

# Remuneration Policy

**TRADITION FINANCIAL SERVICES ESPAÑA, S.V., S.A.U.**  
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**TRADITION FINANCIAL SERVICES ESPAÑA, S.V., S.A.U.**  
**REMUNERATION POLICY**

## **Introduction**

This policy sets out the rules of Tradition Financial Services España, S.V., S.A. (hereinafter, the "**Company**") regarding the remuneration of its employees in line with the principles and rules prevailing at group level by Tradition London Group (hereinafter, the "**Policy**").

The Company believes that, in order to attract, motivate and retain staff, it should offer competitive remuneration in an appropriate working environment. It also believes, for the long term benefit of all, in the effective risk management of its business.

Therefore, this Policy has been prepared in compliance with the applicable regulations, in particular Royal Legislative Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Market Law ("**Securities Market Law**") and Royal Decree 217/2008, of 15 February, on the legal regime of investment services companies and other entities providing investment services ("**Royal Decree 217/2008**").

## **Tradition Group**

This Policy has been prepared in accordance with the principles contained in the remuneration policy applicable to the Tradition group ("**Group Policy**") which applies in full to all the companies listed therein ("**TLG**"):-

Tradition (UK) Ltd (TUK)  
Tradition Financial Services Ltd (TFS)  
TFS Derivatives Ltd (TFD)  
Tradition London Clearing Ltd (TLC) and  
Tradition Management Services Ltd (TMS)  
Tradition Financial Services España, SV, SA ("TFSE").

The Policy is implemented through the following components of remuneration:

- Salary
- Short and medium-term incentives e.g. bonuses
- Contracts and termination terms

## **General**

The Company's remuneration policy has been formulated to be consistent with TLG's approach to risk management and in general accordance with the following principles:

- The Policy, procedures and practices related to remuneration are consistent with effective risk management, and do not encourage risk-taking that exceeds the level of risk identified and tolerated by the Company.

- The Policy is in line with the Company's business strategy, objectives, cultural values and long-term interests.
- Total variable remuneration will not limit its ability to strengthen its capital base and maintain a healthy balance sheet.
- The structure of an employee's remuneration is considered in terms of impact upon effective risk management and express contractual provision is made for disciplinary action (which may result in financial punishment in the event of breach).

## Principles

It is the desire of the Company and the intention of this Policy to be compliant with the following principles:

1. Not to encourage risk-taking that exceeds the level of tolerated risk of the Company.
2. To reflect the business strategy and long-term interests of the Company.
3. To contain measures to avoid conflicts of interest.
4. The adoption and periodical review of the Policy, and acceptance of responsibility for its implementation, by the Company's Board.
5. Employees engaged in significant influence control functions must be independent of the business units they oversee, have appropriate authority and must be remunerated in accordance with objectives linked to their functions.
6. Variable remuneration must not limit the ability of the firm to strengthen its capital base.
7. Where a Company benefits from exceptional government intervention it must ensure that variable remuneration is strictly limited as a percentage of net revenue and is not paid to senior personnel unless justified.
8. Assessments of performance used to calculate variable remuneration must be based principally on profits. Total variable remuneration should be generally considerably contracted where subdued or negative financial performance of the firm occurs.
9. Any pension policy must be in line with business strategy and discretionary pension benefits should be held for a period of five years.
10. To ensure that employees do not use personal hedging strategies to influence their remuneration arrangements.
11.
  - a. **Performance assessments:** Where remuneration is performance-related, the total remuneration must be based on performance and conduct of the individual, as well as the performance of the relevant business unit and firm. Both financial and non-

financial criteria (including conduct and regulatory compliance) must be taken into account.

- b. **Guarantees:** Variable remuneration may only be guaranteed where it is exceptional, occurs in the context of hiring a new employee and is limited to the first year of that employee's service
- c. **Severance:** Payments related to early termination of a contract must reflect the performance achieved over time and must not reward failure

### **Conflicts of Interest**

This Policy is designed to avoid conflicts of interests between the TLG firms and their clients. Specific internal controls are in place to prevent such conflicts of interest from occurring and are outlined on TLG's website. Specific measures to avoid conflicts of interest with regard to control functions are set out in the Company's relevant Conflicts of Interest Policy..

### **Performance Management and Remuneration**

Where compensation including any form of variable compensation falls to be decided by the Remuneration Committee and / or the Boards, managers should when appropriate provide the following information:

- Details of the performance of each significant business unit
- Collective performance of the relevant team within the unit
- Individual performance relative to job requirements and with specific attention to stand-out performance, and
- Competitive market data.

### **How the Company remunerates its Staff**

All staff are compensated by way of fixed basic salary plus commission or bonus. The calculation of commission is generally formulaic and bonuses discretionary (and occasionally a combination of both). Either way, both commission and bonus can be variable.

### **Variable Remuneration – General**

Commission/bonuses fall within the category of variable remuneration. Brokers' commission payments are based upon a method which includes deduction of certain costs and not just the level of revenue s/he generates. They will be based on either a formula set out in his or her contract, or are discretionary. Both are dealt with in more detail below.

### **Guaranteed Variable Remuneration**

For the purposes of this policy, guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to, sign-on, buy-out and guaranteed payments.

Variable remuneration can be guaranteed only if the following conditions are met:

- It is exceptional
- It covers a period of no more than 12 months
- It is available (generally) only in relation to new hires
- The firm has a sound and strong capital base

In order to incentivise and reward exceptional performance, the Company may occasionally agree to award a certain sum upon attainment of set objectives or targets. In such an instance, the relevant contractual provision will detail what is required.

#### **Administration staff**

For administration staff, fixed salary accords with market rates. Bonuses are paid annually in arrears. They are discretionary and determined by the assessment of a combination of factors, including indicators of good skills and conduct and the Company's performance in the year in question.

#### **Brokers**

Brokers are incentivised through commission structures, the calculation of which may be formulaic or discretionary.

For commission earned pursuant to a contractual formula, the calculation is based on gross revenue less certain trade and company costs, and are dependent upon the brokerage receivable.

Where bonuses are discretionary, the Company takes into account positive matters such as the following:

- the profitability of the employee's particular desk or business area,
- his/her personal contribution within a team environment,
- compliance with internal rules and external regulation and corporate culture generally;  
and
- the overall profitability of the firm.

#### **Senior Management**

The Company has a policy of paying fixed remuneration as a relatively small percentage of overall compensation. In this way, remuneration can be more easily tailored to overall financial

performance, and staff remain motivated. Revenue realisation timeframes are short, and discretionary bonuses are paid after the end of the financial period to which they relate. Senior manager performance will be rewarded in the context of the strength or weakness of the TLG's performance in the relevant period and anticipated market conditions. In addition, compliance with desired standards of behaviour and corporate culture as well as with all regulatory principles and duties are taken into account.

### **Retention Awards**

The Company will only pay retention awards to serving staff in exceptional circumstances.

### **Severance Pay**

Severance pay is at the absolute discretion of the Company's governing bodies. Any payments related to early termination of contracts will reflect performance achieved over time and will be designed in a way which does not reward failure.

### **Pension Policy**

Any proposed extended pension payments made to individuals upon reaching retirement are reviewed by the governing body for alignment with appropriate laws, policy and regulation.

### **Miscellaneous**

#### **Personal Investment Strategies**

Employees are informed that they must not use personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk of alignment effects embedded in their remuneration arrangements.

#### **Record Keeping**

All remuneration policies and practices are documented and are subject to periodic review by the Company's governing bodies.

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