned with the interests of the Firm's shareholder. It also ensures that the Firm operates within its risk appetite and regulatory framework.

Criteria for setting individual remuneration

The Remuneration Committee is responsible for setting the remuneration policy for executive directors and other senior executives in the business and no employee is permitted to participate in the discussions or decisions of the Committee in relation to his or her own remuneration.

The Remuneration Committee believes strongly that total remuneration should consider the competition for talent in an industry where successful people are rewarded and mobile. In carrying out its delegated responsibilities, the Remuneration Committee receives advice on remuneration, tax, accounting, and regulatory issues from external advisors and internally from both the Human Resources, Risk, Compliance and Finance functions.

The Group recognises that the individual performance of staff is key to achieving its strategy and delivering sustained and long-term value creation for its shareholder. The intention of the remuneration policy is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Firm and its shareholder. In addition, the executive directors and other senior executives assess individual performance through clearly defined objectives and behaviours as part of the structured process of review and feedback.

The Group compensates employees through both fixed and variable compensation. Fixed compensation comprises mostly base salaries and the Remuneration Committee reviews these as part of their overall annual review considering the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual, and his or her level of responsibility.

When determining remuneration at an individual level, the following is considered:

- Fixed remuneration - the role and responsibilities of the employee (which may include services on the Firm's Board or any sub-committees of such Board), including their relevant professional experience,

professional qualifications, skills and competencies, seniority, individual performance, comparison with peer companies, and local market conditions. The level of fixed pay is designed to be sufficient, so that inappropriate risk-taking is discouraged.
- Variable remuneration – this component is designed to motivate and reward high performers. It depends upon the performance of the individual, their business unit, the Firm, and Numis as a whole, and input from the HR, Risk, and Compliance functions. Performance-based remuneration reflects sustainable, and risk adjusted performance as well as performance above that required to fulfil the particular duties of the role. In its evaluation, the Remuneration Committee considers current and future risks, including: reputational and operational risks facing Numis, incorporating environmental, social and governance risks; financial risks including capital and liquidity resources; conflicts of interest; and a forward-looking assessment of Numis' prospects, incorporating the expected economic and competitive environment.

Variable performance-based pay is always granted at the sole discretion of the Board, and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board sees fit. Variable performance-based pay can be delivered in two main forms: a cash bonus delivered up-front which is subject to claw back under certain conditions and/or a deferred bonus delivered in shares.

The Firm can make an ex-ante and ex-post risk adjustment to variable remuneration to take account of a specific crystallised risk or adverse performance outcome including those relating to misconduct and/or a breach. Risk adjustments include reducing current year variable remuneration and the application of malus and clawback. Employees may be subject to malus or clawback of up to 100% of variable remuneration for up to 36 months where
- There is evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules or policies, especially concerning risks).
- They exhibit behaviour that compromises the reputation of, or causes material harm to Numis, or its business activities, irrespective of whether it is in direct contravention of a specific policy.
- Numis and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators).
- The Firm and/or the business unit in which the member of staff works suffers a significant failure of risk management.
- There is a significant increase in the Firm's or business unit's economic or regulatory capital base.
- Regulatory sanctions are imposed, e.g. punitive, administrative, disciplinary, or otherwise, where the conduct of the member of staff contributed to the sanction.

Guaranteed variable remuneration is not generally a component of performance-based remuneration, although in exceptional cases in the first year of employment it may be given, and only where the Firm has a sound and strong capital base.

Policies and criteria applied for consideration in the award of severance pay include the cause of severance, the tenure, and seniority of the employee.

Ratio of fixed remuneration to variable remuneration

At this stage, the firm considers that, given the overall structure of its Remuneration Policy, and taking into account FCA guidance, it is proportionate to dis-apply the EU bonus cap limiting variable compensation to 100% of fixed remuneration (or 200% with the relevant shareholder approval) in addition to dis-applying the pay-out process rules. This is a decision that the firm continues to regularly review to ensure that it remains appropriate. Where shares are awarded, the deferral period is up to 3 years with vesting arising equally at the end of years 1, 2, and 3. Following vesting, shares may be divested by the individual.

Identification of Material Risk Takers

Numis gives careful consideration to the criteria set out by the FCA in SYSC 19G.5.3 R and the corresponding guidance under SYSC 19G.5.4 G to SYSC 19G.5.5 which defines whether someone shall be deemed as a MRT.

HR and Compliance maintain a list of individuals that Numis has identified as MRTs, having regard to both individual regulatory status, seniority of position and the level of risk associated with an employee's professional activities (including but not limited to prudential, operational, market, conduct and reputational risks). This list is reviewed annually and presented to the Remuneration Committee. It is the responsibility of the Remuneration Committee to review the MRT criteria on an annual basis as they apply to Numis. Whilst NSL has identified its MRTs, the principles of its Remuneration Policy apply on a group wide basis.

All employees, including those whose annual variable remuneration does not exceed £167,000 or where their annual variable remuneration does not represent more than one-third of their total annual remuneration, are reviewed annually to consider whether their managerial duties are such that they are deemed as having a material impact on the firm's business. It is expected that all MRTs, whether or not they perform a Senior Manager Function ("SMF"), will abide at all times with the SMCR principles set out by the regulators.

Each year (as part of the end of year processes), every MRT is provided with a letter reminding them of their responsibilities as MRTs. During any financial year, consideration of the MRT status of new joiners is driven by HR and Compliance with subsequent review and approval by the Remuneration Committee. Where a member of staff assumes a role that is categorised as a MRT part way through the year, he or she also receives a letter outlining their responsibilities.

5.2 Quantitative disclosure

Aggregate Fixed and Variable Remuneration

Deutsche Bank (DB) agreed to purchase Numis Corporation Plc on the basis that the bonus pool would not be less than the previous financial year. Management and the Remuneration Committee applied discretion in the allocation using a bottom up and top-down basis to reflect individual contribution, performance, and input to the project concerning the sale of the company.

A rule was applied for deferred equity (RSU) awards to be made to front office employees who received over £125,000 actual Variable Compensation (VC). This meant that those awarded actual VC more than this amount, received RSUs worth 16.38% of the award (with rounding). RSUs were applied to MRTs under the new IFPR rules.

Remuneration for financial year ended 30 September 2023 – all investment firm group employees

	All Staff
Fixed compensation	£42,045,000
Variable compensation	£30,572,000
Total compensation	**£72,617,000**

NB: Fixed compensation is annual salary as at 30 September 2023 for those employed on that date.

MRTs for financial year ended 30 September 2023

There were 17 MRTs identified in 2023. Three MRTs left during the year, one was not replaced (because the business line was closed), the second was replaced but not at board level due to the impending sale of the business, and the third has been replaced by a contractor in the medium term. All NSL Executive Board members are categorised as MRTs. Other MRTs include the Heads of Sales, Sales Trading, Trading, Investment Trust Trading, Risk, Compliance, and Operations.

Fixed and Variable Compensation for Senior Management, MRTs and all employees for the financial year ended 30 September 2023

FY23	Senior Management	MRT	Other staff	Total
No of Heads	19	17	302	338
Fixed compensation	£4,085,000	£4,120,000	£33,840,000	£42,045,000
Variable cash compensation awarded	£3,958,000	£2,772,000	£16,952,000	£23,682,000
Variable deferred equity Compensation awarded	£890,000	£3,509,000	£2,491,000	£6,890,000
Total compensation	£8,933,000	£10,401,000	£53,283,000	£72,617,000
Severance Awards made to MRTs	£0	£369,000 (Note 1)	£0	£369,000
Single Highest Severance Award made to MRTs	£0	£182,600	£0	£182,600
Guaranteed payments to Senior Management and MRTs	£412,500	£0	£0	£412,500

Note 1 – received by 2 MRTs