

Marex Group plc  
Annual Report and Financial Statements  
Year ended 31 December 2021  
Registration Number 05613060



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# COMPANY INFORMATION

|                                 |  |
|---------------------------------|--|
| <b>Country of Incorporation</b> | England and Wales  |
| <b>Legal Form</b>               | Public limited company   |
| <b>Directors</b>                | C R Stent (Chair)<br>I T Lowitt (Chief Executive Officer)<br>J C Cohen<br>Lord S Fink<br>S L Ing<br>J M Isaacs CBE<br>R B Nagioff<br>R M Pickering<br>K N Graf von Schweinitz<br>P R Tonucci   |
| <b>Company Secretary</b>        | S Linsley  |
| <b>Registered Office</b>        | 155 Bishopsgate, London, EC2M 3TQ  |
| <b>Auditor</b>                  | Deloitte LLP<br>Hill House, 1 Little New Street, London, EC4A 3TR  |
| <b>Bankers</b>                  | HSBC Bank plc<br>8 Canada Square, London, E14 5HQ<br>BMO Harris Bank N.A.<br>111 W. Monroe St. Chicago, Illinois 60603<br>Barclays Bank plc<br>1 Churchill Place, London, E14 5HP<br>Lloyds Bank plc<br>25 Gresham Street, London, EC2V 7HN<br>ICBC (London) plc<br>81 King William Street, London, EC4N 7BG |

# AT A GLANCE

Marex Group plc (the 'Company') and its subsidiaries (collectively 'Marex,' the 'Group,' or the 'Firm') is a global financial services platform, providing essential liquidity, market access and infrastructure services to clients in the energy, commodities and financial markets. We operate in attractive growth markets, with a large addressable market of greater than \$25 billion (on a net revenue basis per annum) and high-single-digit volume growth in the energy and commodity markets which will support future growth.

Marex is an efficient, diverse and scalable platform and with a comprehensive product and service offering, we are thoroughly embedded in the global commodity and financial markets. We are currently connected to 56 major global exchanges, including the London Metal Exchange, where we are a leading Category 1 Member and Ring Dealer, the Chicago Mercantile Exchange Group ('CME') and the Intercontinental Exchange ('ICE'). In 2021, we executed over 38 million trades for our clients (up 6% on the 36 million trades in 2020).

The Company was formed in 2005 but through its subsidiaries traces its roots in the commodity markets back almost 100 years. Headquartered in London with 22 offices worldwide as at the date of this annual report, the Group has over 1,100 employees across Europe, the Americas and Asia.

Marex is regulated in the UK by the Financial Conduct Authority ('FCA'), which also regulates the Group under Consolidated Supervision; in the US by the Securities and Exchange Commission ('SEC') and the Commodities Futures Trading Commission ('CFTC') on behalf of the National Futures Association ('NFA'); in Hong Kong by the Securities and Futures Commission ('SFC'); in Singapore by the Monetary Authority of Singapore ('MAS'); in France by the Autorité des Marchés Financiers ('AMF') and the Autorité de contrôle prudentiel et de résolution ('ACPR'); and in Ireland by the Central Bank of Ireland ('CBI').

## Marex worldwide locations



As at April 2022

Over  
1,100 employees

22 offices across Europe,  
the Americas and Asia

Providing global  
connectivity to 56  
exchanges

Servicing more than  
7,000 clients

Leading positions  
in our core  
markets

Investment grade  
rating from S&P and  
Fitch

# 2021 HIGHLIGHTS

Net revenue up +31% YoY to \$543m driven by very strong performance across the Group

Adjusted Operating PBT +29% YoY to \$79.6m, reflecting primarily organic growth

Increasing client activity on our platform, clients' assets grew to \$5.4bn

Growth initiatives continue to perform strongly; Marex Solutions Adjusted Operating PBT up >100%

Recent acquisitions continue to deliver strong performance with c.20% average adjusted ROE achieved (excluding allocated central costs)

Continued IT investment and build out of our Neon platform with over 8,000 users

Further progress with our ESG strategy, increased investment behind our environmental offering and carbon sequestration project

Strong capital and liquidity positions maintained; total capital ratio increased to 17.2% and solvency ratio increased to 128% as at 31 December 2021

Credit rating affirmed by S&P Global and Long-Term Default Rating assigned by Fitch (BBB / BBB-)

Marex's KPIs include non-statutory Alternate Performance Measurements ('APMs') as defined by European Securities and Markets Authority ('ESMA'). We provide these to offer additional insights into the Group's financial results. Where a non-statutory financial measure of performance is used a reconciliation to the most directly related statutory measure is provided in note 6 to the financial statements.

# KEY PERFORMANCE INDICATORS

The following key performance indicators have been selected by the board to track our financial and operational performance and progress against our growth strategy.

## Net Revenue

Net revenue is calculated as gross revenue less cost of trades and bad debts. This metric tracks the Group's top line growth.



## Adjusted Operating PBT

Adjusted Operating PBT is a measure of underlying profitability of the Group and excludes items that are considered to be non-operating such as exceptional items.



## Adjusted Operating PBT Margin

Adjusted Operating Margin is calculated as Adjusted Operating PBT divided by net revenue. This metric tracks the underlying relative profitability of the Group.



## Adjusted Return on Equity

This metric shows the return the Group delivers on its capital base each year and is calculated as Adjusted Operating PAT divided by average total equity.



## Employees

This metric shows the average number of employees and is an indication of the size of the Firm and tracks the growth of the Group over time.



## Total Capital Ratio

This metric shows the total capital resources of the Group as a percentage of total risk exposure and is an indication of the financial strength of the business.



## Number of Trades Executed

This metric shows the number of trades (in millions) executed on behalf of our clients and tracks the Group's growth over time.



## Positive Trading Days

The proportion of positive trading days is a measure of the effectiveness of the Group's risk management and of the profitability of our Market Making operations.



Marex's KPIs include non-statutory Alternate Performance Measurements ('APMs') as defined by European Securities and Markets Authority ('ESMA'). We provide these to offer additional insights into the Group's financial results. Where a non-statutory financial measure of performance is used a reconciliation to the most directly related statutory measure is provided in note 6 to the financial statements.

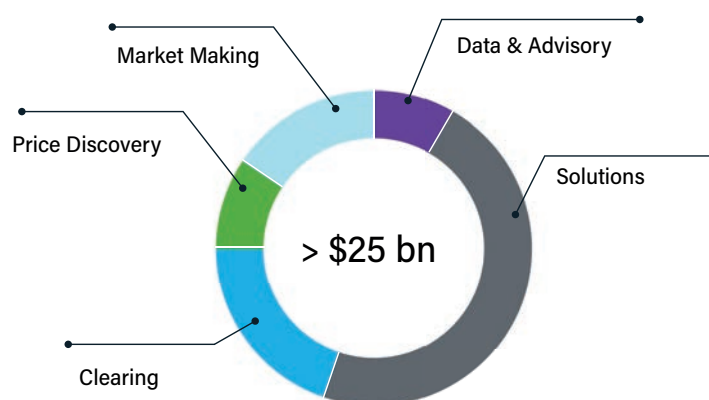
# OUR MARKETS

Marex is a leading global financial services platform which provides essential liquidity, market access and infrastructure. We provide five essential services to our clients, 1) Market Making, where we provide direct liquidity to our clients who wish to trade energy, commodities and financial securities, 2) Clearing and Execution where we provide direct exchange access and settlement services for trades, 3) Solutions, where we provide bespoke hedging and investment solutions (structured notes), 4) Price Discovery, where we leverage our global connectivity acting as an agent to connect buyers and sellers in specialised and illiquid markets, and 5) Data & Advisory services, where we provide insight and support to our clients in decision making and trading. We hold market leading positions in our key service offerings, servicing a broad and blue-chip client base consisting of corporates, banks, trading houses and asset managers.

## Large addressable market

The addressable market for our services is very significant, and we estimate it to be over \$25 billion per annum in net revenue terms. We currently have c.2% market share of the total addressable market, which provides significant opportunities for future growth in all of our service areas as we continue to increase our market share both organically and by targeted bolt-on acquisition.

Graphic showing \$25 billion addressable market



(Data Source: Internal analysis)

## Market growth

The energy, agriculture and commodity markets that we service are large established markets and asset classes which have delivered consistent volume growth over the long term as the global population has grown and demand for energy and commodities has steadily increased

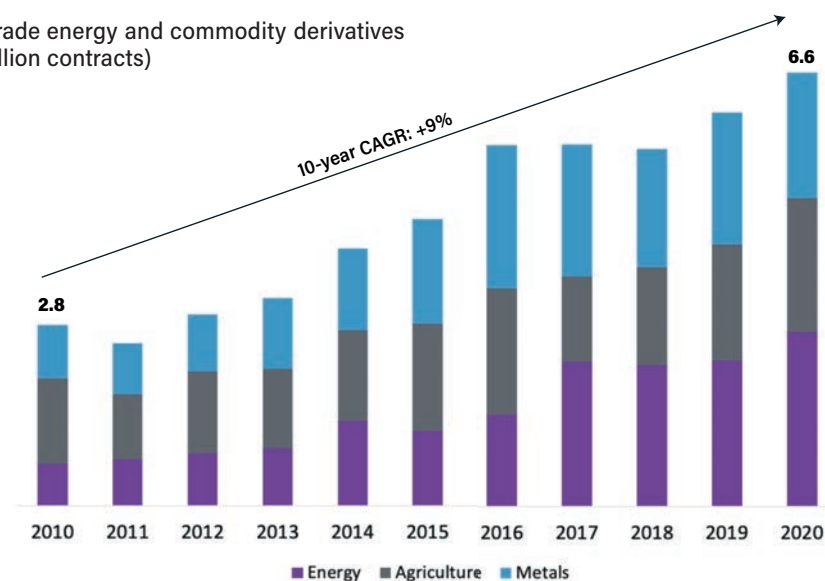
These market dynamics support Marex's ability to consistently deliver double digit growth (both in net revenue and adjusted operating profit before tax) in line with our strategy.



**We hold market leading positions in our key service offerings, servicing a broad blue-chip client base consisting of corporates, banks, trading houses and asset managers.**

**MAREX** 

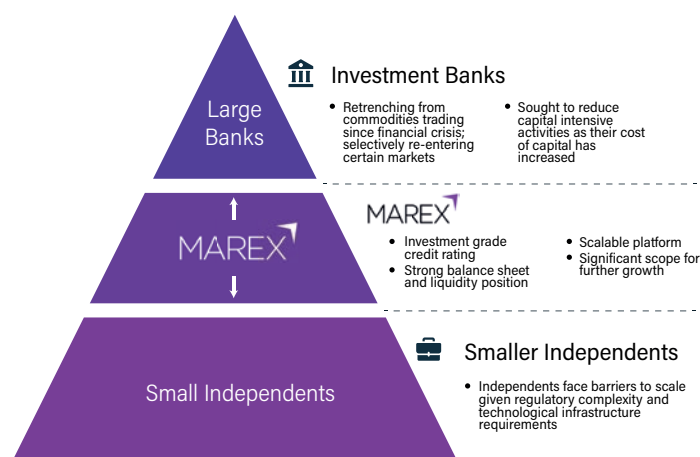
Exchange-trade energy and commodity derivatives volumes (billion contracts)



## Declining competitive intensity and barriers to entry

A significant proportion of the markets in which we operate is served by large investment banks who primarily offer market making and clearing services to larger clients, along with structured notes. Beyond this, the market is highly fragmented with a large number of smaller independent players and a handful of smaller public companies.

Overall, competitive intensity across the markets that we operate in has been declining. Larger investment banks have been retrenching from capital intensive activities for many years and focusing on larger clients where there is potential to cross sell different services to maximise revenue opportunities and returns. Smaller players generally lack strong balance sheets and capital positions and do not have an investment grade credit rating. The increasing regulatory burden and requirement for technology investment are also headwinds for smaller players in the industry and so they often lack the ability to grow and build scale in their businesses.



Marex occupies a unique and optimal position in the market, between these two groups of competitors. We have leading market positions in certain metals, energy and agriculture products in our market making and price discovery businesses and combined with a strong capital and liquidity and an investment grade credit rating, makes us a go-to counterparty for trading and hedging activities. It is difficult for either our larger or smaller competitors to gain market share and extend their reach in the mid-market as Marex can.

# BUSINESS MODEL

Marex is a leading global financial services platform which provides essential liquidity, market access and infrastructure services to clients in the energy, commodity and financial markets. Our services are highly specialised and essential for our clients to run their own businesses effectively; to manage risk and operate profitably.

We categorise our specialised services into five segments:

|                      | Market Making   | Clearing and Execution   | Solutions   | Price Discovery   | Data & Advisory   |
|----------------------|---|--|---|---|---|
| Business Description | Provides liquidity by leveraging extensive market connectivity<br>Acts as principal<br>Limited market risk and overnight exposure | On exchange clearing and execution<br>Acts as principal<br>56 exchange memberships | Bespoke hedging solutions for producers, consumers and market participants<br>Bespoke investment solutions for individuals and asset managers | Acts as agent and not party to the transaction<br>Utilising broad market connectivity to match buyers and sellers | Provides market data, analytics, proprietary indices and research<br>Premium subscription available for additional content<br>Delivered via proprietary Neon and Nanalytics platforms |
| Revenue Model        | Spread between buying and selling prices  | % commission on trade value  | Return built into pricing   | Commission per trade  | Freemium and subscription-based model   |
| % of Net Revenue     | 24%   | 34%  | 16%   | 25%   | 1%  |

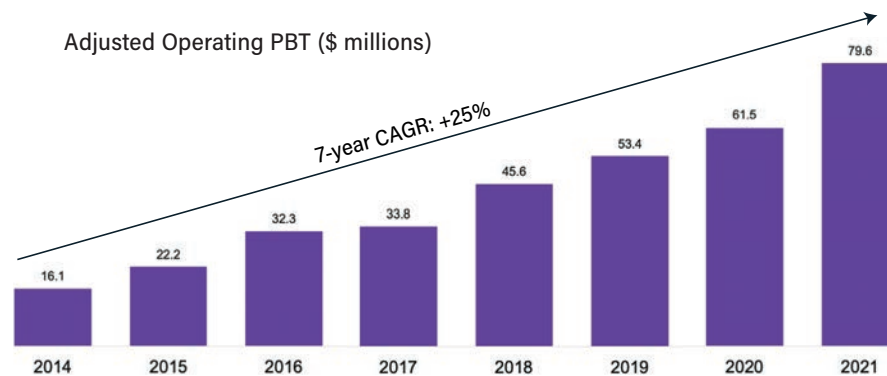
|  |  |
|--|--|
|  | Ability to trade as principal and provide direct liquidity   |
|  | Clearing, Risk Management and Support Infrastructure   |
|  | Technology driven service offering (Neon – Electronic, Execution, Data, Research and Risk Management Platform) |

The foundations that underpin our offering to clients are: the ability to trade as principal and provide direct liquidity to our clients and the provision of execution and clearing services with direct access to 56 exchanges globally. In addition, all our services are underpinned by our Neon client portal which pulls together our data and insights along with the ability to access liquidity and manage risk electronically, on a single platform. Combined with a culture of delivering excellent client service, this integrated, full service offering differentiates Marex from many of our competitors and is highly attractive to our client base.

## Low Risk and Prudent Business Model

Marex operates a low-risk business model which is underpinned by robust risk management processes. We do not take long term directional views on markets or asset prices and carry limited overnight market risk. As a result, we consistently deliver a high proportion of positive trading days throughout the year, regardless of market conditions and have consistently maintained a low Value at Risk of c.\$1.5m despite significant growth in our market making businesses.

Our business is also highly diversified, across different client groups, different asset classes and geographies. This diversification and prudent approach to risk management creates a very resilient business model which has delivered consistent profitability over the last seven years against a backdrop of varied and volatile market conditions.



|                                 |       |       |       |       |       |       |        |       |
|---------------------------------|-------|-------|-------|-------|-------|-------|--------|-------|
| VIX (Volatility)                | 14    | 17    | 16    | 11    | 17    | 15    | 29     | 20    |
| Bloomberg Commodity Price Index | 127   | 94    | 83    | 85    | 86    | 79    | 70     | 93    |
| Fed Funds Rate (%)              | 0.09% | 0.13% | 0.39% | 1.00% | 1.83% | 2.16% | 0.36%  | 0.08% |
| Net Interest Income (\$m)       | (1)   | (1)   | -     | -     | 3     | 33    | 16     | 6     |
| GDP Growth (OECD)               | 2.9%  | 2.9%  | 3.5%  | 3.8%  | 4.0%  | 2.9%  | (3.3%) | 9.4%  |

# THE CHAIR'S REVIEW

During 2021 Marex Spectron rebranded to Marex, simultaneously launching a new logo, and the Company reregistered to a plc, changing its name to Marex Group plc. The Board believes that the simplified name is a clearer reflection of the wider business mix, our increased size and scale of operations and the variety of business lines we now offer.

In my last Chair's review, I described 2020 as a "tumultuous year" and was hopeful that we would see some normality in 2021. The successful vaccine rollout in developed markets and the low interest rate environment did allow corporate earnings to bounce back strongly, however, the arrival of both the Delta and Omicron variants of Covid, together with the associated global supply chain disruptions and, more recently, the Russia / Ukraine crisis have reminded us of how connected all parts of the globe are and the extent to which we are interdependent.

As I write, in Europe we are witnessing a humanitarian crisis in Ukraine like no other experienced in our generation. Our thoughts are with our partners, clients and the people experiencing untold hardship and anguish. Marex, together with many other corporates, has donated to the crisis appeal and hopes that sensible negotiations to end the conflict will prevail. Following the announcement of global sanctions against Russia and significant restrictions to Russian banks, we have taken the necessary actions to be compliant with the law and are working with our clients to help them navigate through these turbulent markets.

Like most organisations, we have not been immune from the effects of Covid and I am grateful to our management and facilities teams, across the globe, who have kept our staff safe and well and our businesses operating.

2021 has been another solid year's performance for the Group with adjusted operating profit before tax increasing by 29% to \$79.6 million (2020: \$61.5 million), led by strong performance in the Market Making (metals and agriculture) and Solutions businesses. We have increased market share in all key asset classes. Our teams have worked tirelessly to ensure that our clients were able to have expert advice and access to markets, despite market conditions. I would like to thank them for their efforts and resilience.

During 2021, Marex made preparations to list on the London Stock Exchange. Given incredibly

crowded markets in a narrow window of opportunity, the Board decided to withdraw the intention to float. Whilst it was disappointing not to be able to list, I believe that the business is stronger and better structured as a result of the pre-IPO processes. We remain optimistic that a listing may be possible in the future, but for now, our strategy remains unaltered: we will continue to seek meaningful growth and expand both our geographic coverage and our product range.

During 2021 and into 2022, our organic growth has continued unabated, with the Solutions business expanding its offering into more geographies, crypto sales for financial products and launching a public offering on the Italian exchange. This has been accomplished against a backdrop of improved governance and credit ratings.

We also added several businesses through selective M&A: Rotterdam-based Starsupply (physical oil products), Chicago-based X-Change Financial Access (XFA) (acquired in late 2020 and fully contributing in 2021, providing clearing and execution services in exchange-traded derivatives) and in October 2021 we acquired Volcap Trading, expanding the Group's offering in bespoke structured products and commodities.

The Board believes that diversification of the Group's product offering and increased geographic footprint is key to our continued success. In 2022 we will continue to implement this strategy whilst ensuring that we invest appropriately in our control and support functions.

## The Group Board

During the year, acting on the feedback from the 2020 Board evaluation to strengthen the independent governance of the Firm and partly in readiness for a potential listing, we recruited three new independent Non-Executive Directors to the Board. Robert Pickering has been appointed as Senior Independent Director and Sarah Ing has become Chair of the Audit and Compliance Committee. Once the necessary FCA approval is received, we intend for Konstantin Graf von Schweinitz to Chair the Risk Committee. We are delighted to have Robert, Sarah and Konstantin join us and they are all adding significant value to the Board already.

Four of our long-standing shareholder representative directors stood down during



Carla Stent, Chair

the year: Peter Kadas, Daniel Hallgarten, Vittorio Pignatti-Morano and Henry Richards. I would like to thank them for their extensive contributions over the years. You will always be part of the Marex family!

The Group Board has diligently exercised its responsibilities during the year: setting a clear "tone from the top", defining the strategy and the associated risk culture and regularly monitoring the risk profile of the business. We have also ensured that adequate financial resources are in place to meet the regulatory and operational requirements, raising additional Tier 2 capital during the course of the year.

Each of the Board sub committees have provided oversight for effective functioning of internal control systems.

## Strategic Priorities

Marex's strategic priorities remain largely unchanged since 2020. During the 2021 year, the Board received updates on the following:

- Continued growth through a combination of recruiting talent, strategic bolt-on acquisitions and building new business (where we had in-house expertise and a unique advantage). This included a review of our geographic footprint and areas of future focus;
- Reviewing our opportunities for cross selling, extending the ranges and what we offer within a service, and adding new services;
- Embedding a strong culture and good governance framework across the Group, including embedding the culture framework developed in 2019 and rolling out the governance frameworks required to support our continued growth;
- Alongside this, we have constantly reviewed liquidity and capital requirements, successfully raising additional Tier 2 capital; and
- Closely monitoring the risk strategy to ensure that we balance commercial opportunities with a prudent approach to risk management.



**Operationally, we are fully committed to be carbon neutral in 2022 and our work with OxCarbon and the Global Mangrove Trust continues to progress well.**

We have continued to expand on our ESG agenda. The programme has central governance under the leadership of myself and the Chief Financial Officer. It has two key workstreams: Commercial and Operational. We have recently hired a renewables team to supplement the green trading in core businesses. Operationally, we are fully committed to be carbon neutral in 2022 and our work with OxCarbon and the Global Mangrove Trust continues to progress well. We are proud of what we have started but remain acutely aware that there is much to do to address the multiplicity of issues that the world faces.

## Our People

We remain fully committed to building a culture that values meritocracy, openness, fairness and transparency. We actively value differences and want Marex to be an

employer where the most talented individuals, regardless of gender, disability, ethnicity, culture or sexual orientation, want to build their career.

As announced last year, we have improved our hiring and interview processes based on information gathered from our work on culture and diversity over the previous three years. We have also improved our Mentoring, Learning and Development offering, as well as holding several well-being initiatives. Our colleagues actively participated in the Movember campaign, ranking 16th in Europe in terms of fundraising.

We have continued to successfully recruit key hires including Arthur Fan (CEO – APAC), Angelo Sofocleous (Head of Corporate Advisory), Karen Neffar (Group Head of HR), Catherine Hyams (Head of Tax), Robert Coates (Head of Investor Relations), Richard Ford (Head of Financial Crime and MLRO), Artem Azovtzev (Singapore TMG), Matt Arrowsmith (Physical Middle Distillates Desk Head) and Sarah Lewis (Global Head of Reward). In total we have recruited 307 new colleagues, globally, during 2021.

Our 2021 Employee Engagement survey continued to build on the positive results of 2020. Once again, 85% of staff participated in the survey, consistent with last year, and the overall engagement scores remained consistent year on year, across the business, despite Covid-19 and working from home pressures.

## Gender Pay Gap

In our 2021 Gender Pay Gap Report we reported a total mean and median gender pay gap of 27% and 24% respectively, showing a small increase of 3% on the mean and remaining flat on the median on 2020 at 24% and 24% respectively. This is versus the industry's 33% mean and 36% medium. Whilst our pay gap is in line with the industry, it is higher than we would like, and we continue our efforts to drive the gap lower.

Analysis has shown that it is gender distribution (fewer women in senior positions), and not unequal pay, that is the driver of our pay gap (for matched roles, there is no pay gap between genders). We therefore are continuing to focus our efforts on addressing the issue of gender distribution, and our mid to long term aim is to increase female numbers across the board, and specifically within senior roles that have higher bonus potential.

## Whistleblowing

I act as the Whistleblowing Champion for the Group. Two concerns were raised during the reporting period, one of which was deemed to be a grievance, following a full investigation, and was dealt with through the grievance procedure. The other is still being investigated.

During the year we rolled out extensive whistleblowing refresher training and 100% of our global workforce have completed the training.

## 2022 Outlook

We will remain responsive to the external environment, but have learnt over the last two years that being adaptive (one of our values) is essential. We will continue to react to changing circumstances and will seek to capitalise on opportunities to strengthen and grow our collective businesses. As in prior years, the key priorities for the Group Board in 2022 will be:

- Continued strong financial performance. The Group Board and Management will continue to drive this through diversification of our product set and the successful identification, completion and integration of acquisitions. We will continue to balance the commercial opportunities with prudent risk management.
- Environmental, Social and Governance. We are excited by the opportunities that exists in this growing area and believe that we are well placed to help our clients' transition to greener alternatives. The

Board will be focussed on the execution of the plans to achieve this.

- Culture, Conduct & Diversity are the backbone to the way that we seek to conduct business. We will continue to re-emphasise this with strong tone from the top and leveraging the Communications and Learning and Development functions.
- Governance. As we continue to scale and grow the business, we will further enhance our governance frameworks to ensure we continue to operate in line with best practice.

It is our intention to continue to pay a dividend to shareholders, however the Board will consider whether to pay such a dividend subsequent to year end. As a result, no dividend has been proposed in these financial statements.

## Conclusion

Marex has navigated its way well through a challenging few years that included Brexit, unpredictable markets, natural disasters and the effects of the pandemic. The current conflict in Ukraine creates a huge humanitarian need, as well as impacting many of the markets in which we trade. We will continue to support our Ukrainian partners and our global clients impacted by this conflict. The dedication, capability, and resilience of our colleagues are testament to all that Marex stands for. I would like to thank them, our shareholders and my Board colleagues for their commitment and hard work, as well as thanking our clients for their continued support. As I look to the future, I am confident of Marex's continued success.

**Carla Stent**

**Independent Non-Executive Chair**

13 April 2022

# CHIEF EXECUTIVE OFFICER'S REVIEW

## Overview

2021 was a remarkable year for Marex, as we continued to successfully deliver on our growth strategy, diversifying our business by adding products to our service segments and expanding geographically. With modest macro tailwinds we were able to grow net revenues by 31% to \$543 million and adjusted operating PBT by 29% to almost \$80 million. This is essentially two years of progress rolled into one year, as we had budgeted circa 15% growth and it reflects strong performance across all our business segments. I am also particularly pleased that the majority of this growth was organically driven.

Our performance in 2021 reflects the quality of the Marex platform, and continuation of the long term trend of adding clients and steadily growing the amount of business we do with them. Rising commodity prices and volatility levels were helpful, but as a macro environment, low interest rates represented a significant headwind, which, in my view, makes our progress even more impressive.

Our outperformance versus competitors shows that the performance is not a case of "a rising tide lifting all boats" but genuine competitive advantage at work. 2021 marks the seventh year of ongoing annual increases in Operating PBT, a trend we are particularly proud of, as it demonstrates our ability to grow through the entire range of market environments.

Over the past year we have continued to invest in our Control and Support functions to support future growth, increasing headcount in this area by around 15%. We also upgraded our Risk and Compliance functions with new hires and improved systems. Maintaining an open and transparent relationship with our regulator is always a priority, and we believe we have strengthened our relationship during 2021. The FCA signed off on the Solutions Risk Management Program instituted in 2019, and we completed a satisfactory external review of our Business Change process, which was shared with regulators. Defending against financial crime, which is an industry-wide focus, is an area of investment and improvement and here again we completed a satisfactory review.

I would like to thank everyone at Marex for their hard work and commitment during the year. It is due to their

dedication and effort that we continue to provide high-quality service, robust controls and risk management and to develop innovative solutions for our clients. A key objective of management is to continually invest in our people and our platform and ensure our infrastructure evolves at the same pace or faster than our front office businesses to deliver sustainable growth in the future.

## Foundations of the Marex franchise

Marex's competitive advantage is based on three interconnected factors.

- i. The breadth of services we offer our clients. These services include Market Making, Clearing and Execution, Solutions, Price Discovery and Data & Advisory. In particular, it is our ability to act as a principal in market making, clearing and as a derivative counterparty that differentiates our business.
- ii. The depth and quality of our specialist services. What we do, we do extremely well, and clients recognise this and reward us by increasing the amount of business they do with us.
- iii. Our culture of agility and excellence in client service. Our business model is underpinned by a culture which is sharply focussed on delivering high quality client service to ensure Marex is a go-to counterparty for our clients. We have a flat organisational structure that allows us to make decisions quickly as we look to respond to our clients' needs as they evolve, expanding our product offering and creating innovative solutions to support our clients.

We are also extremely disciplined around risk. We do not take a directional view on asset prices or particular indices and have minimal overnight exposure. This is evidenced by our low daily average Value at Risk ('VaR') (circa \$1.5 million), low number of trading loss days (17%), and very modest credit losses (less than \$1 million in 2021 and less than \$3 million in the volatile markets of 2020). We also maintain strong capital and liquidity positions to support our business and an investment grade rating from two agencies, which indicates the strength of our franchise.



Ian Lowitt, CEO



## Executing our growth strategy

We have built a very competitive franchise which delivers essential services for our clients and we expect to benefit from two positive trends going forward. Firstly, our leading position in a world where the large banks are generally retrenching and taking a selective and targeted approach to their service offerings in the commodity markets. Secondly, among the smaller players in the industry, the increased challenges of regulation, compliance and difficulty of competing with scale players makes them less competitive and provides significant opportunities for consolidation and further growth from acquisitions for Marex.

Adding new clients to our platform and increasing the business we do with all our key clients is at the core of our growth strategy. In general, clients come to Marex because they can no longer get the agile, specialised and highly bespoke service they require from their traditional providers. Once they see what Marex can do for them, they typically choose to stay and grow their business with the Firm.

We now service well over 7,000 clients, up from circa 1,800 in 2018. Some of this growth has come through acquisitions, particularly the acquisition of RCG, our US clearing business acquired early in 2019, but we continue to onboard numerous clients each year as we extend our reach across all of our services. We have also significantly increased the revenues we generate from our largest clients by expanding the range of services and products we provide them with. This is illustrated by the number of clients on our platform that generate more than \$1 million in net revenue for Marex which has significantly increased since 2018.

We also have a strong track record of extending our product offering and the number of asset classes that clients can access on our platform. In recent years we have added recycled metals trading, small cap equities market making and energy clearing, amongst others. Looking forward, we are confident in our ability to continue to deliver strong growth and are investing in a series of growth initiatives. One of the most exciting opportunities we see is in renewables. We already have a successful US renewables business sourcing Solar Renewable Energy Certificates ('SRECs') for clients, and carbon credit

brokerage capability in the UK. We see a compelling opportunity to become a leading market maker of carbon credits; we have recently added clients who will execute and clear credits through us; we have embedded credits in structured notes for clients and see opportunity to grow our derivative offering; and we currently broker almost all commodities where over time we expect green versions of contracts to operate alongside the current contracts. We have been hiring to build out our teams and the goal is to be a leading player in what is currently a very fragmented marketplace.

While the majority of our growth in 2021 (adjusted operating profit before tax) was organic, we operate in a highly fragmented industry and have continued to deploy capital in carefully selected bolt-on acquisitions. On average, the companies we have acquired in recent

years are thriving at Marex, with revenues growing 25% in the year after acquisition and profits more than doubling. The Adjusted ROE on our acquisitions is around 20% which is above our Group average of 14%. Growth via acquisition is an exciting component of our plan and will likely support our geographic expansion as we look to grow our businesses in the US and Asia.

I am pleased that the investments we are making and our commitment to client service are being recognised not only by our clients but by other third parties as well. During 2021 Marex was proud to be recognised with awards

from notable industry publications; winning four awards from Risk and Global Investor magazine, Client Clearing Provider of the Year and Non-Bank FCM of the Year from Global Investor's FOW International Awards and Broker of the Year and Weather House of the Year at the 2021 Energy Risk Awards.

## Ukraine invasion

The invasion of Ukraine and the devastation it has wrought is deeply troubling to Marex and its staff. There has been a tremendous outpouring of support from our staff, to both assist the small group of Ukrainian IT contractors we utilise as well as to provide support for Ukrainians who have had to flee their country. The Group has donated over \$100,000 to the Red Cross to support these aid efforts.

“

**Adding new clients to our platform and increasing the business we do with all our key clients is at the core of our growth strategy.**

Our business has relatively little direct exposure to either Russia or Ukraine. We have been very resilient during the recent period of elevated volatility and market dislocation, where the prudent approach that we take to capital and liquidity has served us well. We have continued to trade profitably, maintain sufficient liquidity to fund our business, fully observe government guidance, and most importantly, support our clients, and will continue to do so as the situation develops.

We also note that certain commodity markets have seen unprecedented volatility and exchanges are taking appropriate steps to mitigate the impact of this volatility on market participants in certain instances. For example, the London Metal Exchange suspended trading in Nickel contracts on 8 March 2022 following unprecedented price increases. Trading subsequently resumed on 16 March with daily price limits.

### Positive future outlook

The Marex platform continues to perform strongly, with increased demand for our services from clients. Trading since the start of 2022 has been very positive, with increased volatility, increased commodity prices, and higher volumes creating favourable conditions for our business. As a result, net revenues for the first quarter of 2022 are well ahead of the same period in 2021. The central banks in the US and UK have also begun to raise short term interest rates which is also positive for our business.

The macro-economic environment is positive for Marex with increasingly positive tailwinds for our business. The G7 agenda items - be it climate change, investing in infrastructure, rebuilding supply chains, levelling up, are all, we believe, likely to drive commodity price inflation and the development of carbon trading markets. Inflation in the real economy will likely translate in 2022 to rising short term interest rates which is also very positive for our business.

I and the Board are very proud of what we have collectively accomplished, and we thank everyone at Marex for their commitment and hard work. We look forward to the future with confidence and excitement and are committed to delivering another year of progress for the business.

Ian Lowitt

Chief Executive Officer

13 April 2022



**Our Market Making business provides direct liquidity to our clients across a variety of products primarily in the energy, metals and agriculture markets.**

# FINANCIAL REVIEW

The Group delivered exceptionally strong performance in 2021, continuing to deliver strong growth against a backdrop of mixed market conditions and low interest rates. This strong performance demonstrates the resilience of our business model and the strength of the Marex platform.

The Group delivered net revenue growth of 31% to \$542.6 million from \$414.7 million in 2020 and Adjusted Operating PBT growth of 29% to \$79.6 million, up from \$61.5 million in 2020. This growth was primarily organic and driven by very strong performance across all segments of our business as we increased the number of clients on our platform and the levels of client activity increased, with the number of trades executed for clients and trades cleared on our platform both increased 6% and 10% respectively.

This strong growth in Adjusted Operating PBT was delivered despite significant investment in the Marex platform during 2021 to support future growth and a \$5.9 million reduction to net bank interest and other income compared to 2020.

|                      | <b>2021<br/>\$m</b> | <b>2020<br/>\$m</b> | <b>% Change</b> |
|----------------------|---------------------|---------------------|-----------------|
| <b>Gross Revenue</b> | 1,114.2             | 762.4               | 46%             |
| <b>Net Revenue</b>   | <b>542.6</b>        | <b>414.7</b>        | <b>31%</b>      |
| Commissions          | 319.7               | 204.4               | 56%             |
| Trading              | 203.9               | 173.1               | 18%             |
| Interest & Other     | 19.0                | 37.2                | (51%)           |

Net revenue is a measure that includes gross revenue and interest income from operations after deducting cost of trade and bad debt. Net revenue for 2021 was \$542.6 million, an increase of 31% from 2020 where net revenues were \$414.7 million. Commission and trading revenues increased year-on-year due to strong performance in our energy Price Discovery business and increased activity levels in our core metals and agriculture markets which benefits both Market Making and Clearing and Execution volumes. Interest & Other revenues declined primarily due to lower interest rates during the period, with average Fed Funds rate of 0.08% during 2021, compared to 0.36% in 2020. Net revenue is a management measure of performance, the reconciliation of net revenue to revenue (the accounting measure) is provided in note 6.

## Adjusted Operating Profit

From a financial management perspective, net revenues and Adjusted Operating Profit Before Tax are the key measurements of financial performance, reflecting the underlying profitability of the business. These exclude costs and revenues that are considered to be non-operating such as exceptional items, cost of investments, and business restructuring costs.

|  | 2021<br>\$m  | 2020<br>\$m  | % Change   |
|--|--------------|--------------|------------|
| <b>Net Revenue</b>                       | <b>542.6</b> | <b>414.7</b> | <b>31%</b> |
| Front office costs                       | (328.6)      | (240.2)      | 37%        |
| Control and Support costs                | (121.7)      | (104.1)      | 17%        |
| Other expenses                           | (12.7)       | (8.9)        | 43%        |
| <b>Adjusted Operating PBT</b>            | <b>79.6</b>  | <b>61.5</b>  | <b>29%</b> |
| Tax                                      | (15.3)       | (12.5)       |            |
| <b>Adjusted Operating PAT</b>            | <b>64.3</b>  | <b>49.0</b>  | <b>31%</b> |
| <br>                                     |              |              |            |
| <b>Adjusted Return on Equity ('ROE')</b> | <b>14%</b>   | <b>11%</b>   |            |

Front office costs represent staff, systems and infrastructure costs associated with running our revenue generating operations. These costs increased 37% to \$328.6 million in 2021, largely reflecting the increase in front office headcount during the year. The increase in these costs in excess of net revenue growth during the year reflects investment in both our Price Discovery and Clearing and Execution businesses, bringing in additional front office headcount to expand our coverage geographically into different asset classes to support future growth.

Control and Support costs primarily reflect staff and property related costs, along with professional fees and other administrative expenses associated with the support functions. These costs increased 17% to \$121.7 million in 2021, primarily reflecting increased headcount in our Control and Support functions, in particular our Risk and Compliance functions, to ensure we continually invest in our systems and processes to support future sustainable growth.

Other expenses primarily reflect depreciation and amortisation, which has increased as we continue to invest in our systems and infrastructure to support growth in the business.

As a result of the net revenue and cost trends noted above, Adjusted Operating PBT increased 29% to \$79.6 million for 2021, well ahead of management's expectations at the start of the year and ahead of the 26% growth CAGR delivered since 2014. Adjusted operating profit margin remained constant at 15%. Underlying adjusted operating profit margins remained strong with growth initiatives, such as Solutions, increasing their contribution to Group profitability.

Adjusted Operating Profit After Tax increased by a similar percentage, up 31% year on year to \$64.3 million. Return on equity also increased in 2021 to 14% from 11% in 2020 as the business builds scale.

| <b>Annual Average Full Time Equivalent ('FTE')</b> | <b>2021<br/>No.</b> | <b>2020<br/>No.</b> | <b>% Change</b> |
|--|---------------------|---------------------|-----------------|
| Front Office                                       | 615                 | 428                 | 44%             |
| Support and Control                                | 447                 | 386                 | 16%             |
| <b>Total</b>                                       | <b>1,062</b>        | <b>814</b>          | <b>30%</b>      |
| <br>   |                     |                     |                 |
| Percentage of Front Office employees               | <b>58%</b>          | <b>53%</b>          |                 |

## Reconciliation to Reported Results

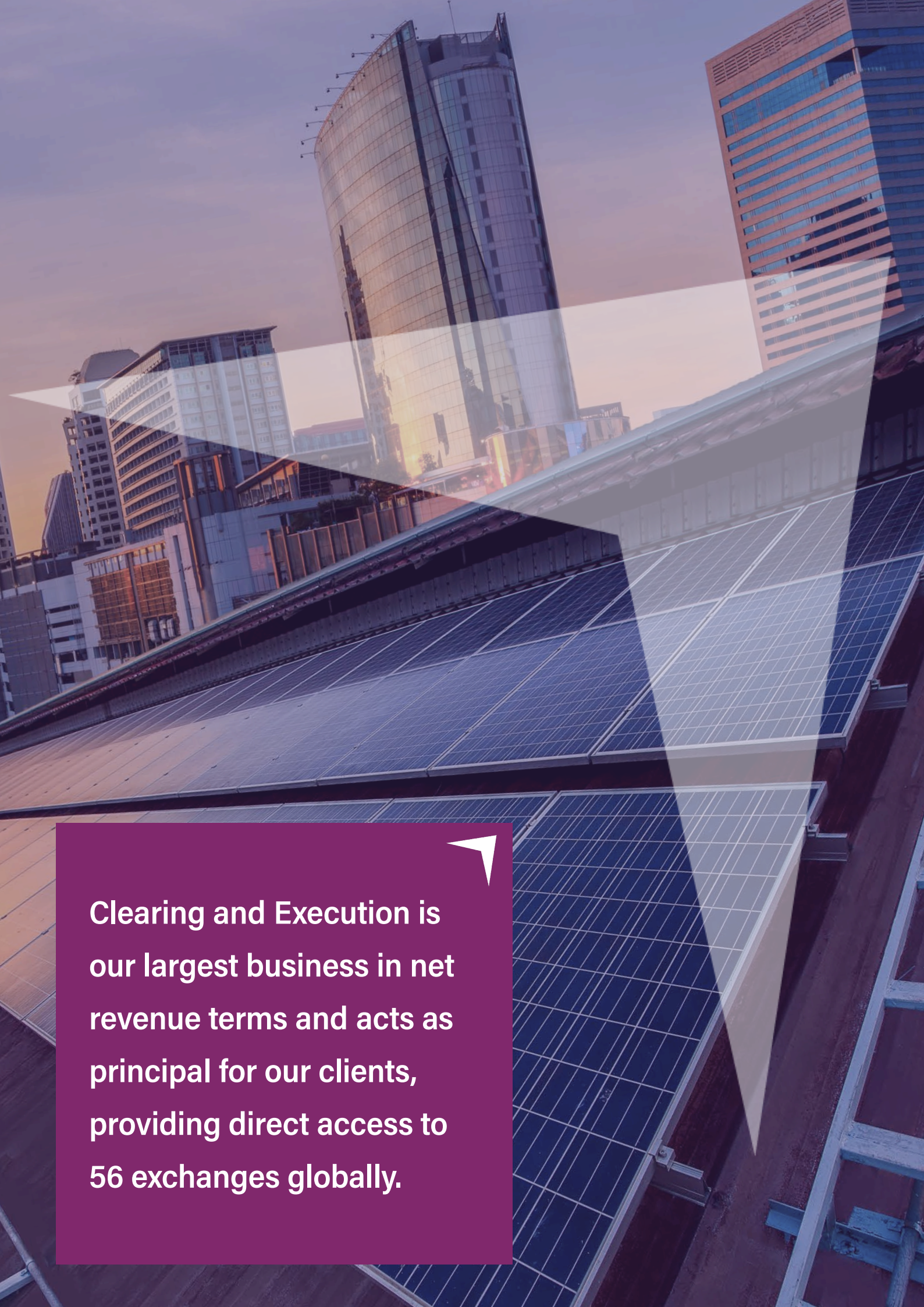
On a reported basis, Profit Before Tax increased 27% year-on-year to \$69.8 million in 2021 from \$55.0 million in 2020. This includes the impact of non-operating items, in 2021 these include fees payable due to private equity ownership and advisory fees related to the initial public offering preparation process in the first half of the year.

The Group's effective tax rate declined slightly year on year to 19.1% in 2021, from 20.4% in 2020, due to a change in the geographic mix of profitability compared to prior year, with lower taxation payable in the United States.

|   | 2021<br>\$m | 2020<br>\$m |
|---|-------------|-------------|
| <b>Adjusted Operating Profit Before Tax</b> | <b>79.6</b> | <b>61.5</b> |
| Contingent Consideration Adjustment         | -           | 1.8         |
| Right of Use Asset Impairment               | -           | (1.7)       |
| Net Impairment                              | -           | (1.7)       |
| Owner fees                                  | (2.1)       | (1.7)       |
| IPO preparation costs                       | (6.6)       | (2.8)       |
| Other                                       | (1.1)       | (0.4)       |
| <b>Profit Before Tax (reported)</b>         | <b>69.8</b> | <b>55.0</b> |
| Tax   | (13.3)      | (11.2)      |
| <b>Profit After Tax (reported)</b>          | <b>56.5</b> | <b>43.8</b> |

## Divisional performance

Marex is organised into five distinct business segments: Market Making, Clearing and Execution, Solutions, Price Discovery and Data & Advisory. Management evaluates segmental performance through net revenue and Adjusted Operating PBT. Having historically reported under four segments, given the significant growth and profits delivered in Solutions, during 2021 the Group's reportable segments were updated to be consistent with the way the resources are allocated and performance is assessed by management.



Clearing and Execution is our largest business in net revenue terms and acts as principal for our clients, providing direct access to 56 exchanges globally.

The following tables show the split of net revenue and Adjusted Operating PBT by segment for 2021 compared to 2020:

| <b>Net Revenue</b>     | <b>2021<br/>\$m</b> | <b>2020<br/>\$m</b> | <b>% Change</b> |
|------------------------|---------------------|---------------------|-----------------|
| Market Making          | 131.1               | 101.6               | 29%             |
| Clearing and Execution | 183.0               | 138.1               | 33%             |
| Solutions              | 87.9                | 43.5                | 102%            |
| Price Discovery        | 134.7               | 127.9               | 5%              |
| Data & Advisory        | 5.9                 | 3.6                 | 64%             |
| <b>Total</b>           | <b>542.6</b>        | <b>414.7</b>        | <b>31%</b>      |

| <b>Adjusted Operating PBT</b>       | <b>2021<br/>\$m</b> | <b>2020<br/>\$m</b> | <b>% Change</b> |
|-------------------------------------|---------------------|---------------------|-----------------|
| Market Making                       | 45.0                | 35.1                | 28%             |
| Clearing and Execution              | 37.9                | 32.0                | 18%             |
| Solutions                           | 31.8                | 12.6                | 152%            |
| Price Discovery                     | 15.7                | 19.5                | (19%)           |
| Data & Advisory                     | 4.3                 | 2.2                 | 95%             |
| Control & Support unallocated costs | (55.1)              | (39.9)              | 38%             |
| <b>Total</b>                        | <b>79.6</b>         | <b>61.5</b>         | <b>29%</b>      |

### **Market Making**

Our Market Making business provides direct liquidity to our clients across a variety of products primarily in the energy, metals and agriculture markets.

Market Making net revenue grew strongly in 2021, up 29% year-on-year. Our core business in metals and agriculture performed particularly well during the year, benefiting from increased volatility and positive market conditions, with the metals franchise particularly benefiting from the re-opening of the LME trading floor in the second half of the year. In combination, these businesses contributed almost \$88 million of net revenues in 2021, up over 50% on the prior year.

The businesses we have added through acquisition in recent years continued to benefit from being part of the Marex platform and performed very strongly during the year. CSC Commodities, our energy market making franchise continued to deliver growth with revenues up a further 8% to \$28 million in 2021, in addition to strong growth seen in 2020, post acquisition. Tangent Trading, our recycled metals trading business performed strongly, with revenues up 47% to almost \$7 million in 2021. Both of these businesses are delivering strong returns, in line with the investment cases that supported the acquisitions in 2019 and 2020 respectively.


We continue to invest in our market making capabilities, our front office head count increased by more than 23 people during the year as we continue to expand the range of products and asset classes in which we provide liquidity to our clients. Looking ahead, we are particularly excited about expanding our green and environmental product offering to help our clients reduce their carbon exposures and operate in a more environmentally friendly manner.

Adjusted Operating PBT increased by 28% in 2021 to \$45 million, with margins declining very slightly to (at 34%) as a result of a change in mix and further investment in the division to support future growth.

### **Clearing and Execution**

Clearing and Execution is our largest business in net revenue terms and acts as principal for our clients, providing direct access to 56 exchanges globally. Growth in this business is illustrated by the increase in client assets on our balance sheet, which increased to \$5.4 billion at the end of 2021, which in turn gives the Group exposure to interest rates as we





**Our Solutions business provides high quality bespoke hedging and investment solutions to our clients.**

earn interest on client balances held as collateral and at exchanges.

The division performed well in 2021 against a backdrop of lower interest rates and exchange volumes in some of our key markets. Net revenue increased 33% to \$183 million in 2021, up from \$138 million in 2020. All key areas of the business performed well with net revenue in our core markets of energy, metals and agriculture up year-on-year in 2021, supported by periods of market volatility (and increased market share) and now totalling over \$74 million. Our US clearing business, Rosenthal Collins Group's (RCG) net revenue for the year increased 13% to \$43 million compared to \$38 million in 2020.

The full year benefit of net revenues from XFA, an execution broker of exchange traded derivatives based in Chicago, acquired in November 2020 also supported growth in 2021. XFA contributed \$40 million of net revenue in 2021 and broadens the Group's product offering and strengthens the position of the Group in North America, whilst providing XFA clients with ready access to complementary products and services.

Adjusted Operating PBT increased by 18% in 2021 to \$38 million. The reduction in margin to 21% in 2021 from 23% in 2020 was largely due to lower interest income as interest rates were lower year-on-year due to cuts in the central bank rates in 2020 in response to the COVID pandemic. The outlook for interest rates is positive, with inflationary pressures in most developed economies resulting in anticipated rate hikes, with a 1% rise in interest rates equating to an approximately \$30 million increase in Adjusted Operating PBT for the Group.

### **Solutions**

Our Solutions business provides high quality bespoke hedging and investment solutions to our clients. Tailored commodity hedging solutions allow producers and consumers to hedge their exposure to movements in commodity prices and exchange rates across different time horizons. Our financial products offering allows investors to gain exposure to particular markets or asset classes, for example equity indices, in a cost effective manner.

The segment continues to deliver very strong growth for Marex, with net revenue and Adjusted Operating PBT more than doubling in 2021. Net revenue increased by 103% to \$88 million from \$43 million in 2020 as we expanded our distribution network and significantly increased the number of clients who access our solutions to almost 400. Growth in the financial products part of the business was particularly strong, with net revenue up 160% to \$46 million.

As a result of this strong growth, total notes issued at the end of 2021 was \$1,119.5 million compared to \$376.8 million at the end of 2020.

Adjusted Operating PBT increased by 152% in 2021 to \$32 million, with margins increasing to 36%, up from 29% in 2020 as the business builds scale and maximises returns on historical investment in people and systems.


The business is well positioned to continue to build market share and deliver future growth due to the investment we have made in state of the art technology, resulting in an enhanced client experience and cost effective pricing of our products, giving Marex a competitive edge. The success of this business demonstrates the ability of the Group to grow organically through innovation and the Solutions business is an increasingly important source of funding for the Group.

### **Price Discovery**

Our Price Discovery business provides essential liquidity to clients by connecting buyers and sellers in the opaque OTC energy markets. We have leading positions in many of the markets we operate in, including EU fuel, German Power, UK Gas, US Petrochems, US Biofuel, US Renewables and Asian LPG. We achieve this through the breadth and depth of the service we offer to customers, providing deep liquidity pools in each product combined with the intelligence facilitated through linking liquidity pools together in inherently related products.

Net revenue increased by 5% to \$135 million in 2021 compared to \$128 million in 2020. The business delivered very consistent results throughout the year, with revenue and profitability evenly distributed throughout the year, showing consistent demand for our liquidity provision services.

Our front office headcount increased by more than 20% during the year to approximately 175 people, as we look to invest in the business, expand our product and client coverage and support future growth. As a result, Adjusted Operating PBT declined year-on-year to \$16 million in 2021 from \$20 million in 2020.



**Our Price Discovery  
business provides  
essential liquidity to clients  
by connecting buyers and  
sellers in the opaque OTC  
energy markets.**

## Data & Advisory

As a provider of liquidity and other essential services to over 7,000 clients across multiple global markets, we sit at the centre of an enormous amount of data. We are in the early stages of harnessing the data and insight that Marex generates and realise value from it. We currently generate revenues from a subscription business selling energy price discovery data and certain research services, which provides a foundation to grow and develop our data business.

Net revenue for the business grew 64% in 2021 to \$5.9 million, albeit this included \$2 million of one - off revenue from the disposal of Intellectual Property in the period. Excluding this benefit, net revenue and Adjusted Operating PBT both increased by approximately 8% year-on-year.

A key driver of our future growth is Neon, our client portal to deliver data, insights, research and electronic execution. We hit our target of having over 8,000 users signed up to Neon by the end of 2021. Future growth will be delivered by leveraging our connection to clients via Neon and monetising our propriety value-add service offering accordingly.

## Balance sheet

Tangible equity increased by \$16.9 million in 2021 (2020: increase of \$3.5 million). The increase in goodwill of \$10.5m was the result of the acquisitions of Starsupply of \$2.7 million, and \$7.8 million from the acquisition of Volcap Trading.

Shareholders' equity increased by \$33.9 million in 2021 (2020: increased by \$26.0 million). This resulted mainly from the profit after tax of \$56.5 million in 2021 (2020: \$43.8 million) and offset by dividends paid of \$20.0 million during the year.

Intangible assets increased by \$6.5 million mainly as a result of the recognition of \$5.4 million in Customer Relationships, the addition of \$3.5 million of Software, and offset by the higher amortisation of intangible assets during the year.

|                        | <b>2021</b>  | <b>2020</b>  | <b>2021 v 2020</b> |
|------------------------|--------------|--------------|--------------------|
|                        | <b>\$m</b>   | <b>\$m</b>   | <b>\$m</b>         |
| Shareholders' equity   | 477.7        | 443.8        | 33.9               |
| Intangible assets      | (17.6)       | (11.1)       | (6.5)              |
| Goodwill               | (208.9)      | (198.4)      | (10.5)             |
| <b>Tangible equity</b> | <b>251.2</b> | <b>234.3</b> | <b>16.9</b>        |

Liquid assets which consist of Cash held in banks and Treasury notes increased by \$450.2 million from \$1,930.4 million in 2020 to \$2,380.6 million 2021. The Group increased its Solutions structured notes issuance from \$376.8 million in 2020 to \$1,119.5 million in 2021. The increase in the derivative instrument balances (which are used for hedging purposes) is a reflection of the increase in the Solutions structured notes business.

Amounts held at exchanges, clearing houses and other counterparties (included within Trade receivables) increased from \$1,100.1 million in 2020 to \$2,967.3 million in 2021. This reflects growth in client balances (included in Trade payables) of \$1,869.8 million from \$2,409.6 million in 2020 to \$4,279.4 million in 2021.

Inventory of \$80.1 million (2020: \$8.8 million) consists of cryptocurrencies, carbon emission licences (both part of the growing Solutions business and used for hedging purposes) as well as scrap metals.

|  | 2021<br>\$m      | 2020<br>\$m       | 2021 v 2020<br>\$m |
|--|------------------|-------------------|--------------------|
| Cash and cash equivalents                            | 712.0            | 291.5             | 420.5              |
| Treasury instruments and financial institution notes | 1,524.3          | 1,496.6           | 27.7               |
| Repurchase agreements                                | 144.3            | 142.3             | 2.0                |
| <b>Liquid assets</b>                                 | <b>2,380.6</b>   | <b>1,930.4</b>    | <b>450.2</b>       |
| Trade receivables                                    | 3,183.0          | 1,249.5           | 1,933.5            |
| Trade payables                                       | (4,279.4)        | (2,409.6)         | (1,869.8)          |
| <b>Net trade payables</b>                            | <b>(1,096.4)</b> | <b>(1,160.1)</b>  | <b>63.70</b>       |
| Derivative instruments – assets                      | 827.1            | 199.6             | 627.5              |
| Derivative instruments – liabilities                 | (691.6)          | (236.4)           | (455.2)            |
| <b>Net derivative assets/ (liabilities)</b>          | <b>135.5</b>     | <b>(36.8)</b>     | <b>172.3</b>       |
| Other receivables                                    | 64.3             | 71.0              | (6.7)              |
| Other payables                                       | (170.3)          | (133.0)           | (37.3)             |
| Investments in associate                             | 5.9              | 5.6               | 0.3                |
| Net tax assets                                       | 9.1              | 5.7               | 3.4                |
| Provisions   | (0.9)            | (0.3)             | (0.6)              |
| Repurchase agreements                                | (140.4)          | (140.0)           | (0.4)              |
| Lease liability                                      | (23.0)           | (24.4)            | 1.4                |
| Debt securities in issue                             | (1,119.5)        | (376.8)           | (742.7)            |
| Right-of-use asset                                   | 17.1             | 16.3              | 0.8                |
| Equity instruments                                   | 92.3             | 52.1              | 40.2               |
| Inventory  | 80.1             | 8.8 <sup>1</sup>  | 71.3               |
| Other assets   | 16.8             | 15.8 <sup>1</sup> | 1.0                |
| <b>Other net payables</b>                            | <b>(1,168.5)</b> | <b>(499.2)</b>    | <b>(669.3)</b>     |
| <b>Tangible equity</b>                               | <b>251.2</b>     | <b>234.3</b>      | <b>16.9</b>        |

<sup>1</sup> Inventory has been added as another category in 2021. In 2020 the equivalent amount was included in Other assets

## Liquidity and net debt

|   | 2021<br>\$m | 2020<br>\$m |
|---|-------------|-------------|
| <b>Total available liquid resources</b> | 818.6       | 467.8       |
| <b>Liquidity Headroom</b>               | 474.7       | 210.4       |

Group liquidity resources consist of cash and assets that can be quickly converted to meet immediate and short-term obligations. The resources include non-segregated cash, unencumbered US Treasuries, and LME house forward profits in excess of house margin requirements. The Group also includes the undrawn portion of its committed Revolving Credit Facility ('RCF') in its liquidity resources.

In 2021 the Group reduced its RCF from \$165 million to \$120 million with the four participant banks: Lloyds Bank, Industrial and Commercial Bank of China Limited (London Branch), Barclays Bank, and BMO Harris Bank. The Group ended 2021 with \$818.6 million of liquid resources, including the undrawn portion of the RCF compared to the 2021 average of \$647 million and the 2020 year-end balance of \$467.8 million.

In 2021, the Solutions business continued to significantly grow its structured notes programme, which has become an important source of liquidity for the Group. At year-end, total debt issued by the Firm was \$1,119.5 million (including \$55.9 million of Tier 2 debt) compared to \$376.8 million (including \$6.0 million of Tier 2 debt) at 2020 year end, with a focus on spreading out the maturity profile of the notes issued, as well as maintaining a minimum portfolio duration.

Net debt, which is the sum of the issued debt and drawn facilities offset by cash and cash equivalents has increased to \$329.0 million from \$85.3 million in 2020. This growth has been the result of growth in both the client business and in particular the Solutions business.



NEON

All our services are underpinned by our Neon client portal which pulls together our data and insights electronically on a single platform.

## Regulatory capital

The Group is subject to minimum capital requirements as prescribed by the EU and implemented through the Capital Requirements Directive (the 'Directive') and the Capital Requirements Regulation ('CRR'), collectively referred to as CRD IV.

The Group is regulated by the Financial Conduct Authority and the Group has regulated subsidiaries operating in jurisdictions outside of the UK. The Group and its subsidiaries are in compliance with its regulatory requirements and are appropriately capitalised relative to the minimum requirements as set by the relevant competent authority. The Group maintained a capital surplus over its regulatory requirements at all times.

The Group manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Group's growth and strategic options. The Group performs capital projections and stress testing at least annually as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP').

At 31 December 2021 the Group had a total capital ratio of 17.2% (2020: 16.1%), well above the regulatory requirement of 8%. The increase in the total capital ratio resulted from an increase in total capital resources, partially offset by a higher total risk exposure driven mainly by an increase in the credit risk capital requirement. The following table summarises the Group's capital adequacy position at the year end.

|   | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|
|   | <b>\$m</b>   | <b>\$m</b>   |
| Core equity Tier 1 capital <sup>1</sup> | 203.0        | 220.2        |
| Tier 2 Capital                          | 55.9         | 6.0          |
| Total Capital resources                 | <b>258.9</b> | <b>226.2</b> |
| Pillar 1 requirement <sup>2</sup>       | 120.6        | 112.5        |
| Total risk exposure <sup>3</sup>        | 1,507.4      | 1,406.3      |
| Total capital ratio <sup>4</sup>        | 17.2%        | 16.1%        |

Pillar 3 Disclosures for the Group are published annually on the Group's website.

From 1 January 2022 the Group is regulated as a MIFIDPRU investment firm under Investment Firms Prudential Regime ('IFPR'). The minimum capital requirement is determined by IFPR Transitional Provision 10 (TP10). The Group continues to maintain a strong capital position in Q2 2022.

<sup>1</sup>Total audited capital resources as at the end of financial year

<sup>2</sup>The minimum capital requirements to adhere to CRD IV

<sup>3</sup>Calculated in accordance with article 92(3) of the CRR (Pillar 1 divided by 8%)

<sup>4</sup>The ratio expresses the Group's capital as a percentage of Total risk exposure



# ENVIRONMENTAL, SOCIAL & GOVERNANCE ('ESG')

At Marex, we are committed to being a responsible operator in the energy, commodity and financial markets. We recognise the growing importance of ESG related issues both in terms of good corporate citizenship and also in order to secure the long-term sustainability and success of the business. With a focus on ownership, partnership and stewardship, we take a long-term view on issues that affect our business and the communities in which we operate. As part of our journey to be carbon neutral, we are actively reducing our Scope 1 and Scope 2 emission intensity as a business. The first step is to lower and offset our greenhouse gas ('GHG') emissions, in alignment with the UK's 'Net Zero' target by 2050. The Firm has already started to see positive results towards this interim goal, with a sizeable 29% year on year reduction in our tCO<sub>2</sub>e (gross Scope 1, 2 and 3) Intensity Ratio.

We recognise that sustainability is central to Marex's long-term success. It increasingly influences all aspects of our business, from the products and markets we operate in, to the support services we provide our clients. Marex has a responsibility to use its resources as efficiently as possible around the world and to support the increasingly fragile environment upon which we all depend.

We have reviewed our operations and identified the Sustainable Development Goals (SDG) where we believe we can have the greatest impact. We report on our contribution and our activities that support or impede our global move towards achieving these goals.

Building on a strong culture of respect, integrity, and adaptability, we have evolved our internal processes to support our clients' own sustainability goals. The progress we have made, the commitment our teams have shown and the ways that we have innovated all demonstrate that ESG improvement will never just be a box ticking exercise at Marex.

## ESG Engagement

We engage regularly with a range of stakeholders including our shareholders, investors, regulators, industry bodies and academic institutions on several ESG initiatives that are relevant to our business and markets. In the past year we produced our first ESG Report outlining Marex's approach to climate change and committed to the early reporting of Taskforce on Climate related Financial Disclosures (TCFD). Further information on our ESG initiatives can be found in our ESG Report available on our website.

## Taskforce on Climate-related Financial Disclosures (TCFD)

With growing concerns over the climate crisis, we are aware of the importance of understanding the potential impacts of climate change on our business. Marex recognises climate change as both a risk and an opportunity for our business and we fully support the implementation of the recommendations of the TCFD and are voluntarily aligning ahead of the UK's requirement as a Large Company. Climate change poses both challenges and upsides to Marex's business model and products, as well as to our employees and customers, and as such we have begun to address this across the four pillars of TCFD: Governance, Strategy, Risk Management and Metrics and Targets.

## Governance

ESG is overseen by the Board, who determine the Group's strategy including investment in and prioritisation of resources and initiatives. An ESG Committee was formed in 2020, which is led by the Board Chair and the Group CFO. The broader committee comprises a working group of individuals across Marex businesses and core functions including, Risk, Operations, Front Office, Technology, HR and Communications. These representatives are best placed to deploy positive change across Marex. Additionally, an Environment and Climate Working Party was established in 2021, which is responsible for driving our TCFD requirements and spearheading ESG initiatives and reporting as detailed above.

The ESG Committee monitors Marex's progress against climate related actions and progress on a quarterly basis and provides reports to the Board. In addition to monitoring the progress of the product related initiatives offered to clients and the market, internal metrics include:

- Absolute Scope 1 and Scope 2 GHG emissions
- Absolute energy use

Our Board approved the key ESG priorities and is involved in our ESG reporting process.

The ESG Committee Chair is responsible for further developing and driving the ESG objectives and reporting progress to the Board on both climate-related and wider environmental matters.

The implementation of climate-related products to track risks and utilise climate opportunities across the business are managed at business unit level, namely, Market Making, Clearing and Execution, Solutions, Price Discovery and Data & Advisory. Given that our in-house meteorology team offer physical climate related products and our energy team offer transition climate-related products, Marex, by virtue of our service offering, continually has sight on the risks and opportunities climate change poses for the Firm. The ESG Committee has representation from each business unit, and reviews climate-related risks and opportunities, communicating to the Board and driving strategy execution down through the business unit teams for implementation.

## Strategy

Marex acknowledges the importance of addressing climate change and plays a role in driving environmental and social change, having set the ambition to become a carbon neutral business by the end of 2022, and to support the UK Government in meeting their net zero carbon target by 2050.

In adopting best practices to enhance climate goals, Marex was one of the first organisations to support businesses by adopting the Oxford Principles for Net Zero Aligned Carbon Offsetting and to support its carbon emissions offset venture with OxCarbon, Kumi Analytics and the Global Mangrove Trust.

The Group's strategy to reach its climate goals also includes reducing energy, procuring renewable energy, changing travel practices, making investments and changing policies as needed.

Beyond Marex's own operational ambition, the Firm has the ambition to become a key enabler of green and just transitions through the Firm's client engagement.

Marex is well on the way to responding to the market trend of decarbonising economies through helping clients reduce their own emissions towards a net-zero economy, in turn helping to accelerate the shift in the market whilst also adapting to new regulatory changes across the climate agenda internationally. Reflecting this ambition, Marex recognises it can generate a greater impact through its business practices and wishes to grow this aspect over the next decade.

The way in which we envision helping clients to move to more sustainable commodities include a shift to carbon credits, renewable power, biofuels, lower carbon recycled materials and to low impact agriculture products that support the environment and local communities.

Both upstream and downstream, our strategy focuses on providing insight into uncertainty, specifically where there is a competitive advantage or a strategic angle, in order to sustain the competitiveness of future service offerings.

Our main priorities will continue to be the disciplined execution of leveraging supplier data into, and improving, existing commodities trading solutions, ultimately to extract more value from them. Whilst providing services for fossil fuel related products remains core to our strategy, as are developing new solutions and exploring business opportunities supported by low-carbon energy sources, addressing the transition challenges posed across industries.

In September 2021, Marex assembled a cross-business unit group of representatives to join third party climate risk screening workshops, to identify and evaluate climate-related risks and opportunities across the business. These workshops explored the materiality of climate-related risks across the business, including its resilience to multiple interacting climate risks and perils, as well as the upsides of climate change.

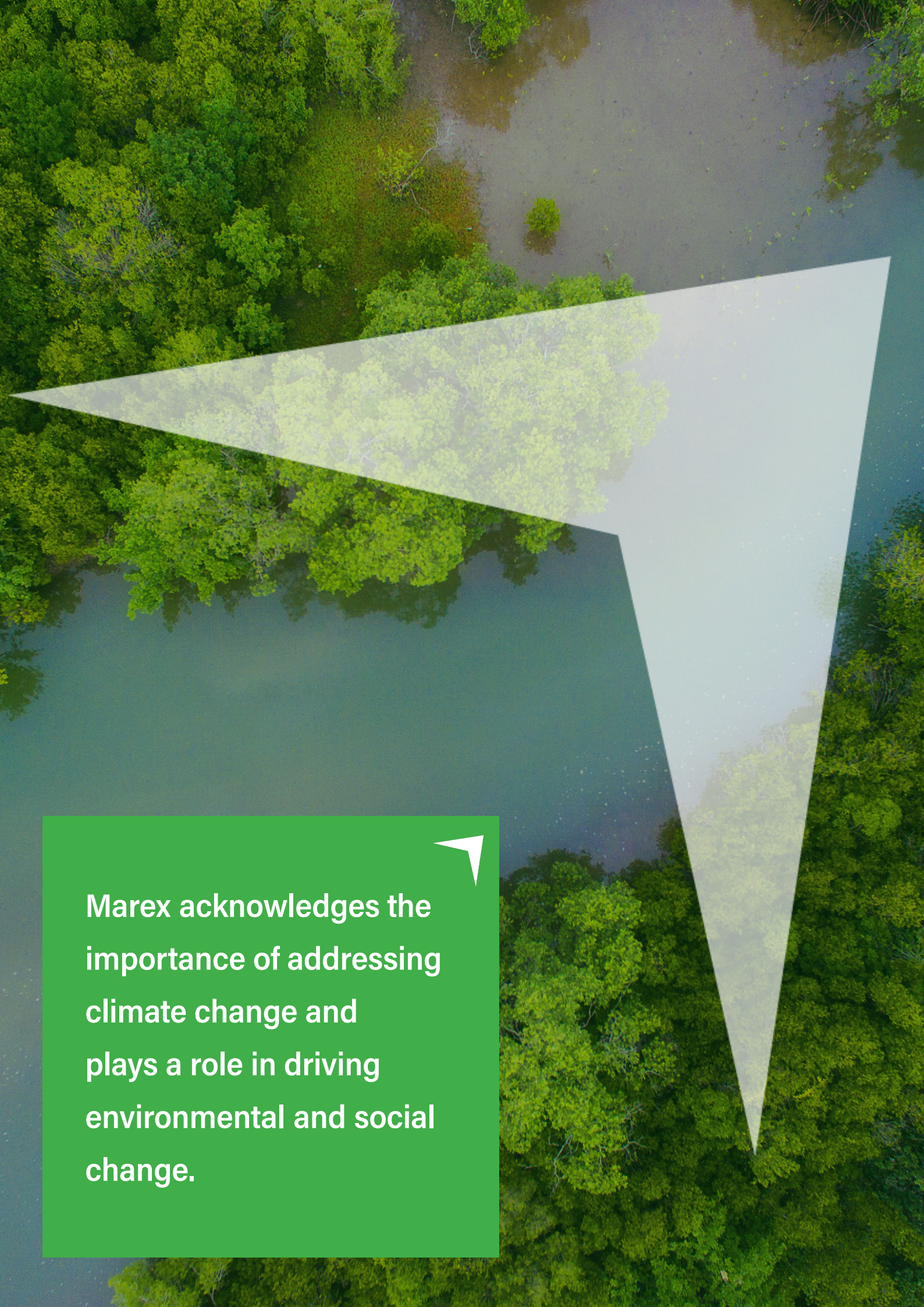
From 2022 Marex will increasingly use scenario analysis to inform the risk management process to continually understand the uncertainty of the risks and opportunities climate change poses to the business.

## Risk Management

The Board recognises the need to understand and assess climate related risk and the inherent uncertainty therein. Risk management and internal control are fundamental to achieving the Group's aim of delivering long-term sustainable growth in shareholder value. Principal and emerging risks are identified both 'top down' by the Board and the ESG Committee and 'bottom up' through the business units.

Our ESG Committee meets regularly to oversee the management of our most significant environmental risks, including climate-related risks. We use a third-party ESG consultancy to monitor current and emerging environmental regulations across our industry and business sectors. We evaluate compliance regularly and consider how these regulations may impact Marex.

The severity of each risk is quantified by assessing its inherent impact and mitigated probability, to ensure that the



**Marex acknowledges the importance of addressing climate change and plays a role in driving environmental and social change.**

residual risk exposure is understood and prioritised for control throughout the Group. Senior executives are responsible for the strategic management of the Group's principal risks, including climate-related risk.

Throughout 2021, the Board reviewed the preparedness of Marex to all known principal risks with a significant potential impact at Group level. These reviews included an analysis of the principal risks and the controls, monitoring and assurance processes established to mitigate these risks to acceptable levels.

Substantive impacts are assessed and monitored through Marex's risk assessment process. Marex evaluates all management risks including health, safety, and the environment (including climate-related risks). Our five business units develop business-specific risk registers and business continuity plans which are used in their annual strategic planning. These registers identify internal and external factors that could pose threats and opportunities to each business. They evaluate the inherent impact, mitigated probability, risk severity, control effectiveness and risk trends. Each risk is assessed by the business unit's senior management team who consider the indicators of relevance and their associated impact. Impact on revenue, litigation outcomes, sites disrupted, applicable fines and others are all quantifiable indicators that could affect each sites risk classification.

Marex recognises the importance of climate scenario analysis and has engaged with a third party to support it with modelling and the interpretation of results. This will be incorporated into the Risk Management process to further identify actions towards ESG objectives.

## Metrics and Targets

As a Group we use GHG Protocol reporting standards to monitor our absolute emissions and the intensity of GHG emissions across Scope 1 and Scope 2. The absolute figure is reported as CO<sub>2</sub>e, while the intensity figure is reported as tonnes of CO<sub>2</sub>e/million GBP.

In 2021, Marex committed to carbon neutrality of our Scope 1 and Scope 2 emissions by the end of 2022 as a first step towards alignment with net zero. This commitment meant that during 2021 we focused on driving energy efficiency improvements within our operations and continued to grow our renewable energy procurement. The remaining GHG emissions will, for now, be offset to reach carbon neutrality with the focus to continually reduce emissions and implement increasingly stringent GHG targets.

To achieve the GHG reductions and climate target ambition necessary, the ESG Committee continually reviews progress towards the wider GHG objectives for SDG Climate Action.

We track Scope 1 and 2 absolute CO<sub>2</sub> on an annual basis. The Scope 1 and 2 absolute values for 1 January – 31 December 2021 across the Group are as follows:

- Scope 1 emissions (metric tonnes CO<sub>2</sub>e) - 115
- Scope 2 emissions (metric tonnes CO<sub>2</sub>e) - 543

In line with Streamlined Energy and Carbon Reporting ('SECR') requirements, Scope 1 and 2 emissions and energy use are disclosed in the Environment section of the 2021 Sustainability and Responsibility report.

We recognise assessment of the Group's value-chain emissions is an important part of Group's long-term sustainability strategy. We aim to work with our key stakeholders and top tier suppliers to reduce indirect emissions and this is Marex's preliminary step towards minimising product lifecycle impact.

For GHG reporting purposes, Marex outlines its organisational boundary on an operational control basis, and our Scope 1 and 2 emissions are reported on this basis.

The Scope 3 Standard further categorises these emissions into fifteen distinct categories. However, based on Marex priorities, we will be focusing on a few key categories in the upstream and downstream.

Our strategy to addressing Scope 3 emissions is developing. In 2022, we will expand our work with our customers, suppliers, and other stakeholders in our value chain to calculate a Scope 3 emissions baseline.

## UN Sustainable Development Goals (SDGs)



Our ESG commitments and activities have been aligned to the United Nations Sustainable Development Goals. The alignment process focuses on those SDGs where we believe Marex can endeavour to make a meaningful impact over time.

Having reviewed our business impacts, we have identified the SDGs 3, 5, 8, 13 and 17 where we believe we can have the greatest impact. We continually assess these goals alongside the full list of SDGs to ensure that we are maximising our impact and will report on our contribution towards the achievement of these goals, including activities that support or potentially impair the move towards

these global goals.

### Supporting Communities

Marex and its employees support a broad range of charities through its charity matching policy. Any activity in support of a registered charity undertaken by a member of the team is matched in value by the business. In 2021 we supported several charities around the world through a variety of fundraising activities, including those surrounding Movember and International Women's Day and an employee toy drive for Giving Tuesday in the US in December.

Charities benefiting from Marex and employee fundraising donations totalling \$56,124 in 2021 include UNICEF, HFC Help for Children Atlanta, Cancer Research UK, Georgia Securities Association, Save the Elephants, Hippocratic Cancer Research Foundation, St Jude, Watts of Love, Toys for Tots, Macmillan Cancer Support, The Brain Tumour charity, Prostate Cancer UK, Great Ormond Street Hospital, Go Beyond, Walk on Water, Leukaemia & Lymphoma Society, Herts Young Homeless, Evalina London Children's Hospital, Mencap, The Royal Marsden Cancer Charity, Motionball for Special Olympics, Marie Curie, KEF Kids, Cancer Council NSW, Alzheimer Society, Great Western Air Ambulance, CALM (Campaign Against Living Miserably), Ovarian Cancer Action, Breast Cancer Now, Cervical Cancer Trust, CMT4B3 Research Foundation, and many other events and charities. This is an increase of 153% on donations made in 2020 (\$22,183).

In 2021, Marex partnered with the social enterprise organisation, From Babies with Love, to support all new parents across the Group. This new employee benefit introduced in Q3 not only provides a welcome gift bundle to celebrate the new addition to their family but also helps make a difference to orphaned and abandoned children around the world. From Babies with Love donates their profit from this gift to support charities who work with vulnerable children throughout the world who are orphaned or abandoned as a result of war, famine, disease or poverty.

### Nurturing Talent

Marex was proud to support internship programmes in Chicago and Dublin throughout 2021. The Greenwood Project is a non-profit organisation focusing on creating a finance industry without barriers to entry and advancement for Black and Latin American individuals. It gives high-achieving students from Chicago's south and west sides the opportunity to access potential careers in the financial industry with several students joining our Marex Chicago office in the Summer of 2021.

Marex also worked with the internship programme run by Dublin City University ('DCU') for its Financial Mathematics course students, allowing them to undertake an eight-month assignment with an employer prior to returning to DCU for their final year of their four-year degree. Following a successful internship at Marex's Dublin office one student was offered a permanent position with the Firm. We look forward to welcoming students from similar programmes in 2022, with a particular emphasis on introducing programmes to our London and New York offices.

Throughout 2021, employees across the Group were given access to a wide variety of online training courses covering decision making styles, courageous conversations, goal setting, motivation, productivity theory and unlocking talent. With face-to-face training being limited during the pandemic, employees were encouraged to utilise eLearning via the Percipio platform and to complete online training. Over 180 employees proactively completed online training throughout the year, on topics including professional improvement, leadership, digital transformation, data and business operations. Marex ran virtual and live in-person group training courses for Managers in Control and Support functions, with 55 managers attending the four-part series.

Looking ahead for 2022, Marex has signed up to the Future Frontiers Mentoring Programme, supporting disadvantaged young people in the UK with coaching and mentoring provided by a Marex employee. The programme is due to commence in May. Marex is also participating in the Apprenticeship Levy, offering UK employees the opportunity to complete practical training with the goal of earning a nationally certified qualification.

## Championing Employee wellbeing



The past two years have emphasised the importance of employee wellbeing, particularly in being able to provide meaningful support to our staff throughout the global pandemic. We have introduced an extensive range of external initiatives and programmes for employees to access from home or at work. These initiatives have been communicated extensively and cover physical, emotional, and social wellbeing, with employees actively encouraged to seek support, if required, from these services.

Initiatives introduced in 2021 have included:

- Access to mental health helplines including emotional wellness and support from trained professionals including the WeCare support service, an employee benefit that is provided by Canada Life which offers an extensive range of virtual services including easy access to 24/7 GP consultations, mental health support and get fit programmes
- Regular global wellbeing seminars including ones on building resilience through uncertainty and mental health awareness training
- Provision of personal safety alarms and installation of location tracking and 'Walksafe' apps on personal devices for employees in the UK to help address safety concerns with female employees based in London following the Sarah Everard tragedy in March 2021
- Enhanced private healthcare scheme services
- Provision of seasonal flu vaccination programme and revised sickness policy
- Global online wellness sessions including yoga, desk yoga and meditation
- Expansion of the Cycle to Work scheme in the UK and offered local gym discounts to employees

In 2022 Marex will be rolling out emotional intelligence training as well as an Insights Discovery tool to help employees attain more respectful, productive working relationships, even across virtual boundaries. We will also be providing more on-site wellbeing support and regular talks on the importance of good physical and mental health.

## Diversity at Marex

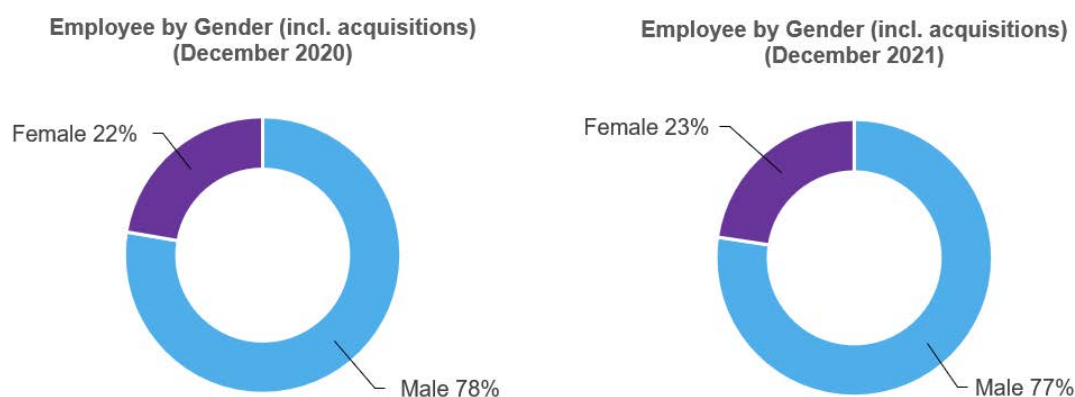
Marex is committed to equal pay and employee diversity in all its forms. This is outlined in the Gender Pay Gap report for the UK business. As the Firm grows, we continue to review pay across all businesses and subsidiaries to maintain parity between roles of the same grade. We see recruitment, investing in and developing our existing female talent as key to creating a more equal Group. To achieve this, we are improving the hiring process to monitor diversity, which now includes gender-balanced recruitment long lists where possible. We are also encouraging employee-led initiatives through Employee Resource Groups ('ERG')



To achieve greater diversity in our workforce, we are looking for the support and engagement of all our employees. As part of our efforts, we have been working to develop greater understanding among our line managers and have provided conscious inclusion training. We have also made diversity training available to all employees on our e-learning platform which will be included as part of mandatory line manager training, so that they are equipped to support and develop a diverse and flexible workforce.

Our success as a business requires a collaborative approach in the workplace and we believe that this is best achieved through building a truly inclusive environment. Whilst we have further to go with Diversity, Equity and Inclusion, we have made significant strides with a high proportion of senior female hires during the past two years. A continued focus of Marex going into 2022 is to ensure we are creating a genuinely level playing field in our hiring and continuing the advances made during 2021.

As an employer, whilst Marex requests voluntary disclosure of diversity categories from employees, as this is not a mandatory legal requirement, it makes tracking diversity across the Firm more challenging. The Firm only has accurate statistics on gender. In 2021 the gender split across Marex companies improved by 1% with 23% of the workforce being female. The Firm recognises that much more work is needed to attract female talent to all our businesses and the industry as a whole.



## Gender Pay Gap

Marex remains committed to addressing the gender pay gap ('GPG') and acknowledges that profound and sustainable change in our industry will take some time. In our UK figures for 2021 for Marex, there was a small increase in the mean pay GPG at 27% (from 24% in 2020) but the median pay GPG remained flat year-on-year at 24%. There was an increase in female representation in the upper pay quartile of 1% and an increase of 5% in the upper middle pay quartile.

The median bonus pay gap narrowed from 56% in 2020 to 47% in 2021 but the mean bonus pay gap increased from 75% in 2020 to 79% in 2021. This gap is driven predominantly by the under representation of females in higher bonus roles and significant under representation of females in broking, with 19 females in the upper quartile out of 107.

More details can be found in the March 2021 UK Gender Pay Gap Report on our website.

## Employee Engagement

Engagement with our employees has never been more important for Marex and our leadership team. The global pandemic has presented a unique set of challenges that have impacted employee engagement. Our 2021 Employee Engagement Survey revealed mixed results. Overall, there were some very pleasing results, with acknowledgement among employees of some of our good works but we also recognise areas where we score less positively and the work we have to do to improve on certain aspects.

Year on year, the business is considerably larger, so it was pleasing to maintain our participation at 85% across the Group, which included several acquisitions. Our Engagement Score, which measures how committed and enthusiastic employees are about their work and their organisation, remained unchanged at 7.5 out of 10 in 2021 (with 7.6 out of 10 being the Financial Services Industry benchmark).

Scores were predominantly flat year-on-year with improvements across the quality of relationships across the Firm, people's confidence in expressing opinions, recognition of success, understanding the Firm's strategy and support for personal growth.

Declines in 'values' measures (integrity, collaboration and respect) reflected the challenges in maintaining and strengthening culture throughout the Covid pandemic with many people working remotely and there was an overall decline in engagement. Notably, the workplace environment score declined, particularly in London where our offices were at capacity. To address this, Marex has leased additional floor space at 155 Bishopsgate which will reduce occupancy pressure and accommodate new acquisitions such as Volcap Trading. In the US, Marex has committed to undertake a full review of employee benefits.

Whilst notable efforts have been made to address enhanced diversity and inclusion, female employees scored the Firm slightly lower than their male counterparts in this area, indicating that a continuing focus is required to reinforce the open and inclusive environment we aspire to have at Marex.

The high ESG scores around the Group show that there is good recognition of the work we have done so far and that we take ESG seriously. This is particularly appreciated by the North American businesses, but it is clear from the results that there are still some regions where we need to strengthen our efforts. From the comments received in the survey, it was acknowledged that managers are talking about ESG and we have a commitment, but we also need to better educate employees, increase our recycling and have a more proactive involvement in sustainability issues.

Engagement with employees by the senior management team via townhalls, induction sessions and department meetings with an emphasis on our culture and conduct are scheduled throughout 2022 to help address the key issues and themes from the survey.

## Governance and Policies



At Marex, high standards of corporate governance are at the heart of responsible leadership. Marex expects employees across the various divisions to conduct business ethically and lawfully and to always adhere to the policies and values when working. Details of our code of conduct are outlined in the Employee Handbook which aims to help employees navigate through our work practices and processes as well as policies relating to employment. Information on governance across Marex including the Board Committees, are outlined in the Group Directors' Report.

In September 2021 our global HR team launched a comprehensive review of policies and a major overhaul of the Employee Handbook. A full audit was conducted along with the introduction of some new standalone policies which would be typical of a Group of our size and nature. The aim was to provide additional clarity and consistency for staff in relation to the policies and procedures relating to their employment with Marex.

Policies updated in 2021 included a new Employee Referral Policy which was distributed to global employees in May 2021 and the Sickness Absence Policy and Procedure which was distributed in September 2021. The Firm also worked on introducing four new policies including Menopause, Domestic Abuse, Environment & Sustainability and Parental Bereavement Leave policies. The revised Employee Handbook was launched in February 2022.

Throughout the year, Marex issued mandatory information security and cyber risk awareness training courses with a 100% completion rate globally. The Firm continues to provide employees with guidance and relevant training on governance and policies.



## Addressing Climate Change – Capturing Opportunities



We recognise the global challenges of climate change, in particular the potential economic consequences on health and livelihoods around the world. Marex supports the transition to a low-carbon economy and is working to transition to clean energy in the economies in which we operate.



We have been building out our ESG market focus in renewable energy and circular economy sectors. Marex is already one of the oldest and largest brokers of US Renewable Energy Certificates and biofuels, having been involved in the North American environmental markets for over 15 years. As an industry leader in this space, we offer execution and consultancy services to help clients navigate the rapidly changing green products marketplace and achieve their ESG goals. We recognise the growth in interest in environmental markets and in 2021 extended our research coverage to include the European Union Allowance ('EUA') market which is part of the EU Emissions Trading Scheme ('EU ETS'), and the European Biodiesel market (RME).

The majority of trading counterparties in our energy and commodities market making businesses are becoming increasingly aware of their impact on the environment and Marex is a committed and trusted partner to its clients helping them succeed on their journeys to achieve net-zero carbon emissions. Marex aims to offer carbon-neutral alternatives to any unit of polluting commodities the Firm trades.

Leveraging our deep knowledge of financial and commodity markets and strong trading capabilities, Marex provides clients with access to key global renewables products at competitive prices. Our role as an efficient price discovery provider includes access to liquidity pools around the world with direct project sourcing capabilities and enables firms to make key decisions on how best to transition from grey to green sources of power. In areas where the direct power switch is unfeasible, Marex can source project-specific carbon offset certificates that match with our customer's corporate strategy and ESG targets.

In the coming year, we are launching trading capabilities in the Voluntary Emission Reductions and Guarantee of Origin Certificates and will be offering bundled hybrid oil-emissions hedging solutions to its network of refiners, airlines, shippers and utility companies. Marex will also be launching a dedicated European emissions coverage desk with full-service access for clients to source premium OTC carbon certificates from hundreds of global projects as well as exchange-traded EUAs and EUA clearing. We are committed to the green energy transition and are excited to play a key role in accelerating clients onto sustainable sources of power.

Having a voice at industry events and conferences addressing climate-related issues is an important part of our environmental strategy. The director of Marex's North American Environmental Markets desk participated alongside other industry experts on a sustainability and ESG panel at the Futures Industry Association ('FIA') Expo in November 2021. The panel covered the role of new environmental commodities and their part in helping businesses achieve their carbon neutral and sustainability goals.

In the metals market, we acquired a recycled metal specialist in 2020 (Tangent) and we have also supported technological innovations such as Earth-I's SAVANT global copper smelting index over the last 2 years. SAVANT is a partnership between Marex and Earth-i which uses AI and remote sensing analytics to monitor copper smelting activity including emissions and pollution monitoring and its development is supported by the European Space Agency). In Q4 2021 we appointed an intern from the Smith School of Enterprise and the Environment ('SSEE'), Oxford University to conduct a research study on low carbon aluminium sourcing with a view to sharing the findings with metals clients in 2022.

Over the last year we have continued to develop our work with Oxford University's SSEE (where we sponsor a research program on Environmental Sustainability) and recently supported the launch of a spin-out entity, OxCarbon, to offer commercial services in the carbon offset market.

This is all part of a broader initiative to lower the cost of verifying carbon credits using satellite data and AI, with OxCarbon publishing the information about the carbon credit to ensure transparency. Marex provides the connectivity between the satellite data provider, the analytics component and OxCarbon. Marex will seed a number of projects to create carbon credits by maintaining or adding new mangrove swamps in South East Asia through the support of the Global Mangrove Trust, a Singapore-based NGO. Advanced AI/ML-techniques to estimate carbon sequestration from high-resolution satellite data will be validated through the scrutiny of the academic peer-review community, facilitated by OxCarbon. This is part of our goal to become carbon neutral by the end of 2022.

In October 2021, a Group subsidiary, Marex Spectron Asia Pte Ltd. was awarded a 'Proof of Concept' grant from the Monetary Authority of Singapore's Financial Sector Technology and Innovation. This body provides funding support for experimentation, development, and dissemination of nascent innovative technologies in the financial services sector. In Marex's case, this is financing solutions for coastal mangrove forests in Southeast Asia alongside the Global Mangrove

Trust, Kumi Analytics, YAGASU, an Indonesian NGO and OxCarbon.

Marex is also collaborating with Earth-i on a new initiative called GAINS, a data project to create and deliver "activity index" products including monitoring thermal emissions from sites including slag heaps and furnaces tailored to customer requirements. The service will focus on providing high frequency activity indicators of complex supply chains by proactively tracking the inferred levels of activity at diverse industrial sites. GAINS will use very-high, high, medium and low resolution optical, infrared and radar Earth Observation imagery and video datasets and the programme has been designed to accommodate future satellite and terrestrial remote sensing sources as they become operational, such as new Copernicus Sentinels and other space-derived information. Exploratory proof-of-concept development work commenced in Q4 2021, capturing client needs and expectations from the GAINS service within a Requirements Document.

## Streamlined Energy & Carbon Reporting ('SECR')

Marex has calculated the greenhouse gas emissions estimates for 2021 to cover all material sources of emissions for which the Group is responsible in the UK. The methodology used is that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). The estimate covers all of the Group's operations that are consolidated in these financial statements, which includes the sites operated from in the UK and UK business travel.

Marex is committed to becoming more energy efficient. In the UK targets have been set for 2022 including:

- the introduction of LED lighting in London offices wherever possible
- collaboration with the Broadgate Estate on waste management and increased recycling capabilities
- implementing a new travel policy to reduce the Firm's carbon footprint

The below table and supporting narrative summarise the Streamlined Energy and Carbon Reporting disclosure in line with the requirements for a "large" unquoted company, as per The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Further, the emissions reported were for the period commencing on 1 January 2021 to 31 December 2021. Greenhouse gas ('GHG') emissions for the Company have been assessed since 2020, so the previous years' information has been provided for comparison.

|  | Year ended:<br>31 December 2021 | Year ended:<br>31 December 2020 |
|--|---------------------------------|---------------------------------|
| <b>Location</b>  | <b>UK</b>                       | <b>UK</b>                       |
| Emissions from the combustion of gas (tCO <sub>2</sub> e) (Scope 1)  | 115                             | 77                              |
| Emissions from purchase of electricity (tCO <sub>2</sub> e) (location-based) (Scope 2)   | 543                             | 753                             |
| Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (tCO <sub>2</sub> e) (Scope 3) | 2                               | 3                               |
| <b>Total gross emissions based on the above (tCO<sub>2</sub>e)</b>   | <b>660</b>                      | <b>833</b>                      |
| Energy consumption used to calculate Scope 1 emissions (kWh)   | 629,727                         | 420,854                         |
| Energy consumption used to calculate Scope 2 emissions (kWh)   | 2,557,080                       | 3,058,289                       |
| Energy consumption used to calculate Scope 3 emissions (kWh)   | 6,394                           | 11,702                          |
| <b>Total energy consumption based on above (kWh)</b>   | <b>3,193,201</b>                | <b>3,490,845</b>                |
| Intensity ratio: tCO <sub>2</sub> e (gross Scope 1, 2 + 3) per full-time equivalent  | 1.09                            | 1.53                            |

The 2020 emissions have been recalculated this year. The gas consumption (Scope 1) at 155 Bishopsgate and 25 Copthall Avenue was apportioned based on floor area, which was available this year. In the 2020 report, the emissions stated covered the whole building and not just the Company's portion. Previously, the Scope 1 emissions were reported as 572 tCO<sub>2</sub>e and 3,109,165 kWh. The adjustment resulted in a reduction of 495 tCO<sub>2</sub>e and 2,688,311 kWh. The intensity ratio also decreased from 2.45 tCO<sub>2</sub>e/FTE to 1.53 tCO<sub>2</sub>e/FTE.

## Methodology

The Firm has calculated the above greenhouse gas emissions estimates to cover all material sources of emissions for which the Company is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach. All emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are included.

This estimate covers all of the Company's operations that are consolidated in the financial statements, which includes the sites operated from in the UK and UK business travel. Raw data in the form of invoices, service charges and spreadsheets held by the Finance department have been collected from Marex Group plc. For the Head Office, Copthall Avenue and Tangent, actual gas consumption data was not available however the service charge breakdown was provided; along with details on apportionment, which contained a total cost allocated for gas consumption in 2021. This figure was then converted into kWh using an average UK non-domestic unit price of £0.024/kWh, sourced from Department for Business, Energy & Industrial Strategy ('BEIS'). Energy was converted to greenhouse gas estimates using the UK Government's GHG Conversion Factors for Company Reporting 2021.

## Energy Efficiency Action

The Company has made significant efforts to improve energy efficiency across its portfolio between 1 January 2021 and 31 December 2021. Regarding office energy use, the Company has decommissioned its legacy data centre, upgraded HVAC systems, reduced office usage in general due to flexible working and improved desktop energy efficiency via laptops, sleep mode and reduced printing. In 2019, 49 printers were available at the Head Office, but by moving to a Managed Print Service ('MPS'), this has been reduced to 16 printers in 2021 and a reduction in total prints of 75%.

Looking forward, Marex intends to report on Scope 1, 2 and 3 emissions across all its businesses including subsidiaries, globally.

# OVERVIEW OF RISK MANAGEMENT

The Group views risk management as a key consideration in delivering its strategic business aims and objectives, whilst ensuring the Group's long-term sustainability and effective corporate governance. The Group's business strategy and risk appetite are linked and form the driver for decision-making across the Group to ensure risk taking remains within the defined boundaries to support business strategy, effective management of capital and efficient use of liquidity.

To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Group's Enterprise Wide Risk Management ('EWRM') Framework which is enabled by people, processes and systems and sets the foundations and organisational structure for implementing and reviewing risk management practices and activities across the Group.

The Group EWRM Framework is an overarching document that applies to the Group. The Board has overall responsibility for ensuring an appropriate governance framework for the Group. The Board maintains oversight over subsidiaries yet is cognisant of the local regulatory responsibilities applicable to Boards of local operations. Subsidiaries may develop their own risk frameworks and policies tailored to their specific business, however in the development and approval of such frameworks and policies they should be consistent with and have regard for the principles of the Group EWRM Framework and Group policies. This ensures that all separate legal entities are treated collectively for the purposes of risk identification, assessment and reporting, so that the Group has a holistic view of risk.

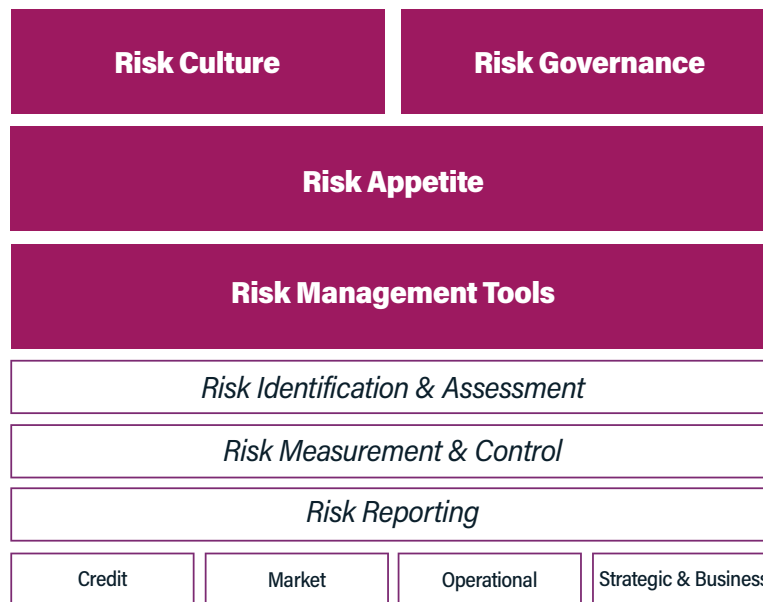
## **EWRM Framework**

The Group EWRM Framework is reviewed annually by Risk Management, or more frequently where material changes occur, and approved by the Board every three years. The framework is cascaded to relevant senior management to ensure business and risk strategies are formulated and reported consistently.

Its objectives are to:

- Ensure greater consistency in the strategies and approaches used to identify risks generated through its business activities that may be inherent in products, activities, processes or systems.
- Ensure identified risks are appropriately and consistently measured to enable evaluation, aggregation, comparison and control of risks.
- Assess identified risks both at the specific risk and aggregate Group level to determine approach to control or mitigation. Assessment incorporates evaluations of potential relationships or interdependencies across different risk categories and businesses.
- Ensure appropriate governance and control structures are in place to effectively implement risk management strategies and ensure on-going adherence to Group risk appetite.

## Components of the EWRM Framework



### Risk Culture

Risk culture describes the values and behaviours present throughout the organisation which shape risk decisions made by each employee. The risk culture is consistent with the Group's ethics and values, strategic and risk objectives.

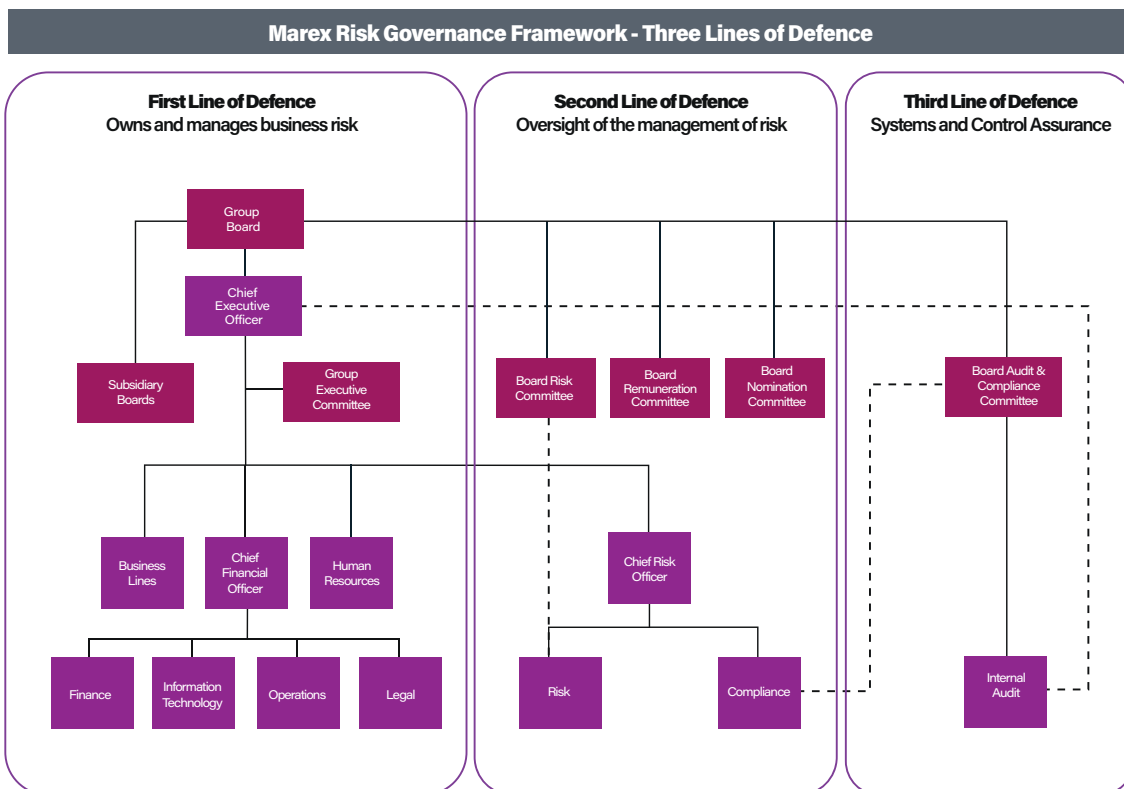
Responsibility for risk management resides at all levels within the Group, from the Group Board and the Group Executive Committee down through the organisation to each business manager, employee and risk specialist. Responsibility for effective review and challenge of risk policies resides with senior managers, risk oversight committees, internal audit, independent Group risk function, the Group Board and the Risk Committee.

All individuals within the Group should understand its risk and compliance rules, which is fostered through a risk-aware culture and the embedding of risk management throughout the organisation. The Group's risk culture objective is for every employee to take personal accountability for recognising current and potential risks and managing them effectively.

### Risk Governance

The Group has adopted the 'Three Lines of Defence' model in conjunction with a strong risk culture, good communication and understanding. The approved risk governance model includes the Group Board, the Group Executive Committee and the Risk Committees that form the management of risk governance within the Group. Within the risk infrastructure, key risk governance personnel are aware of their key roles.

Information flows and reporting lines are clearly communicated to the relevant personnel and are represented on the risk governance model. The model includes role and responsibility allocation between the organisation centre and business units.



The **first line of defence** for day-to-day risk management is with the business units and support functions. They are responsible for understanding and adhering to the risk and control environment. Front line employees must consider the risk / reward trade off in the short and long term and must ensure compliance with all risk policies and limits. The first line is responsible for the ongoing assessment, monitoring and reporting of risk exposures and events.

The **second line of defence** is the internal control function which includes the Risk Management and Compliance functions. These teams provide independent risk oversight and challenge to the first line, and supervision of the operation of the risk control framework. Responsibilities also include the formulation and maintenance of risk frameworks, policies and risk reporting.

The **third line of defence** is the Group's Internal Audit function, who provide independent assurance of the first and second lines. Internal Audit carries out an annual programme of risk-based audits covering all aspects of first- and second-line risk management and risk control activities. The conclusions of each risk-based audit carried out by Internal Audit are reported to all Three Lines of Defence. Internal Audit action plans are tracked through the Audit and Compliance Committee to ensure that resolutions are reached within the indicated timescales.

The roles and responsibilities of core functions within the Group are clearly defined, while reporting and escalation lines are strong.

A high-level summary of the roles and responsibilities are included in the table below:

| Function                                    | Role and Responsibility  |
|---|--|
| <b>Board of Directors</b>                   | The Board of Directors set the overarching risk culture of the Group.  |
| <b>Group Executive Committee</b>            | The Group Executive Committee is charged with the day to day conduct of the Group's business; developing and recommending Group objectives, strategy and budget to the Group Board; and executing the strategy approved by the Group Board.  |
| <b>Chief Executive Officer (CEO)</b>        | Management of risks within the parameters approved by the Group Board and changes to internal systems of control as recommended / required by Internal Audit and the Audit and Compliance Committee are appropriately implemented.   |
| <b>Chief Financial Officer (CFO)</b>        | The CFO is responsible for overseeing the operational and financial practices of the Group, therefore responsible for the implementation of internal controls to manage the risks identified, and responsible for the testing of these internal controls with Internal Audit. As a standing attendee of the Audit and Compliance Committee, Risk Committee and as a member of the Group Board, the CFO is able to ensure that the strategies and policies for the management of risk can be operationalised.   |
| <b>Chief Risk Officer (CRO)</b>             | The CRO is the senior executive accountable for enabling the efficient and effective governance of significant risks and related opportunities to our business and its various segments. He is a member of the Group Executive Committee and guides that committee and the Group Board on the formulation of risk appetite, strategies, policies, delegated authorities and limit structures for the management of risks.  |
| <b>Audit and Compliance Committee (ACC)</b> | The role of the Audit and Compliance Committee is to assist the Board in ensuring the independence and effectiveness of the internal and external audit functions, the integrity of the financial and narrative statements, the effectiveness of internal financial controls, and regulatory compliance.   |
| <b>Risk Committee</b>                       | The role of the Risk Committee is to oversee and provide advice to the Board on the Group's current risk exposures and future risk strategies (including the strategy for capital and liquidity management), the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and the establishment of prescriptive rules and procedures in relation to risk.<br>The Risk Committee is responsible for the oversight of risk when approving and monitoring appropriate limits on risk exposures and concentrations across the business. The focus is on risks to which the Group is exposed considering the Group Board's overall appetite of risk along with its current financial situation and resources. |
| <b>Remuneration Committee</b>               | The role of the Remuneration Committee is to determine the remuneration policy and practices of the Group for executive directors and design and determine remuneration for the Chair of the Board, executive directors and senior management, having regard to statutory and regulatory requirements.   |
| <b>Nomination Committee</b>                 | The role of the Nomination Committee is to ensure there is a formal, rigorous and transparent procedure for the appointment of new directors, to lead the process for board appointments making recommendations to the Board and ensuring plans are in place for succession to the Board and senior management positions, overseeing the development of a diverse pipeline for succession.   |
| <b>Mergers and Acquisitions Committee</b>   | The role of the Mergers and Acquisitions Committee is to review potential mergers, acquisitions, or disposals and if appropriate, recommend such merger, acquisition, or disposal to the Board for final approval; or to approve in accordance with the delegation of authority limits set out in the Board Terms of Reference.  |

## Risk Appetite

Risk appetite is the level of risk the Group Board is willing to take now and over the future planning horizon, given the financial resources of the Firm to pursue the stated business and risk strategies. The risk appetite recognises a range of possible outcomes as business plans are implemented. It is set and implemented against the business and risk strategies from the 'top down', cascading from high level objectives set by the Group Board, down through the Group into the formulation of detailed risk measures by specific departments, trading desks, traders and where appropriate to individual risk exposures.

Qualitative Risk Appetite Statements (RAS) for each risk category are approved by the Board and are supplemented by various qualitative and quantitative risk metrics. The statements underpin the risk appetite and are monitored monthly to three risk appetite levels (Trigger, Limit, and Capacity) across the following areas:

- Performance Based Measures such as People, Processes, Markets and Profitability;
- Risk Based Measures such as Systems, Capital, Liquidity and Volatility; and
- Compliance Based Measures such as Regulatory / Legal, Transformation and Client Money.

The Group's risk appetite is governed by its Risk Appetite Framework which includes measures that assess risks to ensure the successful delivery of the business and risk strategies. These measures are grounded against key balance sheet and profit and loss figures, as well as other specific measures and qualitative assessments. The framework is responsive to changes in the Group's business strategy and plans, which ensures that the Risk Appetite is aligned with changes in the Group's overall strategic goals.

## Risk Management Tools

Risk management tools and methodologies form part of the Group's risk management toolkit and assist in fulfilling the risk mandate in understanding the risks it is exposed to, the method to control such risks and the steps to mitigate risks and how to communicate those risks.



## Risk Identification and Assessments

The Group's Risk Characterisation Model, (RCM), considers a range of risks the Group faces. This model forms an integral part of the EWRM Framework and serves as an effective linkage to risk appetite. The RCM is reviewed on an ongoing basis and formally on an annual basis.

| Risk Type                           | Description  |
|-------------------------------------|--|
| <b>Strategic/<br/>Business Risk</b> | Represents the risk from changes in the business model, including the risk that the Group may not be able to carry out its business plan and desired strategy. It also includes risks arising from the Group's remuneration policy.  |
| <b>Credit Risk</b>                  | Potential loss incurred where a counterparty fails to perform its contractual obligations in a timely manner. The Group controls credit risk using a robust framework for the creation, use and monitoring of credit risk models. Additionally, Risk Management supports business decision-making and proactive identification of new risks.   |
| <b>Market Risk</b>                  | Potential loss arising from fluctuations in the values of traded positions due to changes in the value of price, volatility or interest rates within the financial markets. There are robust procedures to measure and set position limits to control market risk with growth facilitated in a controlled and transparent risk management framework.   |
| <b>Operational Risk</b>             | Potential loss from inadequate or failed internal processes, personnel, systems or external events. This category includes Conduct Risk, Legal Risk but excludes Strategic/ Reputational risks. Operational risk is captured, assessed and reported to minimise the frequency and impact of risk events on a cost-benefit basis.   |
| <b>Liquidity Risk</b>               | Represents the risk that the Group, although solvent, has insufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.<br>The Group operates extensive liquidity management processes and procedures that involve scenario stress testing.   |
| <b>Concentration Risk</b>           | Concentration risk can be defined as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten the Group's ability to maintain its core business. Concentration risk can arise from credit concentration to a specific country, or to specific counterparty, revenue concentration, exposure concentration to a specific product or concentrations from specific suppliers. To counter such risk, the Group imposes various concentration limits, specifically within credit and market risk exposures. |
| <b>Settlement Risk</b>              | Settlement risk is the risk that arises when payments are not exchanged simultaneously. It is a type of counterparty risk associated with default risk as well as timing differences between parties.<br>Robust policies and procedures ensure that Group settlement risk is kept to a minimum.  |
| <b>Compliance /<br/>Legal Risk</b>  | Represents the risk to the Group arising from violations of, or non-compliance with, laws, rules and regulations. A key responsibility of the Compliance and Legal departments is to monitor and deal with such risks.   |

| Risk Type                   | Description   |
|-----------------------------|---|
| <b>Financial Crime Risk</b> | <p>Financial Crime Risk encompasses five key risk areas: 'Sanctions,' 'Money Laundering and Terrorist Financing,' 'Bribery and Corruption,' 'Tax Evasion' and 'Fraud' risks.</p> <p>Marex has adopted a holistic approach to financial crime and has one group-wide Financial Crime Policy that sets the minimum control requirement in the five key risk areas. This combined approach allows us to identify and manage connections between the key risk areas. Entity-level policies formally adopt the Group Financial Crime Policy and define any local regulatory requirements that apply to specific entities across the Group. Methodologies and Standards underpin the Group and Entity-Level policies. Methodologies identify, select, process, and analyse Financial Crime Risk. Standards provide the detailed guidance on how to comply with the financial crime policies. Procedures provide instructions to ensure routine and complex operations are undertaken in alignment with policies and standards.</p> <p>For each Financial Crime typology an overarching risk appetite statement has been produced, which is supported by qualitative statements and quantitative thresholds and limits. A set of Key Risk Indicators and Key Performance Indicators measure the quantitative thresholds and limits. These are produced on a quarterly basis in order to assess compliance standards and highlight areas of potential weaknesses. Financial Crime management information is presented to the Financial Crime Committee and Audit and Compliance Committee for review and challenge as part of their oversight responsibilities.</p> |
| <b>Technology Risk</b>      | <p>Technology risk, or information technology risk, is the potential for any technology to disrupt the business. Risk management includes the strategies, processes, systems and people aimed at effectively managing potential technology risks.</p> <p>The goal of cybersecurity risk management is to identify potential technology risks before they occur and have a plan to address those technology risks. Risk management looks at internal and external technology risk that could have an effect on the Group.</p>  |
| <b>Group Risk</b>           | <p>Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole Group. For Marex, this risk is small because over 90% of the market risk and credit risk faced by the group sits within Marex Financial, the main trading entity.</p>  |
| <b>Reputational Risk</b>    | <p>Reputational risk is viewed as a secondary risk by the Group, one resulting from the impact of other risks, such as operational risk or compliance risk. It is important to note, that all departments have their own control processes and procedures in place to limit the impact of all relevant risks.</p>   |

Multiple methods and tools are utilised to identify existing and emerging risks within the market, the businesses and individual instruments traded.

## Risk Measurement & Control

The Group's key risks are consistently analysed and measured in accordance with approved policies and processes. Key business controls and procedures are implemented to mitigate the risks highlighted by the risk assessment. The Group uses the measures below to varying degrees.

| Limit Type                        | Description  |
|-----------------------------------|--|
| <b>Sensitivity Limits</b>         | Effective and direct method for restricting the size of certain risks. It is easily implemented, simple to understand and enables management of highly granular exposure metrics such as Vega, Delta, etc.   |
| <b>Concentration Limits</b>       | Used where exposure to a specific segment of the market is desirable, e.g. country specific credit risk limits.  |
| <b>Value at Risk</b>              | The Group Board VaR limit sets the overall risk appetite in order to meet the Group's business strategy. The CRO has the delegated authority to allocate this limit across business lines (Metals, Agriculture, CSC Commodities, etc.) taking into account historic diversification of markets. Desk heads have the autonomy to allocate this VaR to their traders, allowing for diversification. VaR is immediately responsive to increases in market volatility or decreases in diversification and this will force the reduction of positions in times of stress. |
| <b>Stress Testing Limits</b>      | Discussion triggers for risk personnel to engage with senior management on risk concentrations which may cause P&L events. Examines market stress events and as such have a lower probability than the risk captured by VaR. Such a limit breach (or near miss) would prompt discussion around size of actual or potential exposure, and management's view on business strategy and risk appetite.   |
| <b>Non-Limit Control Measures</b> | Used to restrict undesirable risk concentrations or mitigate risk e.g. increasing margin rates required to hold exposures to a certain underlying, in times of volatility; reducing credit lines (overall / specific); exiting certain types of business or increasing capital to support a desired increase in exposure for a market segment deemed attractive.   |

## Risk Reporting

An important part of the risk management remit is regular and appropriate reporting and communication of risk. In line with the governance structure in place, periodic reporting and risk analysis is presented to the relevant governing bodies as well as the relevant risk takers, including the Board; Risk Committee; the Group Executive Committee; and senior management. The escalation procedures for raising significant issues with managers and supervisors are clear and well embedded across the Group and are detailed within relevant policies and procedures for the business area.

The flow of information and communication across the Group relating to the management of risk and the effectiveness of the control framework within the risk governance structure is an important component of the framework. There is regular reporting on the performance and effectiveness of KRIs and formal management information relating to the risks inherent in the business. The escalation procedures for raising significant issues with managers and supervisors are clear and well embedded across the Group.

Reporting requirements include monitoring the on-going adequacy and effectiveness of the control framework, taking account of the trends and frequency of breaches of the control framework recorded on the Risk Register. Inherent risks and mitigating controls are assessed during the RCSA.

## GENERAL RISKS

### ***Market Price Volatility***

The level of volatility in the markets in which we operate is a key driver for our business. High volatility does not automatically result in enhanced performance for our business, as a high degree of skill and expertise is required in order to ensure that this volatility is converted into positive revenue for the Firm; however it does provide a favourable environment for this to happen.

There is a risk to the downside for the Firm if volatilities across all asset classes decline and remain at historic lows.

### ***Pricing pressure***

Pricing pressure is a potential risk to any business. We mitigate this risk by aiming to provide best in class services to our clients, as well as by enhancing our offering to ensure we are providing more than just price discovery. Our investment in technology and our Neon platform are evidence of this.

### ***Market prices***

Whilst our market making and broking activities are driven by volatility rather than price direction, a decline in commodity prices typically results in a flow of capital out of markets we're involved in, thereby reducing transaction numbers and volumes. As such, this potentially presents a risk to our revenues and income.

### ***Exchange rules***

Changes enforced by the exchanges are outside of our control and have the potential to impact our business.

## SPECIFIC RISKS

### ***Cyber***

Information security, data confidentiality, integrity and availability of information are of critical importance to our continued effectiveness. Technology risk is inherent not only to the Group's information technology assets, but also in people and processes inherent with them. In common with other businesses, the Group is continuing to track the cyber threat "universe" and is aware of risks from cyber-attacks seeking to undermine businesses, governments and utilities. This extends to third parties, which also pose a source threat leading to an increase in security of such relationships. The Group maintains active links with peer associations and government agencies to keep abreast of developments as well as, having timely access to cyber threat intelligence.

### ***Climate change***

With growing concerns over the climate crisis, we are aware of the importance of understanding the potential impacts of climate change on our business. The Group recognises climate change as both a risk and an opportunity for the business. It fully supports the implementation of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The Firm is voluntarily aligning ahead of the UK's requirement as a Large Company. Climate change poses both challenges and upsides to the Group's business model and products, as well as to employees and customers, and as such the Group has begun to address this across the four pillars of TCFD: Governance, Strategy, Risk Management and Metrics and Targets.

### ***Geopolitical***

There are many uncertainties in the geopolitical and societal environment due to the impact of political activities. These include the Ukraine situation, Brexit, the wider economic climate (which is currently significantly impacted by the Coronavirus Covid-19), digital disruption and societal change.

### ***Terrorism***

The current terror threat in the UK is severe meaning "an attack is highly likely". Attacks by lone wolves and small groups against soft targets have become more common. Our London office is situated in a targeted location and in the event of such an act, and if deemed necessary, the Group would engage its Business Continuity Plan while ensuring staff welfare at all times.

### ***Regulation***

Regulation continues to add cost to the Firm both for compliance as well as capital. The new IFPR regime began in January 2022, with considerable effort made to calculate impacts ahead of its inception and when it is live.

### ***Movement to screens***

There is a risk that more volume moves from voice to screens in the most liquid products, or entire exchanges, (e.g., the LME proposal to close the ring). To mitigate this, we continually evolve our business entering new markets, enabling capacity on less liquid segments and investing further in technology.

### **Section 172(1) Companies Act 2006**

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Group's employees;
- c) the need to foster the Group's business relationships with suppliers, customers and others;
- d) the impact of the Group's operations on the community and the environment;
- e) the desirability of the Group maintaining a reputation for high standards of business conduct;
- f) the need to act fairly as between members of the Group.

The Directors took into account the views and interest of a wider set of stakeholders, including regulators and clients. Further detail on the above can be found in the Application of the Wates Corporate Governance Principles section as follows: (a) Principle 4, (b) to (d) Principle 6, (e) Principle 1, and (f) Principles 5 and 6.

## Application of the Wates Corporate Governance Principles

### *Principle 1 – Purpose and Leadership*

The Group has a clearly defined purpose which is outlined in the principles that determine our competitive advantage. As a global financial services platform, we provide essential liquidity, market access and infrastructure services and connect our clients around the world to commodity and financial markets. Across our businesses we provide critical high value-add services in Market Making, Clearing and Execution, Solutions, Price Discovery and Data & Advisory.

The role of the Group Board is stewardship of the Group with long-term sustainable success and creation of shareholder value as fundamental objectives. The Group Board is responsible for determining the strategic objectives and policies required to deliver such long-term value within a framework of rewards, incentives and prudent and effective controls, which enables risk to be assessed and managed. The Group Board is accountable for effective and prudent management, including the segregation of duties and the identification and management of conflicts of interest, to ensure that the influence of third parties does not compromise or override independent judgement.

The Group Board is also responsible for investigating all major deficiencies in performance and major deviations from strategic and financial objectives and risk strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives, and overseeing the conduct of management.

The Group Board is key in promoting the Group's cultural values, ensuring they are understood by all and embedded into the fabric of the Firm, its actions, how it conducts business, and how it supports appropriate behaviours. These are:

- **Respect:** Clients are at the heart of our business, with superior execution and superb client service the foundation of the firm. We respect our clients and always treat them fairly.
- **Integrity:** Doing business the right way is the only way. We hold ourselves to a high ethical standard in everything we do - our clients expect this, and we demand it of ourselves.
- **Collaborative:** We work in teams - open and direct communication and the willingness to work hard and collaboratively are the basis for effective teamwork. Working well with others is necessary for us to succeed at what we do.
- **Developing our people:** Our people are the basis for our competitive advantage. We look to 'grow our own' and make Marex the place ambitious, hardworking, talented people choose to build their careers.
- **Adaptable and Nimble:** Our size and flexibility are an advantage. We are big enough to support our clients' various needs, and adaptable and nimble enough to respond quickly to changing conditions or requirements. A non-bureaucratic, but well controlled environment fosters initiative as well as employee satisfaction.

The Firm continues to transform in terms of scale and complexity, and in parallel with that growth, the Group's culture has also evolved. The Group defines culture as the spine which connects the individuals in the Firm into a unified community, with a common set of values, practices and behaviours which define us and separate us from other firms.

Culture and conduct remains a key priority for the Group, and the numerous initiatives undertaken to embed the Firm's cultural values are validated by Internal Audit as part of every assignment that they undertake. The Group Board and executive management have continued their robust oversight of conduct and culture related matters throughout the year, with regular presentations, discussion and challenge at meetings of the Group Board and Board Sub-Committees.

The Group Board sets 'the tone from the top' and cascades this through the business by ongoing dialogue with the workforce and other stakeholders. Following the 2020 employee engagement survey, throughout 2021 the Firm continued to take action in areas such as: communicating culture through inductions and through a wider plan; providing information sessions on all areas of business and activity in the Firm (to help employees better understand the business); enhancing the recruitment process; reviewing office space; and introducing a new learning platform.

In 2021, the Group continued its employee engagement survey programme, and responses were once again largely positive, despite the ongoing presence of Covid-19 social distancing measures and associated remote working. A number of comments were received from participants, which demonstrates their engagement and provides valuable insight for the Firm, enabling specific actions to be taken where necessary. Areas of improvement in results included the quality of relationships across the Firm, confidence that individuals can express opinions, recognition for success, support for personal growth, and understanding the Firm's strategy.

As with last year's survey, senior management reviewed the results and managers met with staff in each department to engage and develop specific action plans appropriate to each area. To augment this approach a series of Firm-wide initiatives were put in place focussing on the office environment (where an additional floor at the Group's head office has been taken), benefits (where a full review was commenced – initially focussed on North America), and engagement with staff by senior management (through townhalls, inductions sessions, and departmental meetings). The Firm's value statements will also be re-assessed and efforts are ongoing to rebuild "social capital" by encouraging staff to return to the office.

### ***Principle 2 – Board Composition***

The Group Board is structured to bring a broad balance of skills, knowledge and experience to the Group. The Group has a separate Chair and Chief Executive Officer, which maintains a balance of responsibilities, accountability and decision-making. Formal statements setting out the distinct and separate roles of the Chair and Chief Executive Officer are also in place. The Group Board is currently comprised of:

- Independent Non-Executive Chair
- Four Independent Non-Executive Directors
- Two Executive Directors (Chief Executive Officer and Chief Financial Officer)
- Three Non-Executive Directors (representing the majority shareholders)

A biography for each board director can be found in the Group Directors' Report.

The Non-Executive Directors combine broad experience with objective judgement and provide challenge to executive management. Each Director receives a comprehensive induction upon joining the Group Board, is expected to commit sufficient time to meet the expectations of their role, and receives continued support and training (facilitated by the Chair and Company Secretary) to enable them to carry out their duties effectively.

Between July and September 2021, three new Independent Non-Executive Directors were appointed to the Group Board (Robert Pickering, Sarah Ing, and Konstantin Graf von Schweinitz). In March 2022 Robert Pickering was appointed as the Group's first Senior Independent Director and Sarah Ing became Chair of the Audit and Compliance Committee. It is intended, subject to FCA approval, that Konstantin Graf von Schweinitz will become Chair of the Risk Committee. Each new Independent Non-Executive Director has already taken up positions as members of Board Committees, as appropriate to their skills and experience.

The Firm is working hard to overcome a lack of diversity on the Group Board, despite this being symptomatic of the Financial Services industry as a whole, and by virtue of the wholesale changes in board composition made throughout 2021, the percentage of women on the Group Board increased from 9% to 20%. The Group is fully committed to promoting inclusion and diversity and this will remain a key focus in 2022.

The Board regularly assesses the independence of each of the Non-Executive Directors and has determined that Carla Stent, Lord Fink, Sarah Ing, Konstantin Graf von Schweinitz and Robert Pickering are independent.

None of the Non-Executive Directors, nor their immediate families, have received additional remuneration from the Group, apart from management fees paid to JRJ in accordance with the Shareholders' Agreement. The accuracy of the JRJ fees is reviewed annually by Internal Audit on behalf of the Audit and Compliance Committee. A full Register of Directors Interests is presented to the Group Board annually for approval and any interim changes are reviewed and approved at the next available Board Meeting. At the commencement of each Group Board Meeting, the Directors are also invited by the Chair to advise of any conflicts or potential conflicts in respect of items on that meeting's agenda. Where the Group Board believes that a potential conflict of interest could affect, or could appear to affect, any Director's judgement, appropriate procedures will be considered including recusal of the Director from the relevant part of the meeting.

Evaluation of the performance of the Board, its committees, and the Chair is usually undertaken annually, however due to the wholesale changes in Board composition in 2021, the Chair considered that to elicit more meaningful responses, this should be deferred until the newly appointed Directors had been with the Firm for a longer period. A Board Evaluation

was therefore undertaken in March 2022 and the results and recommendations will be summarised in the 2022 Annual Report.

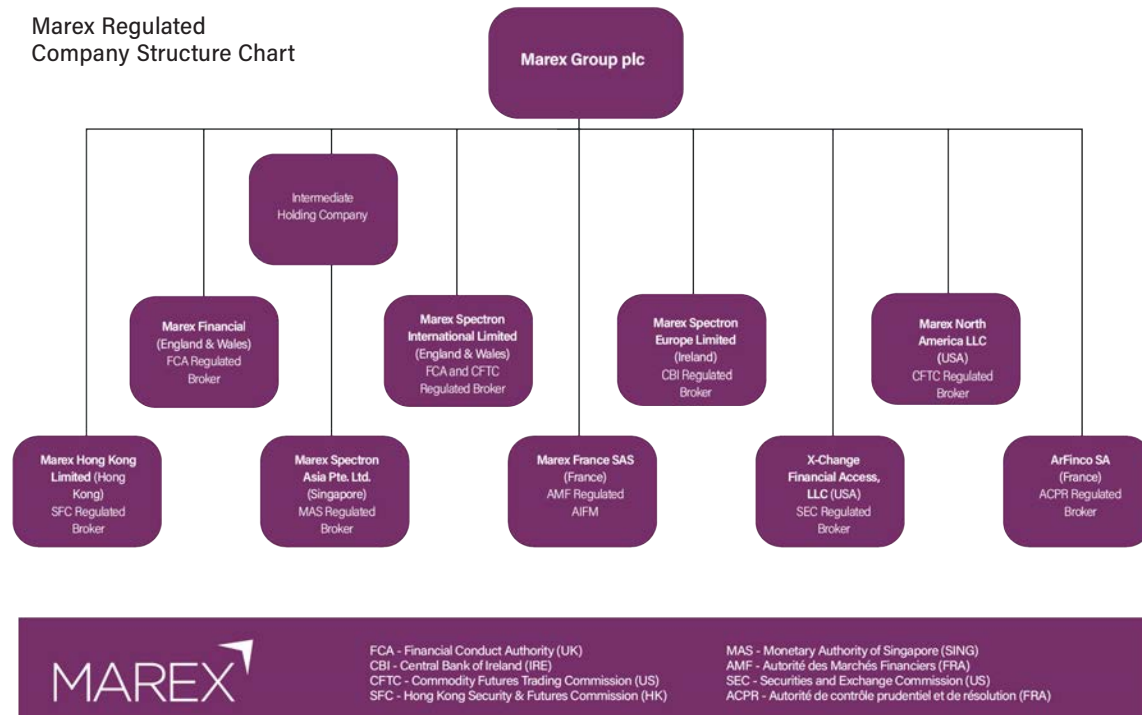
### Principle 3 – Director Responsibilities

The Group's governance arrangements are assessed annually by the Company Secretary and the Chair to ensure that these are robust and effective, and that lines of accountability and responsibility are clear. Any required enhancements are recommended to the Group Board as appropriate.

The governance structure takes into account the specific governance requirements or guidelines issued by applicable regulators. As good practice, the Firm applies its governance arrangements at Group level and an FCA-approved modification of entity level governance and risk management regulatory requirements is in place, given that these are achieved robustly by the Group Board committees. All participants in Board and Board Committee meetings are also careful to consider the capacity within which decisions are taken and are cognisant of the specific legal entity involved in the matter.

The Company Secretary advises the Group Board on matters of corporate governance, attends all meetings of the Group Board, Subsidiary Boards, and Board Committees, and ensures that the correct procedures are followed. All members of the Group Board, Subsidiary Boards and Board Committees have access to the services of the Company Secretary. The quality of papers submitted to the Group Board continued to improve throughout 2021, and the Firm has adopted a digital board papers portal to enhance the timeliness and security of distribution.

The current high-level structure of the Group and its regulated subsidiaries is set out below:



Where possible, at least one director on each Regulated Company Board is a director or standing attendee of the Group Board and all other Regulated Company Board directors are members of the Management Executive Committee. This is, however, subject to some exceptions based on local requirements. Directors of the Group Board and regulated subsidiaries are recommended by the Nomination Committee to the relevant Board for approval.

In addition to the directors, board meetings may also include standing attendees and invitees. Standing attendees are expected to participate fully in the meeting (or relevant part thereof), however they will not have the right to vote. Invitees act simply as either presenters or observers and make contributions when called upon to do so.



The formal corporate governance structure of Marex includes the following Board Committees:

- Audit and Compliance Committee
- Risk Committee
- Remuneration Committee
- Nomination Committee
- Mergers and Acquisitions Committee

Each committee is chaired by a Non-Executive Director and members of all Board Committees are appointed by the Group Board from amongst its directors. The roles and responsibilities of each Board Committee are set out in the relevant terms of reference, which are approved annually by the Group Board. The responsibilities of each Board Committee are in respect of the Company and its regulated subsidiaries.

Meetings of Board Committees are held at the frequency detailed in the relevant terms of reference and may also be convened by the relevant Chair or by any member on request. Copies of agendas for the meetings are distributed in advance, together with supporting papers, and all meetings are formally minuted by the Company Secretary. Minutes of these meetings are shared with the Group Board and are supplemented with verbal updates from the Committee Chairs at each Board meeting, as appropriate.

In addition to members, participants at Board Committee meetings may include standing attendees, alternates and invitees. Standing attendees are expected to participate fully (save for the right to vote) in the activities of the committee attended (or part thereof) and invitees are expected to present or to observe, making contributions when called upon to do so. An overview of each Board Committee is set out below.

### **Audit and Compliance Committee**

The role of the Audit and Compliance Committee is to assist the Board in ensuring the independence and effectiveness of the internal and external audit functions, the integrity of the financial and narrative statements, the effectiveness of internal financial controls, and regulatory compliance. The responsibilities of the Audit and Compliance Committee include:

- Monitoring the integrity of the financial statements of the Company, including reviewing and approving statements to be included in the annual report.
- Reviewing the Company's internal financial controls (including the systems to identify, manage and monitor financial risks).
- Reviewing the Company's procedures, systems, and controls for detecting and preventing financial crime.
- Ensuring the proper and independent discharge of the Group Compliance function and compliance with legal and regulatory requirements.
- Monitoring and reviewing the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.
- Overseeing the Company's relations with the external auditor.
- Monitoring the proper discharge of the client money operational oversight function.

The Audit and Compliance Committee is comprised of:

- Members: Sarah Ing (Chair), Joe Cohen, Konstantin Graf von Schweinitz, Robert Pickering.
- Standing Attendees: Board Chair, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Head of Internal Audit, Head of Compliance, Head of Treasury and the external auditors.

The Audit and Compliance Committee also holds regular private sessions with Internal Audit and with the external auditors, without the executives present.

### **Risk Committee**

The role of the Risk Committee is to oversee and provide advice to the Board on the Group's current risk exposures and future risk strategies (including the strategy for capital and liquidity management), the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk and the establishment of prescriptive rules and procedures in relation to risk. The responsibilities of the Risk Committee include:

- Overseeing and challenging the day-to-day risk management, internal control systems, and oversight arrangements of senior management.
- Assessing the risk exposures of the Group, drawing on appropriate qualitative and quantitative metrics.
- Reviewing risk exposures, management, mitigation and in particular any risk exposures of concern.
- Having primary oversight of the internal capital adequacy and risk assessment (ICARA) process.
- Overseeing the approval and monitoring of appropriate limits on exposures and concentrations.
- Advising the Board on risk appetites, tolerance, and future risk strategy.
- Reviewing risk appetite statements, trigger limits and capacities.

The Risk Committee is comprised of:

- Members: Lord Fink (Chair), Konstantin Graf von Schweinitz, Roger Nagioff, Sarah Ing and Carla Stent.
- Standing Attendees: Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group President and the Head of Risk.

### Remuneration Committee

The role of the Remuneration Committee is to determine the remuneration policy and practices of the Company for executive directors and design and determine remuneration for the chair of the Board, executive directors and senior management, having regard to statutory and regulatory requirements. The responsibilities of the Remuneration Committee include:

- Determining remuneration policy.
- Setting remuneration for the chair of the Board, executive directors, and senior management, including pension rights and compensation payments.
- Advising on and determining all formulae and targets for performance-related schemes and the methods for assessing whether performance conditions are met and the eligibility of executive directors for annual bonuses.
- Reviewing and approving all aspects of any share option scheme, share incentive scheme or other long term incentive plan.
- Ensuring that potential conflicts of interest are managed and that no director or senior executive is involved in any decisions as to their own remuneration.
- Reviewing gender pay gap reporting and associated actions.

The Remuneration Committee is comprised of:

- Members: Jeremy Isaacs (Chair), Carla Stent, Joe Cohen, Konstantin Graf von Schweinitz, Sarah Ing, Robert Pickering.
- Standing Attendees: Chief Executive Officer (where non-conflicted), Group HR Director, Group Head of Reward.

### Nomination Committee

The role of the Nomination Committee is to ensure there is a formal, rigorous and transparent procedure for the appointment of new directors, to lead the process for board appointments making recommendations to the Board and ensuring plans are in place for succession to the Board and senior management positions. The responsibilities of the Nomination Committee include:

- Evaluating the skills, experience and knowledge of the Board.
- Identifying, nominating and recommending for the approval of the Board, candidates to fill Board vacancies.
- Approving the Company's policy on boardroom diversity and inclusion.

- Overseeing the development of a diverse pipeline for orderly succession for appointments to both the Board and senior management.

The Nomination Committee is comprised of:

- Members: Carla Stent (Chair), Joe Cohen, Jeremy Isaacs, Robert Pickering.
- Standing Attendees: Chief Executive Officer, Group HR Director.

### **Mergers and Acquisitions Committee**

The role of the Mergers and Acquisitions Committee is to review potential mergers, acquisitions, or disposals and if appropriate, recommend such merger, acquisition, or disposal to the Board for final approval; or to approve in accordance with the delegation of authority limits set out in the Board Terms of Reference. The responsibilities of the Mergers and Acquisitions Committee include:

- Reviewing the strategic alignment of any proposed acquisition or disposal.
- Ensuring appropriate due diligence of the target company or acquirer is undertaken.
- Providing access to relevant information requested as part of due diligence enquiries.
- Ensuring financial performance and alignment with the Group's strategic objectives is maintained.
- Ensuring appropriate funding and capital structures are available to enable any acquisition.

The Mergers and Acquisitions Committee is comprised of:

- Members: Carla Stent (Chair), with remaining members appointed by the Board for each specific merger, acquisition, or disposal to be considered.
- Standing Attendees: Chief Executive Officer and Chief Financial Officer.

### ***Principle 4 – Opportunity and Risk***

The Group Board held its annual 'Strategy Day' in January 2021, which was held remotely due to Covid-19 social distancing measures in place at the time. At this meeting the overarching strategy of the Group was approved together with the budget and three-year plan. The focus of the meeting also included discussion on Environmental, Social and Governance ('ESG') matters (including approval of the Group's inaugural ESG Report); risk & regulation; organisational development; client review; culture; financial crime; margin analysis; liquidity and capital planning; and acquisition performance.

The Group Board continues to identify opportunities to evolve and diversify the Group in line with agreed risk appetite and long-term strategy, evidenced by acquisitions of Arfinco SA (one of Europe's leading agricultural brokers), Volcap Trading Partners Limited (an award-winning soft commodity and bespoke structured product business), and Starsupply Petroleum Europe BV. (a prominent Rotterdam-based broker of physical oil products).

The Group also continues to identify future opportunities for innovation, creativity and ambition, as particularly evidenced by the Marex Solutions division, which has expanded into new jurisdictions and created new product offerings. Marex Solutions has brought together experienced market-leading talent, and utilising their entrepreneurial and technology-led approach, have become a prominent specialist producer of bespoke OTC derivatives and structured products.

The Firm continues to expand its focus on ESG and has launched a bespoke renewables desk, has seeded a number of projects to create carbon credits, (by maintaining or adding new mangrove swamps in South-East Asia through the support of Global Mangrove Trust), and continues to collaborate with the Smith School of Enterprise and the Environment, Oxford University (where we sponsor a research program on Environmental Sustainability), to support the launch of a spin-out entity, OxCarbon, which will offer commercial services in the carbon offset market. The ESG section in this Strategic Report sets out the Firm's focus in more detail.

The Group Board has delegated authority to the Risk Committee for oversight and management of key risks and maintaining the Group's risk profile within the risk appetite set by the Group Board. The Risk Committee meets on a quarterly basis and ad-hoc as required, focussing on the key risks faced by the Group, including market, credit and operational risk. The Risk Committee oversees and challenges day-to-day risk management and oversight arrangements of senior management; assesses the current risk exposures of the Group, drawing on appropriate qualitative and

quantitative metrics; reviews the Group's current risk exposures and advises the Group Board of any risk exposures of concern; and develops metrics to be used to monitor the Group's risk management performance and periodically review the methodologies and tools used in assessing and monitoring the Group's risk exposures.

The Group Board reviews and approves on an annual basis the Group's internal assessment of capital and liquidity adequacy which allows the Board to monitor the activities of the Group and its results against the targeted financial resilience and liquidity. The Group Board reviews the forecasted financing requirements, financing capacity and options that are required to deliver the targeted financial resilience levels and allowing for Group strategy to be set.

### ***Principle 5 – Remuneration***

The Remuneration Committee reviews and approves the annual remuneration and discretionary bonus awards for employees and ensures that remuneration has been designed to promote the long-term success of the Company, is transparent, and aligned with behaviour, conduct and the Group's cultural values. In 2021 the Remuneration Committee also approved a new Executive Director remuneration structure, reviewed remuneration of Non-Executive Directors and the Chair, reviewed and approved a Retention Long Term Incentive Plan and a 2021 Deferred Bonus Plan for senior management, and are considering further incentive proposals for 2022.

The Remuneration Committee is comprised of Non-Executive Directors in order to ensure independence and appropriate consideration of shareholder interests.

In the 2021 Gender Pay Gap Report we reported that our pay gap is in line with the Financial Services industry, and further analysis showed that gender distribution (fewer women in senior positions), and not unequal pay, is the driver of our pay gap (for matched roles, there is no pay gap between genders). Our mid to long term aim remains to increase female numbers across the Group, particularly in senior roles. In 2021 and to the date of this report in 2022 we hired several senior female employees including a Group Head of HR, Group Head of Compliance, Global Head of Reward, Global Head of Tax, and Global Change Manager. In July 2021 we appointed a female Independent Non-Executive Director to the Group Board, Sarah Ing, who Chairs the Audit and Compliance Committee, and is a member of both the Risk Committee and the Remuneration Committee.

### ***Principle 6 – Stakeholder Relationships and Engagement***

During the course of the year we engaged with a broad range of stakeholders that allowed us to build more meaningful relationships and understand their expectations. These stakeholders include our clients, our people, the environment, regulators, suppliers and shareholders.

#### **Clients**

Our clients are everything, which is why superior execution and superb client service is central to our business. We are always looking for new ways to strengthen our client offerings, and the acquisition of entities such as Arfinco SA, Volcap Trading Partners Limited, and Starsupply Petroleum Europe B.V. (as noted above), the launch of new desks (such as our further expansion into renewable energy), and the increasingly broad service offering from Marex Solutions, has further diversified our product set. We believe that the depth and quality of our services differentiates us from many of our competitors. Every day our brokers and market makers are interacting with clients. We are also engaging more frequently with the senior management from our clients' firms as we seek to build even deeper relationships. Given the nature of our business we have been able to provide continuous service to our clients throughout the Covid-19 pandemic.

#### **Our people**

We invest in our people and help them develop their careers. Our people are the basis of our competitive advantage, so we look to grow our own and make our business the rewarding place that ambitious, hardworking, and talented people choose to build their careers. We are committed to offering equality of opportunity to all, regardless of gender. We frequently engage with our employees through formal and informal channels. These include face-to-face dialogues between employees and line managers, the staff newsletter, and regular 'Town Halls' hosted by the Chief Executive Officer together with other senior managers such as the Chief Financial Officer, Group President and Group HR Director. In 2021, we continued our employee survey programme and made subsequent enhancements based on the feedback received. The Group Board Chair continues to act as whistleblowers' champion and no viable concerns were found in the year pertaining to conduct in the Firm's FCA regulated offices. One matter is currently under investigation.

#### **The Environment**

The Group recognises its role in promoting and supporting environmental sustainability initiatives and continues to sponsor a multi-year Research Program at the Smith School of Enterprise and the Environment at the University of Oxford. The Group Board has further strengthened its commitment to sustainability throughout 2021, approving the inaugural ESG Report setting out the Firm's commitment to improve the environments in which our clients, employees, their communities and those with whom we interact live and work. The Group has also developed a plan to be carbon neutral by 2022 and is committed to serving its clients, communities and investors by being a responsible commodities business. With a focus on ownership, partnership and stewardship, we endeavour to leave our business and communities in a more positive shape than we find them. The Group's ESG Committee and Environment and Climate Working Party continue to meet regularly to further develop our ESG positive initiatives.

## Regulators

The Group is subject to an extensive supervisory and regulatory framework across each of the countries in which we operate. Changes in this regulatory framework could have a significant effect on our businesses and clients, position and costs, as well as on the financial and economic environment in which it operates. Because of this we maintain a constant and open dialogue with our regulators around the world. As a UK based company, our most frequent interaction is with the Financial Conduct Authority, centralised through the Compliance function and with regular discussions that include other relevant areas of the Group, meetings with our Executive team, and also meetings with the Chair. We continue to have close dialogue with the Commodity Futures Trading Commission and the Securities and Exchange Commission in the United States; the Central Bank of Ireland; Hong Kong Securities and Futures Commission; Monetary Authority of Singapore; and the Autorité des Marchés Financiers and the Autorité de contrôle prudentiel et de résolution in France.

## Suppliers

We have long-term relationships with a broad range of suppliers around the world. We are committed to high standards and require our suppliers to meet the Marex Supplier Code of Conduct. Strong business relationships are essential for the Group, and for the key subsidiaries for which payment practices and performance reporting is required, the average time taken to make payments under qualifying contracts in 2021 was 13.5 days. As a leader in our field, we take great pride in being a good corporate citizen and are always striving to set the highest standards of ethical conduct, and corporate and social responsibility. We recognise and are committed to both relevant national and international standards, which we expect our suppliers to abide by, including those set out by the International Labour Organisation, the Bribery Act 2010 and the Equality Act 2010. The Group Modern Slavery and Human Trafficking Statement sets out the steps that we have taken to minimise the risk of modern slavery existing in our business or supply chains.

## Shareholders

As a privately held company, we maintain a balance between delivering value for our shareholders, but also developing our business as a global financial services platform. Our key shareholder groups are represented by directors on the Group Board and between board meetings there is regular communication between our CEO, Chair and shareholder representatives. The Company also has a small amount of ordinary non-voting shares held by current and former management and staff, each of whom retains the right to receive any dividend paid by the Company. Our website is regularly updated to provide shareholders (and other stakeholders) with the Group's latest news and developments, including copies of the latest financial statements of the Group and key subsidiaries.

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

**I T Lowitt**  
Director

13 April 2022

# GROUP DIRECTORS' REPORT

The directors present their report and audited consolidated financial statements of Marex Group plc and its subsidiaries (collectively 'Marex', the 'Group' or the 'Firm') and the standalone financial statements for Marex Group plc (the 'Company') for the year ended 31 December 2021.

The disclosure complying with Section 172(1) of the Companies Act (2006) with regard to companies operations on the community and environment is set out in the Strategic Report.

## Group Board Director Biographies

### Carla Stent, Independent Non-Executive Chair

Carla Stent was appointed Independent Non-Executive Chair of the Marex Board in January 2019, having previously been an Independent Non-Executive Board Member since 2014. Carla has extensive executive and non-executive international experience across financial services, principally banking and private equity, as well as retail and travel. Her current Board roles include the Post Office Limited, JP Morgan Elect plc, and the Tilney Smith and Williamson Group. She has also served on the boards of Power to Change, Savernake Group, Change Alliance (India) Private Limited, Christian Aid, The Young Women's Trust and various Virgin Group entity boards, amongst others. From 2010 to 2013, Carla was Chief Operating Officer and Partner at Virgin Group. She was previously Deputy Chief Financial Officer and Chief Administrative Officer of the Global Retail and Commercial Bank arm of Barclays Bank. From 2000 to 2004, at Thomas Cook AG Group, she held a variety of roles, including Operations Director, as well as Director of Group Strategy & Corporate Finance. Carla is a qualified Chartered Accountant and has a Masters in Advanced Accounting, Taxation, Business Administration and Auditing from the University of South Africa, Cape Town.

### Lord Stanley Fink, Independent Non-Executive Director

Lord Fink is a well-known figure in the world of hedge funds and philanthropy, having been active in the industry for over twenty-five years. He is the former Chairman of systematic hedge fund ISAM and Zenith Hygiene Products, and was previously CEO of Man Group plc, where he presided over the company's rapid growth in an illustrious career dating from 1987 to 2008 (he served as CEO from 2000 to 2007 and headed Man's fund management business from 1996). Prior to this, he worked for Citibank in Structured Finance and Mars Confectionery, following a qualification as a Chartered Accountant with Arthur Andersen in 1982. Stanley read Law at Trinity Hall College Cambridge University and attended Manchester Grammar School. Stanley is a committed philanthropist with a focus on children's charity, particularly in the fields of health and education. He is President of the Evelina London Children's Hospital, as well as a longstanding Trustee of ARK. He is Co-Chairman of the Board of Governors of the Oxford Centre for Hebrew and Jewish Studies and Council Member of the Association of British Neurologists (ABN). He was also a Trustee of the Mayor's Fund for London between 2008-2017 and Chair Emeritus of the Governors at Burlington Danes School which he sponsored through ARK. Raised to the peerage in 2011 as Baron Fink of Northwood, Stanley is also active in politics. He was Conservative Party Treasurer and Co-Treasurer from 2009, standing down in 2013, prior to which he served on a number of policy committees for the party.

### Sarah Ing, Independent Non-Executive Director

Sarah joined the Group as an Independent Non-Executive Director in July 2021. She is an experienced non-executive director in the financial services sector and has over 30 years' experience in accountancy, investment banking and fund management. Previously, Sarah founded and ran a hedge fund investment management business and was also a top-rated equity research analyst covering the general financials sector. Sarah is also an Independent Non-Executive Director and Committee chair at CMC Markets plc, XPS Pensions Group plc and Gresham House plc. She is a Chartered Accountant and has a BSc Hons in Botany from Durham University.

### Konstantin Graf von Schweinitz, Independent Non-Executive Director

Konstantin Graf von Schweinitz was appointed as an Independent Non-Executive Director in September 2021. Konstantin

is an experienced banker, non-executive board director, chairman, and advisor, with over 35 years' experience in capital markets, investment banking, commercial and private banking, and asset management. His current roles include acting as an Independent Non-Executive Director and Chair of the Risk Committee at SG Kleinwort Hambros Bank Limited, in addition to Non-Executive roles at Egerton Capital Funds and Atomyze AG (Switzerland). Konstantin previously held a variety of executive roles at Dresdner Group, including Head of Risk Management for investment banking. He has a BA and MA in History and Economics from Oxford University.

#### **Robert Pickering, Independent Non-Executive Director**

Robert Pickering is an experienced non-executive director in financial services, joining the Group in September 2021. Previously he served at Itau BBA, the investment banking arm of Itau Unibanco, the largest private sector bank in Brazil. He began his long career in the City at Cazenove, where he spent 23 years building their financial advisory practice and growing their wealth management division, becoming their first Chief Executive at the age of 41. Robert negotiated and led Cazenove's highly successful joint venture with JP Morgan in 2004. Since leaving Cazenove in 2008 he focused on a portfolio career, acting as an advisor to private individuals and boards, mainly in financial services. Robert's extensive experience on various boards has included a myriad of corporate transactions including IPOs, mergers, fund raisings and private equity. Robert holds a MA in Law from the University of Oxford.

#### **Jeremy Isaacs, Non-Executive Director**

Jeremy Isaacs is a Founding Partner of JRJ Group, and brings close to four decades of financial services industry and investment experience to JRJ Group. At JRJ Group, Jeremy is closely involved with the implementation and guidance of fund strategy, as well as the development and execution of portfolio company strategy. He is also central to the development and maintenance of JRJ Group's extensive financial industry relationships with senior personnel across the institutional landscape, as well as with regulators and governments. Prior to establishing JRJ Group, in late 2008, Jeremy was the Chief Executive Officer of Lehman Brothers in Europe, Middle East, and Asia. Before joining Lehman Brothers, he led the European equity derivatives trading business of Goldman Sachs. Jeremy serves as a non-executive director of Go Acquisitions Corp. He participates in numerous philanthropic activities, holding a range of positions, including Trustee of The J Isaacs Charitable Trust and Chair of Trustees for the Noah's Ark Children's Hospice. Jeremy is an Honorary Fellow of the London Business School. He has previously served as non-executive director of Imperial College Healthcare NHS Trust 2003-16; Member of British Olympic Advisory Board 2007-12. Jeremy was appointed Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for his services to the NHS. In May 2019, Jeremy received a Doctor of Philosophy Honoris Causa from the Haifa University, Israel.

#### **Roger Nagioff, Non-Executive Director**

Roger Nagioff is a Founding Partner of JRJ Group, and brings 35 years of operating and investing experience in the financial services and real estate industries to JRJ Group. An operational expert, Roger is closely involved in the portfolio company selection process, as well as the development and execution of portfolio company strategy. Prior to co-founding JRJ Group, he served in various senior executive positions within Lehman Brothers, holding leadership roles in a number of business lines in Europe and the United States. Roger was Global Head of Fixed Income at Lehman Brothers, succeeding to the role from his previous position as Chief Operating Officer for Europe, and before that, as Co-Head of Global Equities. Roger holds a BA degree in law.

#### **Joseph Cohen, Non-Executive Director**

Joe Cohen is one of the three Founding Partners of Trilantic Europe. Prior to Trilantic Europe, Joe spent 20 years at Lehman Brothers, of which 13 years was at Lehman Brothers Merchant Banking where he was the European Co-Head. He was also a member of the Lehman Brothers' Investment Management Division's European Operating Committee. Prior to that, he was a member of Lehman Brothers Corporate Finance team based in Paris, New York, and London. Joe is currently a non-executive director of YM&U. Joe holds a BSc. degree in Economics from the London School of Economics.

#### **Ian Lowitt, Executive Director, Chief Executive Officer**

Ian Lowitt is Chief Executive Officer at Marex. He was previously at Barclays Bank where, after the acquisition of Lehman Brothers, he managed the integration of the businesses and support functions and served as the COO of Barclays Wealth America. Prior to Barclays, Ian spent 14 years at Lehman Brothers, latterly as Chief Financial Officer and before that was Co-Chief Administrative Officer for the firm responsible for Systems, Operations, Finance Risk, and Expense Management. Prior to this role he was the Head of Strategy, Global Treasurer and Head of Tax; and European Chief

Administrative Officer. Ian has an MSc in Economics, and a MA in Economics, Philosophy and Politics from the University of Oxford, which he attended as a Rhodes Scholar, and a BSc and an MSc in Electrical Engineering from University of Witwatersrand in Johannesburg.

### Paolo Tonucci, Executive Director, Chief Financial Officer

Paolo Tonucci joined Marex in March 2018 as Chief Operating Officer and became Chief Financial Officer in October 2020. He was previously at the Commonwealth Bank of Australia (Commbank) based in Sydney, where he was Group Treasurer, with responsibility for funding, capital and balance sheet management. Before Commbank, he was Head of Funding and Liquidity at Barclays Bank in London. Prior to Barclays, Paolo spent 12 years at Lehman Brothers in London and New York, latterly as Global Treasurer where he managed a team of 220. Paolo is a Chartered Accountant and has an MA in Economics from the University of Cambridge.

## Group Board Activity Review

The Group Board holds six scheduled meetings each year together with ad-hoc meetings as required for specific subjects of focus or urgent matters. The first board meeting each year is an offsite full day strategy meeting. The Risk Committee and the Audit and Compliance Committee both meet at least four times each year and ad-hoc as required; and the Remuneration Committee and the Nomination Committees both meet at least once a year.

Attendance for Group Board and Board Committee meetings in 2021 was as set out below:

|  | Group Board | Risk Committee | Audit and Compliance Committee | Remuneration Committee <sup>1</sup> | Nomination Committee <sup>1</sup> |
|--|-------------|----------------|--------------------------------|-------------------------------------|-----------------------------------|
| Carla Stent <sup>2</sup>                               | 6/6         | 2/2            | 3/3                            | 5/7 <sup>3</sup>                    | 1/1                               |
| Lord Fink  | 4/6         | 5/5            | -                              | -                                   | -                                 |
| Sarah Ing (appointed 22.07.2021)                       | 2/2         | 2/2            | 2/2                            | 2/2                                 | -                                 |
| Konstantin Graf von Schweinitz (appointed 07.09.2021)  | 2/2         | 2/2            | 2/2                            | 2/2                                 | -                                 |
| Robert Pickering (appointed 13.09.2021)                | 2/2         | -              | 2/2                            | 2/2                                 | -                                 |
| Jeremy Isaacs  | 6/6         | -              | -                              | 7/7                                 | 1/1                               |
| Roger Nagioff  | 5/6         | 4/5            | -                              | -                                   | -                                 |
| Joseph Cohen   | 6/6         | -              | 7/7                            | 6/7                                 | 1/1                               |
| Ian Lowitt   | 6/6         | -              | -                              | -                                   | -                                 |
| Paolo Tonucci  | 6/6         | -              | -                              | -                                   | -                                 |
| Daniel Hallgarten (resigned 29.09.2021)                | 5/5         | 3/3            | 4/6                            | 0/1                                 | 0/1                               |
| Diane Moore (resigned 21.06.2021)                      | 2/2         | -              | 3/3                            | 1/1                                 | 1/1                               |
| Vittorio Pignatti-Morano Campori (resigned 12.04.2021) | 2/2         | -              | -                              | -                                   | -                                 |
| Simon van den Born (resigned 03.02.2021)               | 1/1         | -              | -                              | -                                   | -                                 |
| Peter Kadas (resigned 03.02.2021)                      | 0/1         | -              | -                              | 1/1                                 | -                                 |
| Henry Richards (resigned 30.06.2021)                   | 3/3         | -              | 4/4                            | -                                   | -                                 |

The above does not include ad-hoc Group Board meetings (of which nine were held during the year), or detail attendance by standing attendees (for example the CEO will attend the majority of Board Committee meetings). Ad-hoc meetings of the Board Committees have been included.

<sup>1</sup> The previous Remuneration & Nomination Committee was split into two separate committees in March 2021. Attendance of that committee has been recorded in the Remuneration Committee column.

<sup>2</sup> As the Board and Committee composition was being comprehensively revised in 2021, Carla Stent became a formal member of the Risk Committee and the Audit and Compliance Committee mid-way through the year to ensure continuity and effective handover.

<sup>3</sup> Conflicted for one meeting



The Acquisitions & Disposals Committee did not meet during the year and was renamed the Mergers and Acquisitions Committee in December 2021. During the year, the Board Executive Committee was removed as a committee of the Board and replaced by the Group Executive Committee, a committee of the CEO, dedicated to assisting the CEO in discharging his responsibilities.

## Board Committee Reports

### Audit and Compliance Committee

The key areas of focus for the Audit and Compliance Committee in 2021 were:

- Internal Audit: monitoring progress against the internal audit plan, reviewing internal audit reports and monitoring actions taken as a result of recommendations, approving the internal audit charter and the 2021-2023 strategic audit plan, including the ongoing impact of Covid-19.
- Compliance: approving the Compliance charter, operating model, and annual Compliance plan, monitoring and reviewing key regulatory and exchange interactions, regulatory initiatives, regulatory compliance, compliance assurance, trade surveillance, and other key regulatory matters across the Group (including presentations from regional compliance officers).
- Client Assets (CASS): reviewing client asset reports, system enhancements, and monitoring compliance with CASS resolution pack rules and requirements.
- General Data Protection Regulation (GDPR): monitoring and reviewing the GDPR privacy framework, including data protection impact assessments, privacy impact assessments, legitimate interest tests, data deletion strategy, staff training and assessment of controls.
- Financial Crime: monitoring and reviewing Financial Crime related matters including approval of the Group Financial Crime Policy, operation of Financial Crime systems and controls, adherence to the Group Risk Appetite Statement, governance, sanctions risk management, monitoring and screening, third party risk assessments, client file reviews, and client onboarding.
- Whistleblowing: reviewing the Group's annual whistleblowing report.
- Business Change: reviewing enhancements to the Group's business change framework, including change lifecycle, governance, infrastructure and system developments. A joint meeting with the Risk Committee was held to consider this subject in detail.
- External Auditors: reviewing and approving the Deloitte and RSM year-end audit plans, including risk assessment, approach to goodwill on acquisitions and to structured note valuation, materiality benchmark and approval of fees.
- Finance: reviewing and approving the Group Tax Policy, monitoring the transfer pricing policy review, pipeline business developments, and acquisition integration.
- Annual Financial Statements: the Committee provided the following assurances and recommendations to the Group Board in respect of the 2021 Annual Report:
  - In our view, the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.
  - We have considered the assumptions relating to the going concern statement and recommended to the Group Board that the Annual Report and Financial Statements be prepared on a going concern basis.
  - We have reviewed the objectivity and independence of the external auditor and considered the professional and regulatory guidance on auditor independence and Deloitte's policies and procedures for managing independence.

### Focus for 2022

Key priorities for the Audit and Compliance Committee will be:

- to monitor and review the operation of Financial Crime systems and controls, onboarding processes and procedures, and continued enhancements to the Financial Crime control framework.
- to monitor and review operation of, and ongoing enhancements to, the change management framework, processes and procedures.

- to monitor and review acquisition integration controls.
- to ensure ongoing regulatory, CASS, and GDPR compliance across the Group.

### Risk Committee

The key areas of focus for the Risk Committee in 2021 were:

- **Marex Solutions:** reviewing the structured products business, including the approval framework, distribution control framework, trading mandate, and decisions of the focussed sub-committee (Structured Securities Committee); reviewing Marex Solutions new business proposals, new jurisdictions, currencies, type of counterparty, and credit limits (both global and jurisdictional).
- **Cryptocurrency:** reviewing and monitoring cryptocurrency business activity, new business proposals and trades, reputational risk, and cyber risk,
- **Risk Appetite:** reviewing and approving the annual Risk Appetite update.
- **Risk Exposure:** reviewing and monitoring country risk, credit portfolios, and market risk; reviewing and monitoring client defaults.
- **Credit:** reviewing and approving the Credit Appetite Framework.
- **Capital and Liquidity:** reviewing and monitoring liquidity risk and regulatory capital, recommending the Internal Capital Adequacy Assessment Process (ICAAP), Individual Liquidity Adequacy Assessment (ILAA), and Recovery Plan to the Board for approval, and reviewing impact of the new Internal Capital and Risk Assessment (ICARA).
- **Business Change:** reviewing business change proposals approved by the Business Change Approval Committee, and (together with the Audit and Compliance Committee as previously noted) reviewing enhancements to the Group's business change framework, including change lifecycle, governance, infrastructure and system developments.
- **Acquisitions:** reviewing and challenging the risk framework and business lines of acquired entities, monitoring any required enhancements, and setting appropriate margin requirements and potential loss caps.
- **Operational Risk:** reviewing and monitoring roll-out of the enhanced Operational Risk Management Framework.
- **Emerging risks:** reviewing and monitoring emerging risks including geo-political activity, volatility, and sanctions.

### Focus for 2022

Key priorities for the Risk Committee will be:

- continued focus on the Marex Solutions business, given the increasing scale of this division.
- reviewing and monitoring cryptocurrency business activity, new business proposals, and associated risks.
- monitoring geo-political events and the associated key risks to the Firm.
- reviewing, and recommending to the Board for approval, the Group's FCA Internal Capital and Risk Assessment.
- monitoring the integration of acquisitions and any required enhancements to risk frameworks.
- monitoring business change.

### Remuneration Committee

The key areas of focus for the Remuneration Committee in 2021 were:

- **Compensation:** reviewing and approving 2020 Discretionary Bonuses and 2021 Base Salary levels, approval of a new Executive Director remuneration structure, and reviewing remuneration of Non-Executive Directors and the Chair.
- **Share Incentives:** reviewing and approving a Retention Long Term Incentive Plan (R-LTIP) and 2021 Deferred Bonus Plan for senior management, and considering further incentive proposals for 2022.
- **Regulatory:** reviewing and approving the Group's annual FCA Remuneration Policy Statement, and reviewing requirements and impact of the FCA's Investment Firms Prudential Regime (IFPR).

### Focus for 2022

Key priorities for the Remuneration Committee will be:

- ensuring ongoing compliance with FCA requirements and the IFPR.
- establishing details of the R-LTIP, and the 2021 and 2022 Deferred Bonus Plans, including share price and performance measures
- establishing the terms and performance measures for a proposed Annual Long Term Incentive Plan.
- determining 2022 strategic performance measures and financial performance measures for the Executive Directors.
- reviewing gender pay gap reporting and associated actions.

### **Nomination Committee**

The key areas of focus for the Nomination Committee in 2021 were:

- Board composition: appointment of three new Independent Non-Executive Directors including a Senior Independent Director, Audit and Compliance Committee Chair, and Risk Committee Chair.
- Succession Planning: reviewing the Group's high-level succession planning document.

### **Focus for 2022**

Key priorities for the Nomination Committee will be:

- succession planning.
- ensuring continuation of actions to improve diversity and inclusion across the Group, particularly at more senior levels.
- to continue to evaluate the skills, experience and knowledge of the Board in the context of the current requirements and future challenges.

## Directors

The following directors have held office throughout the year and to the date of this report, except where noted:

|                           | Appointed         | Resigned          |
|---------------------------|-------------------|-------------------|
| C R Stent (Chair)         |                   |                   |
| I T Lowitt                |                   |                   |
| S J van den Born          |                   | 3 February 2021   |
| J C Cohen                 |                   |                   |
| Lord S Fink               |                   |                   |
| D A Hallgarten            |                   | 29 September 2021 |
| S L Ing                   | 22 July 2021      |                   |
| J M Isaacs CBE            |                   |                   |
| P Kadas                   |                   | 3 February 2021   |
| D E Moore                 | 11 February 2021  | 21 June 2021      |
| R B Nagioff               |                   |                   |
| R M Pickering             | 13 September 2021 |                   |
| V Pignatti-Morano Campori |                   | 12 April 2021     |
| H D P Richards            |                   | 30 June 2021      |
| K N Graf von Schweinitz   | 7 September 2021  |                   |
| P R Tonucci               |                   |                   |

## Indemnity of directors

Each director is indemnified out of the assets of the Group against all costs, charges, losses and liabilities incurred by them in the proper exercise of their duties. Directors who have resigned during the year also benefit from the same indemnity arrangement. In addition, the directors are covered by an insurance policy.

## Directors' statement as to disclosure of information to the Auditor

Each of the persons, who is a director at the date of approval of this report, confirms that:

- so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Charitable and political contributions

Marex budgets to spend \$100,000 per annum to support employees in their charitable fundraising activities. It does this by donating 50% of the sum raised by the employee to the chosen charities. In order to ensure that the fund can be accessed by as many employees as possible, donations from the Company are capped at \$4,000 per fundraising event. The total charitable donations from this programme were \$52,124 during the year ended 31 December 2021 (2020: \$22,161). No contributions were made for political purposes during the year (2020: \$nil).

## Foreign exchange

The following foreign exchange rates have been used in the preparation of these financial statements:

|           | 2021         |               | 2020         |               |
|-----------|--------------|---------------|--------------|---------------|
|           | Average Rate | Year-end Rate | Average Rate | Year-end Rate |
| GBP / USD | 1.3317       | 1.3531        | 1.2840       | 1.3675        |
| EUR / USD | 1.1307       | 1.1370        | 1.1420       | 1.2214        |

## Going concern

After reviewing the Group and Company's annual budget, liquidity requirements, plans and financial arrangements as well as the economic situation in the context of the Ukraine situation and Covid-19 discussed in note 3(c) of the accounting policies, the directors are satisfied that the Group and Company have adequate resources to continue to operate for the foreseeable future and for at least 12 months from the date of signing of the statement of financial position and confirm that the Group and Company are a going concern. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

## Events after the reporting period

Events since the statement of financial position date are disclosed in note 38.

## Overseas branches

The Group has branches, as defined in s1046(3) of the Companies Act 2006, in Canada, Germany, Norway, Australia, Gibraltar, and the US.

## Dividends

The Company paid an interim dividend of \$20,000,000 during the year (2020: \$18,195,000).

## Financial risk management

Financial risk management objectives are included in the Strategic Report.

## Future developments

Future developments are included in the Chief Executive Officer's review.

## Research and development

The Group produces commodity research across energy, agricultural, base metals and ferrous metals markets and has developed key partnerships in this field.

## Engagement with employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings and the Group website. Further statements regarding actions taken by the Group during the financial year in regard to its employees are set out in the Strategic Report.

## Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

## Suppliers, customers and others

In accordance with the Reporting on Payment Practices and Performance Regulations 2017, the Group submits biannual reports on payment practices and performance to the Department for Business, Energy and Industrial Strategy. Strong business relationships are essential for the Group and for the key subsidiaries for which reporting is required, the average time taken to make payments under qualifying contracts was 13.5 days. Further statements regarding how the directors have regard to the need to foster the Group's relationships with suppliers, customers and others and the effect of that regard on the principal decisions taken by the company during the financial year are contained in the Strategic Report.

## Streamlined energy carbon reporting ('SECR')

Streamlined Energy Carbon Reporting is provided in the ESG section of the Strategic Report.

## Corporate governance arrangements

In 2021, the Group followed the Wates Corporate Governance Principles for Large Private Companies and reporting against that framework is contained in the Strategic Report.

## Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as Issued by the International Accounting Standards Board (IASB). In accordance with company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, International Accounting Standard ('IAS') 1 requires directors to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- make an assessment of the Group and Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Auditor

The auditor, Deloitte LLP, has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the Company's forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

**I T Lowitt**  
**Director**  
 13 April 2022

# INDEPENDENT AUDITOR'S REPORT

## Opinion

In our opinion:

- the financial statements of Marex Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statement of financial position;
- the consolidated and Parent Company statements of changes in equity and movements in reserves;
- the consolidated and Parent Company cash flow statements; and
- the related notes 1 to 39.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessing financing facilities including the covenants linked to these;
- assessing the recoverability of the trade debtors and whether there is any pending litigation which could have a significant impact on the Group and its ability to trade;
- involving specialists to challenge the underlying data and key assumptions used in management forecasts;
- assessing the impact that Covid-19 will have on the Group in the forecasted period;
- assessing the headroom in the forecasts provided by management and whether there are any regulatory implications;
- assessing management's stress test on the forecasted profit;
- assessing management's proposed mitigating plans in a stressed scenario; and
- testing the numerical accuracy of forecasts and assessing the historical accuracy of forecasts prepared by management.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Annual Report and Financial Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's obligations as a regulated Group by the Financial Conduct Authority ('the FCA').

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA and Her Majesty's Revenue and Customs ('HMRC').

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Mark Rhys, FCA (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

**Statutory Auditor**

**London, United Kingdom**

13 April 2022

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

|                                     | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------|-------|----------------|----------------|
| Revenue                             | 5     | 1,114,204      | 762,416        |
| Operating expenses                  | 7     | (1,052,501)    | (721,413)      |
| Finance income                      | 10    | 13,751         | 20,460         |
| Finance expense                     | 10    | (7,521)        | (4,888)        |
| <b>Operating profit</b>             |       | <b>67,933</b>  | <b>56,575</b>  |
| Other income                        | 11    | 1,870          | 1,825          |
| Other expense                       | 11    | -              | (3,416)        |
| <b>Profit before taxation</b>       |       | <b>69,803</b>  | <b>54,984</b>  |
| Tax                                 | 12    | (13,353)       | (11,161)       |
| <b>Profit after taxation</b>        |       | <b>56,450</b>  | <b>43,823</b>  |
| <b>Earnings per share</b>           |       |                |                |
| Basic and diluted (cents per share) | 36    | \$0.41         | \$0.32         |

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

|  | Notes     | 2021<br>\$'000 | 2020<br>\$'000 |
|--|-----------|----------------|----------------|
| Profit after taxation  |           | 56,450         | 43,823         |
| <b>Other comprehensive income</b>  |           |                |                |
| <b>Items that may be reclassified subsequently to profit or loss when specific conditions are met;</b> |           |                |                |
| (Loss) / gain on revaluation of financial instruments  |           | (1,066)        | 418            |
| (Loss) / gain on cash flow hedge reserve   | 34        | (2,432)        | 1,626          |
| <b>Items that will not be recycled to profit or loss:</b>  |           |                |                |
| Change in fair value due to own credit risk  |           | (324)          | -              |
| Gain on revaluation of investments   | 17(a)     | 431            | 420            |
| Deferred tax on revaluation of investments   | 12(c), 26 | (305)          | (72)           |
| <b>Other comprehensive (loss) / gain, net of tax</b>   |           | <b>(3,696)</b> | <b>2,392</b>   |
| <b>Total comprehensive income</b>  |           | <b>52,754</b>  | <b>46,215</b>  |

All operations are continuing for the current and prior years.  
The notes on pages 82 to 160 form part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

Registration Number 05613060

|  | Notes    | Group            |                  | Company        |                |
|--|----------|------------------|------------------|----------------|----------------|
|  |          | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Assets</b>  |          |                  |                  |                |                |
| <b>Non-current assets</b>  |          |                  |                  |                |                |
| Goodwill   | 14       | 208,864          | 198,401          | -              | -              |
| Intangible assets  | 15       | 17,568           | 11,071           | 46             | 46             |
| Property, software and equipment                                   | 16       | 7,887            | 7,413            | -              | -              |
| Right of use asset   | 32       | 17,051           | 16,256           | -              | -              |
| Investments  | 17(a)    | 8,903            | 8,472            | 3,912          | 3,446          |
| Investments in associates/subsidiaries                             | 18,17(b) | 5,864            | 5,564            | 416,758        | 414,479        |
| Deferred tax   | 26       | 4,004            | 565              | -              | 55             |
| Subordinated loans due from group undertakings                     | 20       | -                | -                | 289,124        | 161,000        |
| Treasury instruments (unpledged)                                   | 21(a)    | 68,957           | 23,454           | -              | -              |
| Financial institution notes  |          | 957              | -                | -              | -              |
| Treasury instruments (pledged as collateral)                       | 21(b)    | 799,683          | 473,494          | -              | -              |
| <b>Total non-current assets</b>                                    |          | <b>1,139,738</b> | <b>744,690</b>   | <b>709,840</b> | <b>579,026</b> |
| <b>Current assets</b>  |          |                  |                  |                |                |
| Inventory  | 22       | 80,138           | 8,774            | -              | -              |
| Equity instruments   | 33(d)    | 92,337           | 52,055           | -              | -              |
| Derivative instruments   | 25       | 827,070          | 199,658          | -              | -              |
| Treasury instruments (unpledged)                                   | 21(a)    | 38,127           | 65,337           | -              | -              |
| Treasury instruments (pledged as collateral)                       | 21(b)    | 616,534          | 934,272          | -              | -              |
| Treasury instruments-Repurchase agreements (pledged as collateral) | 21(b)    | 144,275          | 142,310          | -              | -              |
| Trade and other receivables  | 23       | 3,247,378        | 1,320,496        | 5,359          | 2,422          |
| Corporation tax  |          | 10,271           | 7,683            | -              | 3              |
| Cash and cash equivalents  |          | 712,028          | 291,546          | 32             | 48             |
| <b>Total current assets</b>  |          | <b>5,768,158</b> | <b>3,022,131</b> | <b>5,391</b>   | <b>2,473</b>   |
| <b>Total assets</b>  |          | <b>6,907,896</b> | <b>3,766,821</b> | <b>715,231</b> | <b>581,499</b> |

The notes on pages 82 to 160 form part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (CONTINUED)

Registration Number 05613060

|                                      | Notes | Group            |                  | Company        |                |
|--------------------------------------|-------|------------------|------------------|----------------|----------------|
|                                      |       | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Liabilities</b>                   |       |                  |                  |                |                |
| <b>Current liabilities</b>           |       |                  |                  |                |                |
| Derivative instruments               | 25    | 691,545          | 236,431          | -              | -              |
| Repurchase agreements                | 24    | 140,406          | 139,969          | -              | -              |
| Trade and other payables             | 27    | 4,449,598        | 2,542,636        | 311,360        | 230,756        |
| Corporation tax                      |       | 2,106            | 1,547            | 20             | -              |
| Debt securities                      | 33(d) | 463,553          | 130,001          | -              | -              |
| Lease liability                      | 32    | 6,027            | 5,678            | -              | -              |
| Provisions                           | 28    | 882              | 298              | -              | -              |
| <b>Total current liabilities</b>     |       | <b>5,754,117</b> | <b>3,056,560</b> | <b>311,380</b> | <b>230,756</b> |
| <b>Non-current liabilities</b>       |       |                  |                  |                |                |
| Lease liability                      | 32    | 16,988           | 18,712           | -              | -              |
| Debt securities                      | 33(d) | 655,931          | 246,756          | 50,000         | -              |
| Deferred tax liability               | 26    | 3,154            | 1,005            | 32             | -              |
| <b>Total non-current liabilities</b> |       | <b>676,073</b>   | <b>266,473</b>   | <b>50,032</b>  | <b>-</b>       |
| <b>Total liabilities</b>             |       | <b>6,430,190</b> | <b>3,323,033</b> | <b>361,412</b> | <b>230,756</b> |
| <b>Total net assets</b>              |       | <b>477,706</b>   | <b>443,788</b>   | <b>353,819</b> | <b>350,743</b> |
| <b>Equity</b>                        |       |                  |                  |                |                |
| Share capital                        | 30,31 | 92               | 176,240          | 92             | 176,240        |
| Share premium                        | 31    | 134,327          | 134,327          | 134,327        | 134,327        |
| Retained earnings                    | 31    | 346,584          | 132,641          | 219,289        | 40,443         |
| Revaluation reserve                  | 31    | (290)            | 974              | 111            | (267)          |
| Cash flow hedge reserve              | 31    | (595)            | 1,837            | -              | -              |
| Other reserve                        | 31    | (2,412)          | (2,231)          | -              | -              |
| <b>Total equity</b>                  |       | <b>477,706</b>   | <b>443,788</b>   | <b>353,819</b> | <b>350,743</b> |

The Company reported a retained profit for year ended 31 December 2021 of \$21,496,204 (2020: \$9,344,445).

The financial statements on pages 71 to 165 were approved and authorised for issue by the Board of Directors on 13 April 2022 and signed on its behalf by:

**I T Lowitt**  
**Director**  
 13 April 2022

The notes on pages 82 to 160 form part of these financial statements.

# STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2021

| Group  | Share capital<br>\$'000 | Share premium<br>\$'000 | Retained earnings<br>\$'000 | Revaluation reserve<br>\$'000 | Cash flow hedge reserve<br>\$'000 | Other reserve<br>\$'000 | Total<br>\$'000 |
|--|-------------------------|-------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------|-----------------|
| At 1 January 2020                            | 176,240                 | 134,327                 | 107,013                     | 208                           | 211                               | (244)                   | 417,755         |
| Profit for the period                        | -                       | -                       | 43,823                      | -                             | -                                 | -                       | 43,823          |
| Dividends paid                               | -                       | -                       | (18,195)                    | -                             | -                                 | -                       | (18,195)        |
| Gain on revaluation of investments           | -                       | -                       | -                           | 420                           | -                                 | -                       | 420             |
| Deferred tax on revaluation of investments   | -                       | -                       | -                           | (72)                          | -                                 | -                       | (72)            |
| Gain on revaluation of financial instruments | -                       | -                       | -                           | 418                           | -                                 | -                       | 418             |
| Gain on cash flow hedge reserve              | -                       | -                       | -                           | -                             | 1,626                             | -                       | 1,626           |
| Equity investment in Group entity            | -                       | -                       | -                           | -                             | -                                 | (1,684)                 | (1,684)         |
| Other movements                              | -                       | -                       | -                           | -                             | -                                 | (303)                   | (303)           |
| At 31 December 2020 and 1 January 2021       | 176,240                 | 134,327                 | 132,641                     | 974                           | 1,837                             | (2,231)                 | 443,788         |
| Profit for the period                        | -                       | -                       | 56,450                      | -                             | -                                 | -                       | 56,450          |
| Dividends paid                               | -                       | -                       | (20,000)                    | -                             | -                                 | -                       | (20,000)        |
| Share capital reduction                      | (176,148)               | -                       | 176,148                     | -                             | -                                 | -                       | -               |
| Share-based payments                         | -                       | -                       | 1,202                       | -                             | -                                 | -                       | 1,202           |
| Gain on revaluation of investments           | -                       | -                       | -                           | 431                           | -                                 | -                       | 431             |
| Deferred tax on revaluation of investments   | -                       | -                       | -                           | (305)                         | -                                 | -                       | (305)           |
| Loss on revaluation of financial instruments | -                       | -                       | -                           | (1,066)                       | -                                 | -                       | (1,066)         |
| Loss on cash flow hedge reserve              | -                       | -                       | -                           | -                             | (2,432)                           | -                       | (2,432)         |
| Change in fair value due to own credit risk  | -                       | -                       | -                           | (324)                         | -                                 | -                       | (324)           |
| Other movements                              | -                       | -                       | 143                         | -                             | -                                 | (181)                   | (38)            |
| At 31 December 2021                          | 92                      | 134,327                 | 346,584                     | (290)                         | (595)                             | (2,412)                 | 477,706         |

The notes on pages 82 to 160 form part of these financial statements.

# STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

| Company   | Share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Retained<br>earnings<br>\$'000 | Reval-uation<br>reserve<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|----------------------------|--------------------------------|-----------------------------------|-----------------|
| <b>At 1 January 2020</b>                          | <b>176,240</b>             | <b>134,327</b>             | <b>49,294</b>                  | <b>(572)</b>                      | <b>359,289</b>  |
| Profit for the period (note 37)                   | -                          | -                          | 9,344                          | -                                 | 9,344           |
| Dividends paid                                    | -                          | -                          | (18,195)                       | -                                 | (18,195)        |
| Gain on revaluation of investments                | -                          | -                          | -                              | 364                               | 364             |
| Deferred tax on revaluation of investments        | -                          | -                          | -                              | (59)                              | (59)            |
| <b>At 31 December 2020<br/>and 1 January 2021</b> | <b>176,240</b>             | <b>134,327</b>             | <b>40,443</b>                  | <b>(267)</b>                      | <b>350,743</b>  |
| Profit for the period (note 37)                   | -                          | -                          | 21,496                         | -                                 | 21,496          |
| Dividends paid                                    | -                          | -                          | (20,000)                       | -                                 | (20,000)        |
| Share capital reduction                           | (176,148)                  | -                          | 176,148                        | -                                 | -               |
| Share-based payments                              | -                          | -                          | 1,202                          | -                                 | 1,202           |
| Gain on revaluation of investments                | -                          | -                          | -                              | 466                               | 466             |
| Deferred tax on revaluation of investments        | -                          | -                          | -                              | (88)                              | (88)            |
| <b>At 31 December 2021</b>                        | <b>92</b>                  | <b>134,327</b>             | <b>219,289</b>                 | <b>111</b>                        | <b>353,819</b>  |

The notes on pages 82 to 160 form part of these financial statements.

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

|  | Notes | Group            |                 | Company        |                |
|--|-------|------------------|-----------------|----------------|----------------|
|  |       | 2021<br>\$'000   | 2020<br>\$'000  | 2021<br>\$'000 | 2020<br>\$'000 |
| Profit before taxation   |       | 69,803           | 54,984          | 22,150         | 9,676          |
| <b>Adjustment to reconcile profit before taxation to net cash flows:</b> |       |                  |                 |                |                |
| Amortisation of intangible assets  | 15    | 2,552            | 1,155           | -              | -              |
| Loss on disposal of property, software and equipment                     |       | -                | 24              | -              | -              |
| Loss on disposal of intangibles  | 15    | 84               | -               | -              | -              |
| Depreciation of property, software and equipment                         | 16    | 3,368            | 2,335           | -              | -              |
| Depreciation of right-of-use-asset                                       | 32    | 4,470            | 6,473           | -              | -              |
| Impairment charge  | 11    | -                | 3,416           | -              | -              |
| Increase / (decrease) in provisions                                      | 28    | 584              | (775)           | -              | -              |
| Finance income   | 10    | (13,751)         | (20,460)        | (10,301)       | (4,978)        |
| Finance expense  | 10    | 7,521            | 4,888           | 4,138          | 2,274          |
| Provision for doubtful debts   | 23(b) | (767)            | 4,564           | -              | -              |
| Revaluation of investment in associate                                   | 18    | (300)            | (364)           | -              | -              |
| Release of contingent creditor   | 11    | -                | (1,766)         | -              | -              |
| Other revaluations   |       | (350)            | 246             | -              | -              |
| <b>Operating cash flows before changes in working capital</b>            |       | <b>73,214</b>    | <b>54,720</b>   | <b>15,987</b>  | <b>6,972</b>   |
| <b>Working capital adjustments:</b>                                      |       |                  |                 |                |                |
| Increase in trade and other receivables                                  |       | (1,923,485)      | (365,081)       | (459)          | (1,197)        |
| Increase in trade and other payables                                     |       | 1,903,669        | 635,665         | 80,604         | 120,749        |
| Increase in derivative instruments – assets                              |       | (629,842)        | (106,100)       | -              | -              |
| Increase in derivative instruments – liabilities                         |       | 455,114          | 159,431         | -              | -              |
| Decrease in treasury instruments – unpledged                             |       | (20,208)         | (50,459)        | -              | -              |
| Increase in treasury instruments – pledged as collateral                 |       | (11,464)         | (351,789)       | -              | -              |
| Increase in financial institution notes                                  |       | 957              | -               | -              | -              |
| Increase in inventory  |       | (71,364)         | (8,774)         | -              | -              |
| <b>Cash (outflow) / inflow from operating activities</b>                 |       | <b>(223,409)</b> | <b>(32,387)</b> | <b>96,132</b>  | <b>126,524</b> |
| Corporation tax paid   |       | (18,345)         | (13,392)        | (631)          | (604)          |
| <b>Net cash (outflow) / inflow from operating activities</b>             |       | <b>(241,754)</b> | <b>(45,779)</b> | <b>95,501</b>  | <b>125,920</b> |

The notes on pages 82 to 160 form part of these financial statements.



# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

|  | Notes | Group           |                 | Company          |                  |
|--|-------|-----------------|-----------------|------------------|------------------|
|  |       | 2021<br>\$'000  | 2020<br>\$'000  | 2021<br>\$'000   | 2020<br>\$'000   |
| <b>Investing activities</b>                                    |       |                 |                 |                  |                  |
| Purchase of intangible assets                                  | 15    | (3,538)         | (1,621)         | -                | -                |
| Purchase of property, software and equipment                   |       | (3,721)         | (3,363)         | -                | -                |
| Increase in subordinated loan receivable                       |       | -               | -               | (128,124)        | (71,000)         |
| Purchase of equity instruments                                 |       | (40,282)        | (22,426)        | -                | -                |
| Interest received  |       | 12,999          | 20,276          | 7,822            | 4,930            |
| Purchase of equity investments                                 |       | -               | -               | (1,077)          | (39,398)         |
| Net cash from acquisitions                                     |       | (12,455)        | (18,718)        | -                | -                |
| Purchase of investments  |       | -               | (5,200)         | -                | -                |
| <b>Net cash outflow from investing activities</b>              |       | <b>(46,997)</b> | <b>(31,052)</b> | <b>(121,379)</b> | <b>(105,468)</b> |
| <b>Financing activities</b>                                    |       |                 |                 |                  |                  |
| Increase in debt securities                                    |       | 742,403         | 180,558         | 50,000           | -                |
| Payment of lease liabilities                                   |       | (7,192)         | (5,289)         | -                | -                |
| Dividends paid   | 13    | (20,000)        | (18,195)        | (20,000)         | (18,195)         |
| Repurchase transactions  |       | 438             | 139,969         | -                | -                |
| Movement in repurchase collateral                              |       | -               | (142,310)       | -                | -                |
| Interest paid  |       | (6,416)         | (3,857)         | (4,138)          | (2,274)          |
| <b>Net cash inflow / (outflow) from financing activities</b>   |       | <b>709,233</b>  | <b>150,876</b>  | <b>25,862</b>    | <b>(20,469)</b>  |
| <b>Net increase / (decrease) in cash and cash equivalents</b>  |       | <b>420,482</b>  | <b>74,045</b>   | <b>(16)</b>      | <b>(17)</b>      |
| <b>Cash and cash equivalents</b>                               |       |                 |                 |                  |                  |
| Cash at banks and on hand and short-term deposits at 1 January |       | 291,546         | 217,501         | 48               | 65               |
| Increase / (decrease) in cash                                  |       | 420,482         | 74,045          | (16)             | (17)             |
| <b>Cash and cash equivalents at 31 December</b>                |       | <b>712,028</b>  | <b>291,546</b>  | <b>32</b>        | <b>48</b>        |

The notes on pages 82 to 160 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Marex Group plc (the 'Company') is incorporated in England and Wales under the Companies Act. The Company changed its name from Marex Spectron Group Limited and reregistered as a public company on 24 May 2021. The address of the registered office is 155 Bishopsgate, London, EC2M 3TQ. The principal activities of the Group and the nature of the Group's operations are set out in note 6 and in the Strategic Report.

The Group and Company financial statements are presented in US Dollars ('USD') which is also the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3(i).

## 2. ADOPTION OF NEW AND REVISED STANDARDS

### a. Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### Amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39 *Interest Rate Benchmark Reform (Phase II)*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements as the Group does not have any interest rate hedging relationships.

For the recognition and measurement of financial assets outside of hedging relationships, a practical expedient is provided whereby the effects of the change in an interest rate benchmark on a floating rate instrument are accounted for prospectively. This amendment had no impact on the financial statements.

#### Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements.

## b. New and revised IFRSs in issue, but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued, but are not yet effective and, in some cases, had not yet been adopted:

|  |   |
|--|---|
| <b>Amendment to IAS 1</b>                                | Clarification in the definition of current and non-current liabilities, effective on or after 1 January 2023.   |
| <b>Amendments to IFRS 3</b>                              | Clarification of guidance on contingent assets and updated references to the Conceptual Framework, effective on or after 1 January 2022.  |
| <b>Amendments to IAS 16</b>                              | Clarification of proceeds before intended use guidance, effective on or after 1 January 2022.   |
| <b>Amendments to IAS 37</b>                              | Specification of costs to be included when assessing whether a contract is onerous, effective on or after 1 January 2022.   |
| <b>Amendment IFRS 9</b>                                  | Specification of the treatment of fees for the derecognition of financial liabilities, effective on or after 1 January 2022.  |
| <b>IFRS 17: Insurance contracts</b>                      | Application of IFRS 17 to insurance contracts, replacing IFRS 4 and sets out principles for the recognition, presentation and disclosure of insurance contracts within the scope of IFRS 17. Effective on or after 1 January 2023 |
| <b>Amendments to IFRS 4</b>                              | Extension to the temporary exemption from applying IFRS 9. Effective 1 January 2023.  |
| <b>Amendments to IAS 1 and IFRS Practice Statement 2</b> | Introduction of disclosure requirements of material accounting policies. Effective on or after 1 January 2023.  |
| <b>Amendments to IAS 12</b>                              | Clarification to the accounting treatment of deferred tax assets arising from a single transaction. Effective on or after 1 January 2023.   |
| <b>Amendments to IAS 8</b>                               | Update to definition of accounting estimates. Effective on or after 1 January 2023.   |

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of accounting

The consolidated financial statements of the Group and the standalone financial statements of Marex Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') as endorsed by the UK Endorsement Board ('UKEB').

The Company has taken the exemption in section 408(3) of the Companies Act 2006 not to present a standalone income statement, standalone statement of comprehensive income and related notes that form part of the financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

## **b. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

## **c. Going concern**

In considering going concern, the directors have reviewed the capital, liquidity and financial position of the Group and Company and concluded that the going concern basis is still appropriate. As a part of this conclusion the directors took into consideration the financial impact of the Russian war in Ukraine (including the resulting volatility in the markets and resulting increased levels of counterparty and operational risks), Covid-19, and the potential impact on the capital, liquidity and financial performance as noted within the Group's pandemic stress and reverse stress test. The results of the pandemic stress highlighted that the Group has sufficient capital and liquidity to satisfy its regulatory requirements. In addition to this a reverse stress analysis has been performed to identify the tail risk scenarios which would lead to challenges in meeting regulatory requirements. As funding is managed on a Group basis the directors considered the Group stress tests in determining their assessment for the Company. As a result of the Russian war in Ukraine, the pandemic stress test and reverse stress analysis the Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue to satisfy its regulatory obligations as well as its liabilities for the foreseeable future. Thus, the Group and Company continue to adopt the going concern basis of accounting in preparing the financial statements.

## **d. Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition (including the fair value of deferred and contingent consideration) of a business combination, over the share in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed, and equity instruments issued, plus any direct costs of acquisition.

Goodwill has an indefinite useful economic life and is measured at cost less any accumulated impairment losses.

It is tested for impairment annually and whenever there is an indicator of impairment. Where the carrying value exceeds the higher of the value in use or fair value less cost to sell, an impairment loss is recognised in the income statement.

#### **e. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts and volume rebates granted by the Group.

The Group generates revenue from the following segments:

- Market making revenues are where the Group acts as the principal, typically recognised on a fair value basis whereby movements in fair values of the positions are recognised in the income statement. Included within market making revenues is net interest which is directly attributable to the trading activities of the Group and is recorded on an accruals basis;
- Clearing and Execution consists of revenues generated from clearing and execution commissions which are recognised on a trade date basis;
- Solutions revenue is derived from derivatives and structured notes. Financial assets and liabilities (including derivatives and issued structured notes) are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value. All derivatives and structured notes (financial liabilities) are classified as fair value through profit and loss.

The differences between the fair value (or model value) and the transaction price is referred to as Day 1 P&L. The Group recognises Day 1 P&L on initial recognition where one or more of the following conditions are satisfied:

- » Day 1 gain is insignificant, currently assessed on a trade by trade basis,
- » fair value is based on observable prices/inputs,
- » fair value is based on observable and unobservable inputs provided the unobservable inputs are insignificant to the Day 1 gain.

In all other cases, the instrument is initially recognised at transaction prices and the recognition of Day 1 P&L is deferred. The deferred Day 1 P&L is generally amortised through the term of the deal or to the date when unobservable inputs become observable (if sooner) unless specific factors relevant to the trade requires a specific recognition pattern.

- Price discovery revenues are where the Group acts as an agent and therefore earns a commission, which are recognised on a trade date basis;
- Advisory and data revenues, are recognised on an accruals basis, where the Group earns revenues from the provision of research, algorithms and IT Services via the Neon platform.

Financial instruments held for trading purposes are fair valued and subsequent gains and losses are recognised in the income statement.

#### **f. Dividend income**

Dividend income from investments measured at fair value through profit and loss, and at fair value through other comprehensive income is recognised in Other income when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

#### **g. Finance income and expense**

Finance income is earned on balances held at exchanges, clearing houses, banks and brokers, and on overdrawn client balances. Finance expenses are paid on overdrawn accounts with brokers and exchanges, client and counterparty balances and short-term borrowings. Finance income and expenses are recognised on an amortised cost basis using the effective interest rate ('EIR') method.

#### **h. Borrowing costs**

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds and are expensed in the income statement over the period of the borrowing facility. Borrowing costs include finance

expenses and interest in respect of lease liabilities.

### **i. Foreign currency translation**

The Group and Company financial statements are presented in US Dollars ('USD'), which is also the currency of the primary economic environment (the functional currency) and the presentational currency of the Group.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions entered into by Group entities in a currency other than USD are recorded at the rates prevailing when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of monetary assets and liabilities are similarly recognised immediately in the income statement, with the exception of cash flow hedges and net investment hedges, which are deferred in equity.

On consolidation, the results of overseas operations are translated into USD at rates approximating to those prevailing when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rates ruling at the prevailing date.

### **j. Employee benefits**

#### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Retirement benefits: defined contribution schemes

The Group operates defined contribution schemes. Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

### **k. Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

#### Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **I. Property, software and equipment**

Property, software and equipment includes own use properties, leasehold improvements, information technology hardware, externally purchased and internally generated software, as well as communication and other similar equipment. Property, software and equipment is measured at cost less accumulated depreciation and accumulated impairment losses and is reviewed at each reporting date for indication of impairment. Software development costs are capitalised only when the costs can be measured reliably and it is probable that future economic benefits will arise.

Depreciation of property, software and equipment begins when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management). Depreciation is calculated on a straight-line basis over an asset's estimated useful life. The estimated useful economic lives of the Group's property, software and equipment are:

|   |   |
|---|---|
| <b>Leasehold improvements</b>           | over the remaining length of the lease or<br>20% per annum straight-line, where appropriate |
| <b>Computer equipment</b>               | 20% to 50% per annum straight-line  |
| <b>Software</b>                         | 20% to 50% per annum straight-line  |
| <b>Furniture, fixtures and fittings</b> | 20% to 50% per annum straight-line  |

An item of property, software and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Software

This classification relates to internally generated software (such as Neon) which is only capitalised if it can be demonstrated that it is technically feasible for it to be used; can and will be developed, expected to generate future economic benefits, and the expenditure can be reliably measured. The requirement for recognising this type of software as Property, software and equipment is that it is essential for the operation of the hardware already capitalised as computer equipment on the balance sheet. Amortisation is calculated on a straight-line basis over an estimated economic useful life of 2 to 5 years, representing the period that the Group expects to benefit from using or selling the products developed.

#### Change in accounting policies and disclosures

The continuing growth in the Group's activities has resulted in a change in 2020 in the way that the Group classifies its assets on the statement of financial position on a prospective basis. In particular, the intangible assets which relate to the software which are critical to the operation of the computers and are being utilised to run the main operations of the Group have been regrouped and classified within Property, software and equipment above, whereas the software contained within the Intangible asset classification has been clarified as that software which are not essential to the operation of the hardware on the balance sheet. As at 31 December 2020, this has resulted in the transfer of \$2.4m of software assets from Intangibles to Property, software and equipment.

### m. Intangible assets

#### Software

Software which is classified as an intangible asset, relates specifically to software which is not essential to the operation of the hardware that is already capitalised on the balance sheet. Typically, this relates to hosted software solutions. This software has a finite useful economic life of between 2 to 5 years and is amortised in the consolidated income statement on a straight-line basis over the period of the license.

The intangible asset relating to this software is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated income statement when the asset is derecognised.

#### Trademarks

Trademarks are measured initially at purchase cost and they are treated as if they have an indefinite useful life, therefore they are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. If any such indications exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amounts of the cash-generating unit to which the asset belongs.

#### Customer relationships and brands

Customer relationships relate to the stable and established customer base which provides a recurring stream of income. Brands relate to the name under which business activity is conducted. Both customer relationships and brands are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives of 10 years and 20 years respectively. At each reporting date the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss.

### n. Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful lives are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Where the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the income statement.

### o. Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate. The aggregate of the Group's share of profit or loss of an associate is recorded within revenue. The financial statements of the associate are prepared for the same reporting period as the Group and where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### p. Financial instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.



Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet both of the following conditions and have not been designated as at fair value through profit and loss ('FVTPL') are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet both of the following conditions and have not been designated as at FVTPL are measured at fair value through other comprehensive income ('FVTOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Group may make the following irrevocable election and/or designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The following accounting policies apply to the subsequent measurement of financial assets.

#### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the contrary, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired

financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

#### *Debt instruments classified as amortised cost*

Debt instruments classified as amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets held at amortised cost includes US Treasury Notes (classified as financial instruments on the balance sheet) and trade receivables.

#### *Investments in equity designated as at FVTOCI*

On initial recognition, the Group made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead it will be transferred to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

#### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition; and
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ('ECL') for trade receivables. ECLs are a probability weighted estimate of credit losses based on both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking expectation.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### *Significant increases in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; and
- significant deterioration in external market indicators of credit risk for a particular financial instrument.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk, based on all of the following; (1) the financial instrument has a low risk of default in accordance with either internal or external credit ratings, (2) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (3) adverse changes in economic and business conditions in the long term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group has rebutted the 30 days past due presumption.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criterion is capable of identifying a significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables and other assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) or partially.

The Group considers that when a financial asset is more than 180 days past due, that the number of days past due is sufficient evidence of a significant deterioration in the credit quality of the client in most circumstances. The Group has rebutted the 90 days past due presumption. At this point the Group performs a qualitative review of the financial assets on a client by client basis to determine whether the Group has reasonable and supportable information to demonstrate whether a default event has occurred.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no reasonable expectation of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Impairment of financial assets

##### *Measurement and recognition of expected credit losses*

At the reporting date, an allowance is required for the 12 month (Stage 1) Expected credit losses ('ECL'). If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, less any collateral held.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that

are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments; and
- external credit ratings where available.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

The Group classifies its financial liabilities into the following categories, depending on the purpose for which the liability was assumed:

- FVTPL: this category includes financial instruments held for trading as well as debt securities in issue. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement or in the case of changes in fair value due to own credit changes, through other comprehensive income; or
- other financial liabilities include the following items: trade and other payables and other short-term monetary liabilities which are recognised at amortised cost; and bank borrowings, such interest-bearing liabilities are subsequently measured at amortised cost using the EIR method, which ensures that any interest expense over the period to repayment is recognised at a constant rate on the balance of the liability carried in the statement of financial position.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. In circumstances where a financial liability is replaced by the same lender, yet the contractual terms are substantially different or modified, the original financial liability will be derecognised at the point of contractual exchange and the new financial liability recognised.

#### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or to realise the assets and liabilities simultaneously.

#### Derivative instruments

The Group uses derivative financial instruments, such as forward currency contracts, over-the-counter precious and base metal contracts, agriculture, energy contracts and equities, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. A valuation reserve is held against the trading book as part of the Marex Financial Solutions business unit client driven activity. The main valuation adjustment in determining fair value for financial assets and financial liabilities is an adjustment for bid-offer valuation. The book is macro hedged, and the reserve

is held against the entire book. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### **q. Inventories**

The Group has physical holdings of commodities held for trading purposes. These are held at fair value less costs to sell and relate to the recycled metals trading division.

The Group holds cryptocurrencies, both for its own account in order to generate a treasury return, and to complement its client structured note business, where the firm issues certificates linked to the performance of cryptocurrencies, such as Bitcoin and Ethereum. The Group classifies cryptocurrency holdings as inventories on the balance sheet measured at fair value less costs to sell, in accordance with the broker-trader exemption (IAS 2.3). The fair values of cryptocurrencies held as assets are determined based on generally accepted prices and are classified as a Level 1 valuation.

The Company has holdings of carbon emission certificates held for trading purposes. These are held at fair value less costs to sell.

The cost of inventories including the changes in their fair value is recognised in the Income Statement within the line 'Operating expenses'.

#### **r. Physical commodity contracts**

The Group trades in physical commodity contracts for the purposes of trading. As such these contracts meet the definition of a derivative financial instrument and therefore are recorded at fair value on the balance sheet with changes in fair value reflected within cost of trades. These contracts qualify for disclosure as per the financial instruments in note 3(p).

#### **s. Hedge accounting**

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk on firm commitments. Hedges of foreign currency risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of foreign currency forward contracts that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **t. Repurchase agreements**

Repurchase agreements are a form of secured borrowing whereby the Group receives a loan or cash in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to receive the securities back at a fixed price in the future.

The Group borrows cash collateralised through securities that are subject to a commitment to return. The securities are included on the balance sheet as the Group retains the risks and rewards of ownership. Consideration received is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit or loss.

#### **u. Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits.

#### **v. Client money**

As required by the UK FCA's Client Assets Sourcebook ('CASS') rules and the CFTC's client money rules, the Group maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated

accounts. Segregated cash balances and the related liabilities to clients are not included in the statement of financial position as the Group is not beneficially entitled to the balances.

## W. Leases

### The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets including, but not limited to, tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. The incremental borrowing rate is based on the relevant risk-free rate and the Group's average borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

## X. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits.

## Y. Client money

As required by the UK FCA's Client Assets Sourcebook ('CASS') rules and the CFTC's client money rules, the Group maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. Segregated cash balances and the related liabilities to clients are not included in the statement of financial position as the Group is not beneficially entitled to the balances.

## Z. Leases

### The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets including, but not limited to, tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. The incremental borrowing rate is based on the relevant risk-free rate and the Group's average borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, software and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the line "Other operating expenses" in profit or loss (see note 32).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### The Group as lessor

Leases for which the Group is a lessor are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as an operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### **aa. Debt securities**

Debt securities are the Group's issued debt instruments which contain hybrid financial instruments. Hybrid financial instruments are composed of debt components and embedded derivatives. In accordance with IFRS 9, financial liabilities may be designated at fair value, with gains and losses taken in the income statement within revenue (note 5).

#### **ab. Change in segmentation**

During 2021 the Group's reportable segments changed to be consistent with a change in the way that resources are allocated and performance is assessed. From 2021, the Group's reportable segments are Market Making, Clearing and Execution, Solutions, Price Discovery and Data & Advisory. At 31 December 2020 the Group's reportable segments were: Commercial Hedging, Market Making, Price Discovery and Data & Advisory. The prior period been restated in note 5 and 6 to reflect the changes in reportable segments.

#### **ac. Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognised in the period in which the estimate is revised. Significant judgement and estimates are necessary in relation to the following matters:

##### a. Judgements

The following are critical judgements, apart from those involving estimations, that the Directors have made in the process of preparing the financial statements.

- Accounting for an entity where the Group owns more than 50% of its shares

The Group considers that it does not control the Cambridge Machines Gemini Fund Limited, a fund incorporated in the Isle of Man, although its investment of \$5.2 million represents a stake of approximately 80% (at the time of investment), and the Group is the single largest shareholder, the shares that it holds do not contain any voting rights. Whilst it can be demonstrated that the Group has significant influence; owing to the Board and governance structure in place for the Fund, it does not have control, resulting in the Group applying the equity method of accounting for the investment (refer to note 3(o) and note 18).

##### b. Estimates

- Impairment of non-financial assets

The Group's impairment testing for goodwill and non-financial assets with indefinite useful lives is based on the fair value less costs of disposal. The fair value less costs of disposal calculation is based on available data from similar assets or observable market prices less incremental costs for disposing of the assets and is estimated by using the pre-tax price earnings multiples derived from adjusting comparative peer multiples. This multiple is applied to the pre-tax earnings of each cash generating units ('CGU') arising in the period. Note 14 describes the assumptions used together with an analysis of the sensitivities to changes in key inputs.

- Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts, quoted market prices of comparable instruments or unobservable inputs which are considered reasonably possible. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Further information on the carrying amounts of these assets are provided in note 33.

- Provisions and contingent liabilities

The Group determines the requirement for provisions and contingent liabilities based on management's assessment of relevant information and advice available at the time of preparing the financial statements. Outcomes are uncertain and dependent on future events. Where outcomes differ from management's expectations, differences from the amount initially provided are reflected in the consolidated income statement in the period the outcome is determined.

- Provisions against trade and other receivables

Using information available at the balance sheet date, the directors make judgements based on experience regarding the level of provision required to account for potentially uncollectible receivables. Additionally, the Group uses historical information to estimate a probability of default and determine future expected credit losses.

- Deferred Taxation

The Group determines the provision for deferred tax on temporary differences where tax recognition occurs at a



different time from accounting recognition.

The Group has recognised deferred tax assets in respect of losses and temporary differences. Deferred tax liabilities are generally recognised for all temporary differences with deferred tax assets being recognised in respect of unused tax losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value as at 31 December 2021 and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets.

- Day 1 P&L deferral

The differences between the fair value (or model value) and the transaction price is referred to as Day 1 P&L. Significant unobservable market parameters are periodically used to determine the fair value at inception. Where significant unobservable parameters are used in the fair value; the difference between the transaction price and fair value is amortised over the life of the transaction and fully recognised when the inputs become observable or when the position is derecognised. The Group estimates these unobservable input parameters using market information and historical data.

- Own Credit spread

The Group determines its own credit spread regularly based on a model using observable market inputs. Management estimates the own credit spread through using market observable credit spreads and paid credit spreads for public distributed products of the Group. The estimated own credit sensitivity to 1 basis point move in credit spread is \$0.1 million. Hence an increase in own credit spread of 1 basis point will lead to a charge of \$0.1 million recognised in other comprehensive income ('OCI').

## 5. REVENUE

An analysis of the Group's revenue by type is as follows:

| 31 December 2021       | Group                |                                |                               |                              |                        | Total<br>\$'000  |
|------------------------|----------------------|--------------------------------|-------------------------------|------------------------------|------------------------|------------------|
|                        | Commission<br>\$'000 | Financial<br>trading<br>\$'000 | Physical<br>trading<br>\$'000 | Interest<br>income<br>\$'000 | Other income<br>\$'000 |                  |
| Market making          | 4,773                | 141,056                        | 301,277                       | -                            | 3                      | 447,109          |
| Clearing and Execution | 414,957              | 7,809                          | -                             | 8,535                        | 14,701                 | 446,002          |
| Solutions <sup>1</sup> | 38,911               | 43,138                         | -                             | 21                           | -                      | 82,070           |
| Price discovery        | 130,817              | -                              | -                             | -                            | 4,263                  | 135,080          |
| Data & advisory        | -                    | -                              | -                             | -                            | 3,943                  | 3,943            |
| <b>Revenue</b>         | <b>589,458</b>       | <b>192,003</b>                 | <b>301,277</b>                | <b>8,556</b>                 | <b>22,910</b>          | <b>1,114,204</b> |

| 31 December 2020       | Group                |                                |                               |                              |                        | Total<br>\$'000 |
|------------------------|----------------------|--------------------------------|-------------------------------|------------------------------|------------------------|-----------------|
|                        | Commission<br>\$'000 | Financial<br>trading<br>\$'000 | Physical<br>trading<br>\$'000 | Interest<br>income<br>\$'000 | Other income<br>\$'000 |                 |
| Market making          | 4,032                | 105,380                        | 124,333                       | -                            | 2,000                  | 235,745         |
| Clearing and Execution | 331,603              | 413                            | -                             | 6,133                        | 11,596                 | 353,745         |
| Solutions <sup>1</sup> | -                    | 40,795                         | -                             | 187                          | 121                    | 41,103          |
| Price discovery        | 125,020              | -                              | -                             | -                            | 3,255                  | 128,275         |
| Data & advisory        | -                    | -                              | -                             | -                            | 3,548                  | 3,548           |
| <b>Revenue</b>         | <b>460,655</b>       | <b>150,588</b>                 | <b>124,333</b>                | <b>6,320</b>                 | <b>20,520</b>          | <b>762,416</b>  |

<sup>1</sup> Figures for the Solutions segment were previously included within the Clearing and Execution segment (previously called Commercial Hedging) in 2020. Refer to Accounting Policies note 3(y).

An analysis of the Group's revenue by geographic location is as follows:

|                         | Group                      |                  |                |                  |
|-------------------------|----------------------------|------------------|----------------|------------------|
|                         | North<br>America<br>\$'000 | Europe<br>\$'000 | Asia<br>\$'000 | Total<br>\$'000  |
| <b>31 December 2021</b> |                            |                  |                |                  |
| Market making           | 9,419                      | 432,602          | 5,088          | 447,109          |
| Clearing and Execution  | 239,402                    | 185,714          | 20,886         | 446,002          |
| Solutions <sup>1</sup>  | -                          | 80,871           | 1,199          | 82,070           |
| Price discovery         | 41,885                     | 80,597           | 12,598         | 135,080          |
| Data & advisory         | -                          | 3,943            | -              | 3,943            |
| <b>Revenue</b>          | <b>290,706</b>             | <b>783,727</b>   | <b>39,771</b>  | <b>1,114,204</b> |

|                         | Group                      |                  |                |                 |
|-------------------------|----------------------------|------------------|----------------|-----------------|
|                         | North<br>America<br>\$'000 | Europe<br>\$'000 | Asia<br>\$'000 | Total<br>\$'000 |
| <b>31 December 2020</b> |                            |                  |                |                 |
| Market making           | 21,667                     | 207,716          | 6,362          | 235,745         |
| Clearing and Execution  | 181,551                    | 153,297          | 18,897         | 353,745         |
| Solutions <sup>1</sup>  | -                          | 41,103           | -              | 41,103          |
| Price discovery         | 36,992                     | 84,520           | 6,763          | 128,275         |
| Data & advisory         | -                          | 3,548            | -              | 3,548           |
| <b>Revenue</b>          | <b>240,210</b>             | <b>490,184</b>   | <b>32,022</b>  | <b>762,416</b>  |

<sup>1</sup> Figures for the Solutions segment were previously included within the Clearing and Execution segment (previously called Commercial Hedging) in 2020. Refer to Accounting Policies note 3(y).

## 6. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into separate operating segments, based on the services provided, as follows:

- Market making provides liquidity to counterparties across the metals, energy and agricultural markets, where the Group acts as a principal, buying and selling commodities on its own account.
- Clearing and Execution provides clients with execution and clearing services in metals, agricultural products and financial futures as well as bespoke OTC traded derivative solutions.
- Solutions is a client service business providing tailored hedging and investment solutions. The objective of the business is to serve clients' requirements and effectively manage risk via traded markets (internal and external). The performance and risks of the portfolio are managed, evaluated and reported on a fair value basis.
- Price discovery is where the Group acts as an agent to OTC trades, using specialist knowledge and relationships of the brokers to match buyers and sellers in the OTC market, specifically in the Energy business.
- Data & advisory relates to the provision of market data, analytics, proprietary indices and research across commodity, energy and financial markets. Data and analytics are embedded across our core product offering and are delivered via proprietary Neon, Agile and Nanolytics technology platforms.

Operating segments and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance, has been identified as the Group's Executive Committee. The CODM regularly reviews the Group's operating results in order to assess performance and to allocate resources. The CODM considers the business from an offering perspective further bifurcated by product. There is a judgement in relation to the methodology by which costs are allocated between the control and support functions to the various front office businesses.

Net revenue consists of revenue plus net finance income less cost of trade and bad debt expense. For the purposes of management reporting, net revenue does not contain the implied interest cost relating to the issued debt securities.

Non – operating exclusions represent impairment charges, transaction costs, management fees, adjustments to contingent consideration, one-off significant legal matters and share disposals.

Control & support unallocated costs relate to the central costs which have not been allocated to the individual businesses.

Cost of trade mainly represents clearing fees, commission expenses and purchases of physical metals.

## Reconciliation of 2021 net revenue to profit before taxation:

|   | Market making<br>\$'000 | Clearing and Execution<br>\$'000 | Solutions<br>\$'000 | Price discovery<br>\$'000 | Data & advisory<br>\$'000 | Control & support costs<br>\$'000 | Totals<br>\$'000 |
|---|-------------------------|----------------------------------|---------------------|---------------------------|---------------------------|-----------------------------------|------------------|
| <b>Net revenue<sup>1</sup></b>                          | <b>131,080</b>          | <b>183,040</b>                   | <b>87,890</b>       | <b>134,759</b>            | <b>5,865</b>              | -                                 | <b>542,634</b>   |
| Other direct costs                                      | (9,898)                 | (22,490)                         | (7,021)             | (11,589)                  | (214)                     | (41,036)                          | (92,248)         |
| Compensation  | (59,653)                | (87,427)                         | (37,991)            | (93,829)                  | (1,485)                   | (81,093)                          | (361,478)        |
| Allocations   | (16,362)                | (33,534)                         | (11,071)            | (13,562)                  | 159                       | 74,370                            | -                |
| <b>Operating expenses</b>                               | <b>(85,913)</b>         | <b>(143,451)</b>                 | <b>(56,083)</b>     | <b>(118,980)</b>          | <b>(1,540)</b>            | <b>(47,759)</b>                   | <b>(453,726)</b> |
| Depreciation & amortisation                             | (236)                   | (1,670)                          | (13)                | (82)                      | (1)                       | (7,328)                           | (9,330)          |
| <b>Adjusted operating profit before tax<sup>1</sup></b> | <b>44,931</b>           | <b>37,919</b>                    | <b>31,794</b>       | <b>15,697</b>             | <b>4,324</b>              | <b>(55,087)</b>                   | <b>79,578</b>    |
| IPO preparation costs                                   |                         |                                  |                     |                           |                           |                                   | (6,632)          |
| Other non-operating exclusions                          |                         |                                  |                     |                           |                           |                                   | (3,143)          |
| <b>Profit before taxation per IFRS</b>                  |                         |                                  |                     |                           |                           |                                   | <b>69,803</b>    |

## Reconciliation of 2020 net revenue to profit before taxation:

|   | Market making<br>\$'000 | Clearing and Execution<br>\$'000 | Solutions<br>\$'000 | Price discovery<br>\$'000 | Data & advisory<br>\$'000 | Control & support costs<br>\$'000 | Totals<br>\$'000 |
|---|-------------------------|----------------------------------|---------------------|---------------------------|---------------------------|-----------------------------------|------------------|
| Net revenue <sup>1</sup>                                | 101,568                 | 138,114                          | 43,441              | 127,929                   | 3,605                     | -                                 | 414,657          |
| Other direct costs                                      | (7,212)                 | (16,192)                         | (5,933)             | (9,199)                   | (243)                     | (33,467)                          | (72,246)         |
| Compensation  | (41,520)                | (47,836)                         | (18,120)            | (86,273)                  | (1,168)                   | (66,920)                          | (261,837)        |
| Allocations   | (17,743)                | (39,569)                         | (6,772)             | (12,874)                  | 11                        | 76,947                            | -                |
| <b>Operating expenses</b>                               | <b>(66,475)</b>         | <b>(103,597)</b>                 | <b>(30,825)</b>     | <b>(108,346)</b>          | <b>(1,400)</b>            | <b>(23,440)</b>                   | <b>(334,083)</b> |
| Depreciation & amortisation                             | (128)                   | (2,927)                          | (9)                 | (50)                      | (1)                       | (6,843)                           | (9,958)          |
| Financing & other costs                                 | 128                     | 382                              | -                   | 4                         | -                         | (9,648)                           | (9,134)          |
| <b>Adjusted operating profit before tax<sup>1</sup></b> | <b>35,093</b>           | <b>31,972</b>                    | <b>12,607</b>       | <b>19,537</b>             | <b>2,204</b>              | <b>(39,931)</b>                   | <b>61,482</b>    |
| IPO preparation costs                                   |                         |                                  |                     |                           |                           |                                   | (2,825)          |
| Other non-operating exclusions                          |                         |                                  |                     |                           |                           |                                   | (3,673)          |
| <b>Profit before taxation per IFRS</b>                  |                         |                                  |                     |                           |                           |                                   | <b>54,984</b>    |

<sup>1</sup> Net revenue and Adjusted operating profit before tax are alternate performance measures used in the Group's KPIs.

Within net revenue, finance income relates to interest earned on balances due from customers, clients and exchanges, which for statutory reporting purposes is reported within cost of trade. For statutory purposes contained within revenue is the implied interest cost relating to the structured notes. This is excluded in net revenue leading to a higher figure for net solutions business unit revenue compared to statutory revenue.

A reconciliation to the 2021 income statement is given below:

|   | Revenue<br>\$'000 | Operating<br>expenses<br>\$'000 | Finance<br>income<br>\$'000 | Finance<br>expense<br>\$'000 | Operating<br>profit<br>\$'000 | Other<br>income<br>\$'000 | Other<br>expense<br>\$'000 | Profit<br>before<br>taxation<br>\$'000 |
|---|-------------------|---------------------------------|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--|
| <b>Revenue</b>  | 1,114,488         | -                               | -                           | -                            | 1,114,488                     | -                         | -                          | 1,114,488                              |
| Cost of trade   | -                 | (578,827)                       | -                           | -                            | (578,827)                     | -                         | -                          | (578,827)                              |
| Net interest income                                     | -                 | (1,187)                         | 13,751                      | (6,618)                      | 5,946                         | -                         | -                          | 5,946                                  |
| Bad debt  | -                 | (843)                           | -                           | -                            | (843)                         | -                         | -                          | (843)                                  |
| Other income  | -                 | -                               | -                           | -                            | -                             | 1,870                     | -                          | 1,870                                  |
| <b>Net revenue<sup>1</sup></b>                          | <b>1,114,488</b>  | <b>(580,857)</b>                | <b>13,751</b>               | <b>(6,618)</b>               | <b>540,764</b>                | <b>1,870</b>              | <b>-</b>                   | <b>542,634</b>                         |
| Other direct costs                                      | -                 | (92,248)                        | -                           | -                            | (92,248)                      | -                         | -                          | (92,248)                               |
| Compensation  | -                 | (361,478)                       | -                           | -                            | (361,478)                     | -                         | -                          | (361,478)                              |
| Depreciation & amortisation                             | -                 | (9,330)                         | -                           | -                            | (9,330)                       | -                         | -                          | (9,330)                                |
| <b>Adjusted operating profit before tax<sup>1</sup></b> | <b>1,114,488</b>  | <b>(1,043,913)</b>              | <b>13,751</b>               | <b>(6,618)</b>               | <b>77,708</b>                 | <b>1,870</b>              | <b>-</b>                   | <b>79,578</b>                          |
| Non-operating exclusions                                | (284)             | (8,588)                         | -                           | (903)                        | (9,775)                       | -                         | -                          | (9,775)                                |
| <b>Reported Profit before tax</b>                       | <b>1,114,204</b>  | <b>(1,052,501)</b>              | <b>13,751</b>               | <b>(7,521)</b>               | <b>67,933</b>                 | <b>1,870</b>              | <b>-</b>                   | <b>69,803</b>                          |

1

<sup>1</sup> Net revenue and Adjusted operating profit before tax are alternate performance measures used in the Group's KPIs.

A reconciliation to the 2020 income statement is given below:

|   | Revenue<br>\$'000 | Operating<br>expenses<br>\$'000 | Finance<br>income<br>\$'000 | Finance<br>expense<br>\$'000 | Operating<br>profit<br>\$'000 | Other<br>income<br>\$'000 | Other<br>expense<br>\$'000 | Profit<br>before<br>taxation<br>\$'000 |
|---|-------------------|---------------------------------|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--|
| <b>Revenue</b>  | 769,461           | -                               | -                           | (7,045)                      | 762,416                       | -                         | -                          | 762,416                                |
| Cost of trade   | -                 | (364,415)                       | 21,220                      | -                            | (343,195)                     | -                         | -                          | (343,195)                              |
| Bad debt  | -                 | (4,564)                         | -                           | -                            | (4,564)                       | -                         | -                          | (4,564)                                |
| <b>Net revenue<sup>1</sup></b>                          | <b>769,461</b>    | <b>(368,979)</b>                | <b>21,220</b>               | <b>(7,045)</b>               | <b>414,657</b>                | -                         | -                          | <b>414,657</b>                         |
| Other direct costs                                      | -                 | (72,246)                        | -                           | -                            | (72,246)                      | -                         | -                          | (72,246)                               |
| Compensation  | -                 | (261,837)                       | -                           | -                            | (261,837)                     | -                         | -                          | (261,837)                              |
| Depreciation & amortisation                             | -                 | (9,958)                         | -                           | -                            | (9,958)                       | -                         | -                          | (9,958)                                |
| Financing & other costs                                 | (7,045)           | (3,504)                         | (742)                       | 2,157                        | (9,134)                       | -                         | -                          | (9,134)                                |
| <b>Adjusted operating profit before tax<sup>1</sup></b> | <b>762,416</b>    | <b>(716,524)</b>                | <b>20,478</b>               | <b>(4,888)</b>               | <b>61,482</b>                 | -                         | -                          | <b>61,482</b>                          |
| Non-operating exclusions                                | -                 | (4,889)                         | (18)                        | -                            | (4,907)                       | 1,825                     | (3,416)                    | (6,498)                                |
| <b>Reported Profit before tax</b>                       | <b>762,416</b>    | <b>(721,413)</b>                | <b>20,460</b>               | <b>(4,888)</b>               | <b>56,575</b>                 | <b>1,825</b>              | <b>(3,416)</b>             | <b>54,984</b>                          |

<sup>1</sup> Net revenue and Adjusted operating profit before tax are alternate performance measures used in the Group's KPIs.

## 7. OPERATING EXPENSES

Operating expenses include the following charges / (credits):

|   |       | Group          |                |
|---|-------|----------------|----------------|
|   | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
| Staff costs   | 9     | 359,295        | 261,827        |
| Cost of trade   |       | 578,827        | 343,195        |
| Amortisation of intangible assets                               | 15    | 2,552          | 1,155          |
| Depreciation of property, software and equipment                | 16    | 3,368          | 2,335          |
| Loss on disposal of intangibles assets                          |       | 84             | 24             |
| Impairments (credited) / charged on trade and other receivables | 23(b) | (217)          | 4,564          |
| Charges under operating leases                                  |       | 10,296         | 11,429         |
| Foreign exchange losses / (gains)                               |       | 476            | (639)          |

## 8. AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:

|  | Group                  |                        |
|--|------------------------|------------------------|
|  | 2021<br>\$'000         | 2020<br>\$'000         |
| <b>Fees payable to the auditors of the Group and its subsidiaries for the audit of the annual accounts</b> |                        |                        |
| Audit of the Group's annual accounts   | 435                    | 409                    |
| Audit of the Company's subsidiaries  | 1,565                  | 1,093                  |
| <b>Total audit fees payable to the Group's auditor</b>   | <b>2,000</b>           | <b>1,502</b>           |
| Fees payable to other auditors for the audit of subsidiaries' financial statements                         | 512                    | 330                    |
| <b>Total audit fees</b>  | <b>2,512</b>           | <b>1,832</b>           |
|  | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> |
| <b>Fees payable to the auditors of the Group and its subsidiaries for other services comprise:</b>         |                        |                        |
| Audit-related assurance services   | 404                    | 360                    |
| Other services   | 409                    | 1,924                  |
| <b>Total non-audit fee</b>   | <b>813</b>             | <b>2,284</b>           |

Audit fees for the Group for the year ended 31 December 2021 and the prior year were paid by another group undertaking.



## 9. STAFF COSTS

|                                 | Group          |                |
|---------------------------------|----------------|----------------|
|                                 | 2021<br>Number | 2020<br>Number |
| Front office                    | 615            | 428            |
| Control & support               | 447            | 386            |
| Average monthly number of staff | <b>1,062</b>   | <b>814</b>     |

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 |
| Aggregate wages and salaries                                  | 326,933        | 239,169        |
| Employer's national insurance contributions and similar taxes | 21,443         | 14,625         |
| Short-term monetary benefits                                  | 7,083          | 4,922          |
| Defined contribution pension cost                             | 2,633          | 1,928          |
| Apprenticeship levy   | 334            | 263            |
| Redundancy payments   | 869            | 920            |
| <b>Total staff costs</b>                                      | <b>359,295</b> | <b>261,827</b> |

As at 31 December 2021, there were contributions totalling \$525,229 (2020: \$1,160) payable to the defined contribution pension scheme by the Group.

## 10. FINANCE INCOME AND EXPENSE

|  | Group          |                |
|--|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Finance income</b>                    |                |                |
| Bank interest income                     | 159            | 157            |
| Interest income on financial instruments | 13,060         | 20,303         |
| Client margin financing interest         | 532            | -              |
|  | <b>13,751</b>  | <b>20,460</b>  |
| <b>Finance expense</b>                   |                |                |
| Bank interest expense                    | (1,819)        | (645)          |
| Credit facility interest expense         | (4,799)        | (3,151)        |
| Lease interest expense                   | (903)          | (1,092)        |
|  | <b>(7,521)</b> | <b>(4,888)</b> |

Finance expense does not include the implied financing cost of the structured notes which is reported as a deduction against revenue (note 6). For the year ended 31 December 2021, this was a cost of \$16,155,000 (2020: \$7,045,000).

For further details on the credit facility refer to note 24.

## 11. OTHER INCOME AND EXPENSE

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Other income</b>                 |                |                |
| R&D tax expenditure credit          | 1,770          | -              |
| Release of contingent consideration | -              | 1,766          |
| Other                               | 100            | 59             |
|                                     | <b>1,870</b>   | <b>1,825</b>   |

During 2021 Marex undertook a full review of activities undertaken in 2019 and 2020 that would potentially qualify for HMRC's Research & Development Expenditure Credit. The result of this review is that circa \$14.47m of qualifying expenditure was identified across the two years. At the applicable rates of 12% for 2019 and 12.75% for 2020, this has resulted in a taxable credit to Profit and loss of \$1.77m. The net of tax credit is then used to reduce Marex's UK corporation tax liability.

During 2020 the release of contingent consideration relates to the purchase price for the assets of Rosenthal Collins Group. As of the acquisition date, a liability for \$3,289,000 was recorded for the value of contingent consideration payable. This was remeasured at 31 December 2019 to \$1,766,000, resulting in a release of \$1,523,000. The remaining balance of \$1,766,000 was released during the year ended 31 December 2020.

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2021<br>\$'000 | 2020<br>\$'000 |
| Other expense                    |                |                |
| Net impairment of goodwill       | 19             | (1,676)        |
| Impairment of right-of-use asset | 32             | (1,740)        |
|                                  | -              | <b>(3,416)</b> |

## 12. TAXATION

### a. Tax charge

|   |       | Group          |                |
|---|-------|----------------|----------------|
|   | Notes | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Current tax</b>  |       |                |                |
| UK corporation tax on profit for the year                         |       | 14,694         | 10,021         |
| Foreign corporation tax on profit for the year                    |       | 1,435          | 1,174          |
| Total UK and Foreign corporation tax                              |       | <b>16,129</b>  | <b>11,195</b>  |
| Adjustment in respect of prior years:                             |       |                |                |
| UK corporation tax  |       | 163            | (870)          |
| Foreign corporation tax   |       | 2              | (949)          |
| Total adjustments in respect of prior years                       |       | <b>165</b>     | <b>(1,819)</b> |
|   |       | <b>16,294</b>  | <b>9,376</b>   |
| <b>Deferred tax</b>   |       |                |                |
| Origination and reversal of temporary differences                 |       | (1,712)        | (223)          |
| Adjustment in respect of prior years – other                      |       | (1,229)        | 2,008          |
|   | 26    | <b>(2,941)</b> | <b>1,785</b>   |
| Tax charge for the year   | 12(b) | <b>13,353</b>  | <b>11,161</b>  |
| <b>Tax charge relating to items recognised directly in equity</b> |       |                |                |
| Deferred tax charge on revaluation of FVTOCI investments          | 12(c) | <b>305</b>     | <b>72</b>      |

### b. Reconciliation between tax charge and profit before tax

The Group's reconciliation between tax charge and profit before tax is based on its domestic UK tax rate. The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). This is driven by material non-deductible shareholder expenses incurred during the year, unrecognised tax losses and foreign exchange items. This is offset by the effect of overseas taxes (including where losses brought forward, not previously recognised in deferred tax, have been utilised in the year) and prior year adjustments. Taxation for non-UK jurisdictions is calculated at the prevailing rate. No country has implemented any corporate tax rate increases that have impacted the non-UK tax charge reported in 2021.

The Marex Group's future tax charge will be sensitive to the geographic mix of profits earned, the tax rates in force and changes to the tax rules in the jurisdictions in which the Group operates. In particular the Group is closely monitoring developments in relation to Pillar 2 of the OECD Base Erosion and profit shifting project around a global minimum tax rate of 15%. The OECD published model legislation at the end of 2021, and the UK Government is currently consulting on how to implement these rules in the UK with the first changes potentially taking effect from 1 April 2023. At the current time, both the global and UK position is considered to be too uncertain to model with sufficient certainty for accounting purposes. This position will be kept under continuous review throughout 2022.

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2021</b>   | <b>2020</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> |
| Profit before tax   | <b>69,803</b> | <b>54,984</b> |
| Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 13,263        | 10,447        |
| Explained by:   |               |               |
| Effect of overseas tax rates  | (688)         | (1,037)       |
| Expenses not deductible for tax purposes  | 1,557         | 1,624         |
| Income not subject to tax   | 36            | 36            |
| Tax losses not recognised for deferred tax purposes   | 62            | (182)         |
| Foreign exchange and other differences  | 186           | 84            |
| Prior year adjustments  | (1,063)       | 189           |
| Tax charge for the year   | <b>13,353</b> | <b>11,161</b> |

### **c. Amounts recognised in other comprehensive income**

Amounts directly recognised in the consolidated statement of other comprehensive income relate to fair value through other comprehensive income ('FVTOCI') financial assets. The amount recognised in 2021 is a deferred tax charge of \$305,000 (2020: deferred tax charge of \$72,000).

## **13. DIVIDENDS PAID AND PROPOSED**

Dividends of \$20,000,000 were paid to ordinary shareholders during the year ended 31 December 2021 (2020: \$18,195,000). Dividends per weighted number of shares amount to \$0.15 (2020: \$0.13).

No dividend has been proposed at year end (2020: \$nil).

## 14. GOODWILL

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Cost</b>                               |                |                |
| At 1 January                              | 209,456        | 188,308        |
| Additions during the year                 | 10,463         | 22,832         |
| Equity investment in Group entity         | -              | (1,684)        |
| <b>Cost at 31 December</b>                | <b>219,919</b> | <b>209,456</b> |
| Accumulated impairment losses             | (11,055)       | (9,133)        |
| Impairment of Volatility Performance Fund | -              | (1,922)        |
| <b>Net book value at 31 December</b>      | <b>208,864</b> | <b>198,401</b> |

### a. Goodwill impairment testing

For the purpose of impairment testing, goodwill has been allocated to the cash generating units ('CGUs') which represent the level at which goodwill is monitored and managed:

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2021<br>\$'000 | 2021<br>\$'000 |
| <b>Group goodwill by CGU:</b>    |                |                |
| Energy                           | 132,324        | 129,686        |
| Agriculture                      | 11,416         | 11,416         |
| Rosenthal Collins Group          | 10,501         | 10,501         |
| ProTrader                        | 3,242          | 3,242          |
| CSC Commodities UK Limited       | 20,647         | 20,647         |
| Marex Spectron Europe Limited    | 1,999          | 1,999          |
| Tangent Trading Holdings Limited | 4,206          | 4,206          |
| Volatility Performance Fund SA   | 10,652         | 10,652         |
| X-Change Financial Access LLC    | 6,052          | 6,052          |
| Volcap Trading Partners Limited  | 7,825          | -              |
| <b>As at 31 December</b>         | <b>208,864</b> | <b>198,401</b> |

The increase in goodwill associated with the Energy CGU relates to the acquisition of Starsupply (note 19a).

The Group performed the annual impairment test as at 31 December 2021 and 2020. In assessing whether impairment is required, the carrying value of the Cash Generating Unit ('CGU') is compared with the recoverable amount which is determined by calculating both fair value less cost of disposal ('FVLCD') and the value in use ('VIU'). The higher of these two amounts is compared to the carrying value of the CGU. If either the VIU or the FVLCD is higher than the carrying value, no impairment is necessary.

## b. Key assumptions

- For valuation purposes, we have used the market approach and income for all of our acquisitions.
- The fair value less cost of disposal is determined by applying a price earnings multiple to the post-tax earnings of each CGU arising in the period, after adjusting for exceptional items and for the effect of any organisational changes to the CGU. The price earnings multiples applied are derived from comparable peer companies.
- Comparable peers are those against whom our stakeholders evaluate our performance, whilst the price earnings multiples are obtained from third party market data providers. The provision of data from third party data sources, such as Bloomberg, would suggest that this data and therefore any valuation conducted using this data would contain only observable market data, however as management applies a level of judgement in the application of this data and in determining the price earnings multiple, this is considered to be Level 2 input.
- In assessing the VIU, a discounted cash flow model is used, which drives the valuation of the CGUs.

The following represents specific assumptions made:

- Commission growth: depending on the business that this was being assessed for this was between 0% and 20%, based on historic growth or the expectation of growth as part of a larger group.
- Total direct costs are expected to grow by 2-4%; driven by the increase in organic growth of the businesses in prior years.
- The stable terminal growth rate for almost all CGUs was expected to be 2% and has been used to approximate an inflationary increase.
- Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is the cost of equity, which in turn is derived from the expected return on investment by the Group on its investments.

For an impairment to occur:

- Assuming that all other inputs remain constant, the discount rate would have to increase by 603 basis points to 16.60%.
- Assuming that all other inputs constant, the terminal growth rate factored in the terminal value would have to turn into a contraction rate in excess of 10.52%.

## 15. INTANGIBLE ASSETS

|   | Group                 |                                  |                  |                    |                 |
|---|-----------------------|----------------------------------|------------------|--------------------|-----------------|
|   | Trade-marks<br>\$'000 | Customer Relationships<br>\$'000 | Brands<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
| <b>Cost</b>                                   |                       |                                  |                  |                    |                 |
| At 1 January 2020                             | 46                    | 3,915                            | 720              | 10,616             | 15,297          |
| Additions on acquisitions                     | -                     | 4,948                            | -                | -                  | 4,948           |
| Additions                                     | -                     | -                                | -                | 1,621              | 1,621           |
| Transfer to PSE                               | -                     | -                                | -                | (2,457)            | (2,457)         |
| <b>At 31 December 2020</b>                    | <b>46</b>             | <b>8,863</b>                     | <b>720</b>       | <b>9,780</b>       | <b>19,409</b>   |
| Additions on acquisitions                     | -                     | 5,445                            | 150              | -                  | 5,595           |
| Additions                                     | -                     | -                                | -                | 3,538              | 3,538           |
| Disposals                                     | -                     | -                                | -                | (84)               | (84)            |
| <b>At 31 December 2021</b>                    | <b>46</b>             | <b>14,308</b>                    | <b>870</b>       | <b>13,234</b>      | <b>28,458</b>   |
| <b>Impairment provisions and amortisation</b> |                       |                                  |                  |                    |                 |
| At 1 January 2020                             | -                     | 359                              | 33               | 7,075              | 7,467           |
| Charge for the year                           | -                     | 359                              | 33               | 763                | 1,155           |
| Transfer to PSE                               | -                     | -                                | -                | (284)              | (284)           |
| <b>At 31 December 2020</b>                    | <b>-</b>              | <b>718</b>                       | <b>66</b>        | <b>7,554</b>       | <b>8,338</b>    |
| Charge for the year                           | -                     | 1,022                            | 40               | 1,490              | 2,552           |
| <b>At 31 December 2021</b>                    | <b>-</b>              | <b>1,740</b>                     | <b>106</b>       | <b>9,044</b>       | <b>10,890</b>   |
| <b>Net book value</b>                         |                       |                                  |                  |                    |                 |
| <b>At 31 December 2021</b>                    | <b>46</b>             | <b>12,568</b>                    | <b>764</b>       | <b>4,190</b>       | <b>17,568</b>   |
| <b>At 31 December 2020</b>                    | <b>46</b>             | <b>8,145</b>                     | <b>654</b>       | <b>2,226</b>       | <b>11,071</b>   |

The classification of software within Intangible assets relates to software which is not critical to the operation of hardware (refer to Accounting Policies notes 3(l) and 3(m)). Software that is critical to the operation of associated hardware is classified within Property, Software and Equipment ('PSE').

|   | Company              |                 |
|---|----------------------|-----------------|
|   | Trademarks<br>\$'000 | Total<br>\$'000 |
| <b>Cost</b>   |                      |                 |
| <b>At 1 January 2020, 1 January 2021,<br/>31 December 2020 and 31 December 2021</b> | <b>46</b>            | <b>46</b>       |
| <b>Impairment provisions and amortisation</b>                                       |                      |                 |
| <b>At 1 January 2020, 1 January 2021,<br/>31 December 2020 and 31 December 2021</b> | <b>-</b>             | <b>-</b>        |
| <b>Net book value</b>   |                      |                 |
| <b>At 31 December 2020 and 31 December 2021</b>                                     | <b>46</b>            | <b>46</b>       |

## 16. PROPERTY, SOFTWARE AND EQUIPMENT

|                                 | Group                            |                              |                    |  |                 |
|---------------------------------|----------------------------------|------------------------------|--------------------|--|-----------------|
|                                 | Leasehold improvements<br>\$'000 | Computer equipment<br>\$'000 | Software<br>\$'000 | Furniture, fixtures and fittings<br>\$'000 | Total<br>\$'000 |
| <b>Cost</b>                     |                                  |                              |                    |  |                 |
| At 1 January 2020               | 6,571                            | 20,225                       | -                  | 4,039                                      | 30,835          |
| Additions                       | 669                              | 765                          | 1,781              | 229  | 3,444           |
| Disposals                       | -                                | (7)                          | -                  | -  | (7)             |
| Transfer from intangible assets | -                                | -                            | 2,457              | -  | 2,457           |
| <b>At 1 January 2021</b>        | <b>7,240</b>                     | <b>20,983</b>                | <b>4,238</b>       | <b>4,268</b>                               | <b>36,729</b>   |
| Additions                       | 288                              | 1,281                        | 1,972              | 301  | 3,842           |
| Disposals                       | -                                | (3)                          | -                  | (3)  | (6)             |
| <b>At 31 December 2021</b>      | <b>7,528</b>                     | <b>22,261</b>                | <b>6,210</b>       | <b>4,566</b>                               | <b>40,565</b>   |
| <b>Depreciation</b>             |                                  |                              |                    |  |                 |
| At 1 January 2020               | 5,698                            | 17,343                       | -                  | 3,662                                      | 26,703          |
| Charge for the year             | 273                              | 1,274                        | 679                | 109  | 2,335           |
| Disposals                       | -                                | (6)                          | -                  | -  | (6)             |
| Transfer from intangible assets | -                                | -                            | 284                | -  | 284             |
| <b>At 1 January 2021</b>        | <b>5,971</b>                     | <b>18,611</b>                | <b>963</b>         | <b>3,771</b>                               | <b>29,316</b>   |
| Charge for the year             | 339                              | 1,617                        | 1,210              | 202  | 3,368           |
| Disposals                       | -                                | (3)                          | -                  | (3)  | (6)             |
| <b>At 31 December 2021</b>      | <b>6,310</b>                     | <b>20,225</b>                | <b>2,173</b>       | <b>3,970</b>                               | <b>32,678</b>   |
| <b>Net book value</b>           |                                  |                              |                    |  |                 |
| <b>At 31 December 2021</b>      | <b>1,218</b>                     | <b>2,036</b>                 | <b>4,037</b>       | <b>596</b>                                 | <b>7,887</b>    |
| <b>At 31 December 2020</b>      | <b>1,269</b>                     | <b>2,372</b>                 | <b>3,275</b>       | <b>497</b>                                 | <b>7,413</b>    |

As per Accounting Policies note 3(l), the classification of software within Property, Software and Equipment ('PSE') relates to software which is critical to the operation of the associated hardware.



## 17. INVESTMENTS

### a. Investments

|                       | Group          |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Cost</b>           |                |                |                |                |
| At 1 January          | 8,472          | 8,052          | 3,446          | 3,082          |
| Revaluation           | 431            | 420            | 466            | 364            |
| <b>At 31 December</b> | <b>8,903</b>   | <b>8,472</b>   | <b>3,912</b>   | <b>3,446</b>   |
| Listed investments    | 3,761          | 3,416          | 2,162          | 1,823          |
| Unlisted investments  | 5,142          | 5,056          | 1,750          | 1,623          |
| <b>At 31 December</b> | <b>8,903</b>   | <b>8,472</b>   | <b>3,912</b>   | <b>3,446</b>   |

Investments comprise shares and seats held in clearing houses which are deemed relevant to the Group's trading activities and are classified as fair value through other comprehensive income ('FVTOCI') financial assets and recorded at fair value with changes in fair value reported in equity. The fair value for these investments is determined based on the latest available traded price.

### b. Investments in subsidiaries

|                       | Company        |                |
|-----------------------|----------------|----------------|
|                       | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Cost</b>           |                |                |
| At 1 January          | 414,479        | 374,467        |
| Additions             | 2,279          | 40,012         |
| <b>At 31 December</b> | <b>416,758</b> | <b>414,479</b> |

### C. Group subsidiaries and undertakings

The subsidiaries of the Company as at 31 December 2021 are as follows:

#### Subsidiaries held directly

| Name / Registered office  | Country of incorporation/<br>Principal place of business | Class                  | Proportion of ownership interest | Nature of business   |
|---|--|------------------------|----------------------------------|--|
| Marex Financial <sup>1</sup><br>155 Bishopsgate, London,<br>EC2M 3TQ  | England and<br>Wales                                     | Ordinary Shares        | 100%                             | Commodities and<br>financial instruments<br>broker and clearer |
| Marex Hong Kong Limited<br>17/F One Island East,<br>Taikoo Place, 18 Westlands Road,<br>Quarry Bay, Hong Kong | Hong Kong  | Ordinary Shares        | 100%                             | Futures and<br>options broking                                 |
| Marex North America LLC<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808               | United States<br>of America                              | Ordinary Shares        | 100%                             | Commodities and<br>financial instruments<br>broker and clearer |
| Marex Spectron<br>International Limited <sup>2</sup><br>155 Bishopsgate, London,<br>EC2M 3TQ                  | England and<br>Wales                                     | Ordinary Shares        | 100%                             | Energy OTC broking   |
| Spectron Services Limited<br>155 Bishopsgate, London,<br>EC2M 3TQ   | England and<br>Wales                                     | Ordinary Shares        | 100%                             | Facilities services  |
| Marex Spectron Europe Limited <sup>3</sup><br>10 Earlsfort Terrace,<br>Dublin 2, D02 T380                     | Ireland  | Ordinary Shares        | 100%                             | Energy broking   |
| CSC Commodities UK Limited <sup>4</sup><br>155 Bishopsgate, London,<br>EC2M 3TQ                               | England and<br>Wales                                     | Ordinary Shares        | 100%                             | Services company   |
| Marex Spectron USA, LLC<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808               | United States<br>of America                              | Membership<br>Interest | 100%                             | OTC derivatives  |
| Marex North America<br>Holdings Inc.<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808  | United States<br>of America                              | Ordinary Shares        | 100%                             | Holding Company  |

#### Branches

<sup>1</sup> Marex Financial operates a branch in the following country:

- Australia - Level 2, Suite 204, 111 Harrington Street, Sydney, NSW 2000

<sup>2</sup> Marex Spectron International Limited operates branches in the following countries:

- Canada (Alberta) - Suite 400, 4th Floor, 110-9th Avenue SW, Calgary, Alberta
- Canada (Québec) - 1250 boulevard René-Lévesque West, 39th Floor, Montréal, Québec, H3B4W8
- Norway - Fridtjof Nansens plass 6, 0160 Oslo
- United States of America - 360 Madison Avenue, Third Floor, New York 10017

<sup>3</sup> CSC Commodities UK Limited operates branches in the following countries:

- United States of America - 80 State Street, Albany, New York, NY12207-2543
- Gibraltar - 28 Irish Town

<sup>4</sup> Marex Spectron Europe Limited operates a branch in the following country:

- Germany - Romerstrasse 31, 63486 Bruchköbel, Frankfurt

| <b>Name / Registered office</b>   | <b>Country of incorporation/<br/>Principal place of business</b> | <b>Class</b>    | <b>Proportion of ownership interest</b> | <b>Nature of business</b>           |
|---|--|-----------------|---|-------------------------------------|
| Tangent Trading Holdings Limited,<br>155 Bishopsgate, London,<br>EC2M 3TQ | England and Wales  | Ordinary Shares | 100%                                    | Holding Company                     |
| Marex France SAS<br>100/102 Avenue de Suffren, 75015, Paris               | France   | Ordinary Shares | 100%                                    | Alternative Investment Fund Manager |
| Volatility Performance Fund S.A.<br>30 Boulevard Royal, 2449, Luxembourg  | Luxembourg   | Ordinary Shares | 100%                                    | Fund Vehicle                        |

### Subsidiaries held indirectly

| Name / Registered office   | Country of incorporation / Principal place of business | Class                | Proportion of ownership interest | Nature of business           |
|--|--|----------------------|----------------------------------|------------------------------|
| Marex Spectron Limited<br>17/F One Island East,<br>Taikoo Place, 18 Westlands Road,<br>Quarry Bay, Hong Kong | Hong Kong  | Ordinary Shares      | 100%                             | Dormant                      |
| Marex Spectron Pte. Ltd.<br>8 Marina View, 33-06 Asia Tower<br>1, Singapore, 018960                          | Singapore  | Ordinary Shares      | 100%                             | Dormant                      |
| Spectron Energy (Asia) Pte Ltd.<br>8 Marina View, 33-06 Asia Tower<br>1, Singapore, 018960                   | Singapore  | Ordinary Shares      | 100%                             | Energy OTC broking           |
| Spectron Energy Inc.<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808                 | United States of America                               | Ordinary Shares      | 100%                             | Energy OTC broking           |
| Carlton Commodities 2004 LLP<br>155 Bishopsgate, London,<br>EC2M 3TQ   | England and Wales                                      | Partnership interest | N/A                              | Commodity and option trading |
| Marex Spectron Asia Pte. Ltd.<br>8 Marina View, 33-06 Asia Tower<br>1, Singapore, 018960                     | Singapore  | Ordinary Shares      | 100%                             | Freight broking              |
| Marex Spectron Inc.<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808                  | United States of America                               | Ordinary Shares      | 100%                             | Dormant                      |
| Tangent Trading Limited<br>155 Bishopsgate, London,<br>EC2M 3TQ  | England and Wales                                      | Ordinary Shares      | 100%                             | Recycled Metals Trading      |
| X-Change Financial Access, LLC<br>440 S LaSalle St - Suite 2900, Chicago, IL<br>60605<br>United States       | United States of America                               | Membership Interest  | 100%                             | Trade Execution              |
| Marex North America Securities, LLC<br>251 Little Falls Drive, Wilmington,<br>New Castle, Delaware, DE19808  | United States of America                               | Membership Interest  | 100%                             | Dormant                      |
| Starsupply Petroleum Europe B.V.<br>20th Floor, Hofpoort Building,<br>Hofplein 20, Rotterdam                 | Netherlands  | Ordinary Shares      | 100%                             | Physical Oil Brokerage       |

Subsidiaries held indirectly (continued)

| <b>Name / Registered office</b>   | <b>Country of incorporation/ Principal place of business</b> | <b>Class</b>    | <b>Proportion of ownership interest</b> | <b>Nature of business</b>            |
|---|--|-----------------|---|--------------------------------------|
| Marex Brazil Participações Ltda.<br>Rua Odila Maia Rocha Brito, 525, sala 81, Nova Campinas, CEP 13092-110, Campinas, São Paulo | Brazil   | Ordinary Shares | 100%                                    | Dormant                              |
| Marex Trading International Limited<br>155 Bishopsgate, London, EC2M 3TQ  | England and Wales  | Ordinary Shares | 100%                                    | Trade Facilitation                   |
| Volcap Trading Partners Limited<br>155 Bishopsgate, London, EC2M 3TQ  | England and Wales  | Ordinary Shares | 100%                                    | Broker & Structured Note Distributor |
| Volcap Trading Partners France SAS<br>12 Rue Vivienne Lot 3, 75002 Paris  | France   | Ordinary Shares | 100%                                    | Broker & Structured Note Distributor |

Year end

All subsidiaries have a financial year end of 31 December with the exception of Carlton Commodities 2004 LLP, Volatility Performance Fund S.A. and Marex France SAS which all have a year end of 31 March.

Other Related Entities

| <b>Name</b>   | <b>Country of incorporation</b> | <b>Class</b>    | <b>Nature of business</b>             |
|---|---------------------------------|-----------------|---------------------------------------|
| Intertrust Employee Benefit Trustee Limited, 44 Esplanade St Helier Jersey, JE4 9WG | Jersey                          | Ordinary Shares | Trustee of the employee benefit trust |

## 18. INVESTMENT IN AN ASSOCIATE

In July 2020 the Group invested \$5,200,000 which equated to an 80% interest in Cambridge Machines Gemini Fund Limited, which assesses investment opportunities in the global futures markets using Bayesian statistical methods. Cambridge Machines Gemini Fund Limited is incorporated in the Isle of Man and is a private entity that is not listed on any public exchanges. The Group's interest in Cambridge Machines Gemini Fund Limited is accounted for using the equity method and is not consolidated in the consolidated financial statements as the Group does not have control over the fund. The following table illustrates the summarised financial information of the Group's investment in the Cambridge Machines Gemini Fund Limited:

|  | Group                            |                                  |
|--|----------------------------------|----------------------------------|
|  | 2021<br>\$'000                   | 2020<br>\$'000                   |
| At 1 January   | 5,564                            | -                                |
| Additions  | -                                | 5,200                            |
| Profit recognised in the consolidated income statement | 300                              | 364                              |
| <b>At 31 December</b>                                  | <b>5,864</b>                     | <b>5,564</b>                     |
|  | Share of<br>net assets<br>\$'000 | Share of<br>net assets<br>\$'000 |
| Current assets   | 10,115                           | 8,401                            |
| Current liabilities                                    | (141)                            | (77)                             |
| <b>Equity</b>  | <b>9,974</b>                     | <b>8,324</b>                     |
| Share in equity  | 58.80%                           | 66.84%                           |
| <b>Carrying amount of the investment</b>               | <b>5,864</b>                     | <b>5,564</b>                     |

The Group's percentage share in equity is subject to dilution depending on share subscriptions by other investors.

## 19. BUSINESS COMBINATIONS

### a. Acquisition of Starsupply

On 12 March 2021, the Group acquired all of the issued share capital of Starsupply Petroleum Europe B.V. ("Starsupply") for the consideration noted below. Starsupply is a Rotterdam-based execution-only broker of physical oil-based products. Starsupply expands Marex's capabilities in physical markets which currently include gasoline, fuel oil and shipping franchises.

|   | FX Rate     | Group        |
|---|-------------|--------------|
|   |             | \$'000       |
| Cash consideration (€3,380,000)                       | 1.1964\$/ € | 4,044        |
| <b>Total consideration</b>                            |             | <b>4,044</b> |
| <b>Recognised amounts of identifiable net assets:</b> |             |              |
| Property, plant and equipment                         |             | 121          |
| Cash and cash equivalents                             |             | 142          |
| Trade and other receivables                           |             | 1,346        |
| Trade and other payables                              |             | (203)        |
| <b>Total identifiable assets and liabilities</b>      |             | <b>1,406</b> |
| <b>Goodwill</b>                                       |             | <b>2,638</b> |

#### Goodwill

The goodwill recognised on acquisition relates to the company's expected growth and to the value of Starsupply's workforce which cannot be separately recognised as an intangible asset. The goodwill has been allocated to the Energy CGU for annual impairment testing (note 14).

## b. Acquisition of Volcap

On 1 October 2021, the Group acquired all of the issued share capital of Volcap Trading Partners Limited and its subsidiary, Volcap Trading Partners France SAS (together "Volcap") for the consideration noted below. Volcap has built an award-winning soft commodity and bespoke structured product business that designs, structures and implements investment strategies across a wide range of financial assets.

|   | FX Rate     | Group         |
|---|-------------|---------------|
|   |             | <b>\$'000</b> |
| Cash consideration (€5,308,000)                       | 1.1597 \$/€ | 6,156         |
| Cash consideration (\$1,600,000)                      |             | 1,600         |
| Cash consideration (£1,011,000)                       | 1.3551 \$/£ | 1,370         |
| Deferred consideration                                |             | 256           |
| Deferred contingent consideration                     |             | 2,974         |
| <b>Total consideration</b>                            |             | <b>12,356</b> |
| <b>Recognised amounts of identifiable net assets:</b> |             |               |
| Cash and cash equivalents                             |             | 573           |
| Trade and other receivables                           |             | 535           |
| Trade and other payables                              |             | (823)         |
| Intangible assets acquired                            |             | 5,595         |
| Deferred tax liability                                |             | (1,349)       |
| <b>Total identifiable assets and liabilities</b>      |             | <b>4,531</b>  |
| <b>Goodwill</b>                                       |             | <b>7,825</b>  |

### Deferred consideration

Deferred consideration relates to the amount payable in respect of potential adjustments to the book values of the tangible net assets acquired which are only to be determined after the acquisition date.

Deferred contingent consideration

The deferred contingent consideration is calculated on a specified percentage of Volcap's profit after tax. The amount of \$2,974,000 is the fair value of the Group's estimated cash outflow, discounted to present value.

### Identifiable net assets

At 1 October 2021, the valuation of the customer relationships of Volcap was \$5,445,000 and the valuation of the Volcap brand was \$150,000. These were calculated by an independent valuation specialist. They were both calculated using the excess earnings method.

### Goodwill

The goodwill recognised on acquisition relates to the expected growth, revenue synergies with the Group's existing commodities and structured product businesses and in addition to the valuation of Volcap's workforce which cannot be separately recognised as an intangible asset.



### C. Acquisition of Tangent Trading Holdings Limited

On 2 March 2020, the Group acquired all of the issued share capital of Tangent Trading Holdings Limited, a holding company and its direct subsidiary Tangent Trading Limited (referred to as the 'Tangent Group' or 'Tangent') for the consideration noted below. Tangent is a London-based trader of physical non-ferrous scrap metals, with a specialism in copper. Tangent is a member of the London Metals Exchange and as a trader of physical commodities it offers its customers delivery of physical non-ferrous metals.

|   | FX Rate     | Group         |
|---|-------------|---------------|
|   |             | \$'000        |
| Cash consideration (£16,901,000)                      | 1.2809 \$/£ | 21,649        |
| <b>Total consideration</b>                            |             | <b>21,649</b> |
| <b>Recognised amounts of identifiable net assets:</b> |             |               |
| Property, plant and equipment                         |             | 20            |
| Cash and cash equivalents                             |             | 15,895        |
| Trade and other receivables                           |             | 16,697        |
| Trade and other payables                              |             | (15,169)      |
| <b>Total identifiable assets and liabilities</b>      |             | <b>17,443</b> |
| <b>Goodwill</b>                                       |             | <b>4,206</b>  |

#### Goodwill

The goodwill recognised on acquisition relates to the company's expected growth and to the value of Tangent's workforce which cannot be separately recognised as an intangible asset.

#### d. Acquisition of Volatility Performance Fund S.A.

On 20 March 2020, the Group purchased all of the issued share capital of the Volatility Performance Fund S.A. (the Fund), which is a limited liability company incorporated in Luxembourg which covers alternative investment activities. Its strategy is to take advantage of discrepancies in the volatility curve by trading listed derivatives products following a technical volatility arbitrage. The Fund's activities cover all the main European markets and its assets consist of equity and commodity linked products.

The deferred consideration represents €2,000,000 payable by the Group to the previous owners contingent upon the performance of the Fund.

|  | FX Rate     | Group         |
|--|-------------|---------------|
|  |             | \$'000        |
| Deferred contingent consideration (€2,000,000)             | 1.2215 \$/£ | 2,443         |
| <b>Recognised amounts of identifiable net liabilities:</b> |             |               |
| Trade and other receivables                                |             | 6,294         |
| Trade and other payables                                   |             | (16,425)      |
| Total identifiable assets and liabilities                  |             | (10,131)      |
| <b>Goodwill</b>  |             | <b>12,574</b> |
| Impairment   |             | (1,922)       |
| <b>Reported goodwill</b>                                   |             | <b>10,652</b> |

#### Goodwill

At the date of acquisition the Fund's net liquidation value was negative owing to the prevailing stressed market conditions for equities. As at 31 December 2020, the recoverable amount for the Fund was based on the higher of VIU and FVLCD, and in particular VIU. As a result of lower projected net revenues for the Fund in future years the recoverable amount for the Fund was estimated to be lower than its carrying value by \$1,922,000.

### e. Acquisition of BIP AM SAS

BIP AM SAS (since renamed Marex France SAS) (an asset manager, referred to as 'BIP') directly manages all of the operations of the Volatility Performance Fund S.A. The senior management of the Fund are employed by BIP. The Group acquired all of BIP on 18 August 2020.

|   | <b>Group</b>  |
|---|---------------|
|   | <b>\$'000</b> |
| Total consideration                                   | -             |
| <b>Recognised amounts of identifiable net assets:</b> |               |
| Property, plant and equipment                         | 83            |
| Cash and cash equivalents                             | 263           |
| Trade and other receivables                           | 7,340         |
| Trade and other payables                              | (1,146)       |
| Borrowings  | (6,294)       |
| <b>Total identifiable assets and liabilities</b>      | <b>246</b>    |
| <b>Gain on bargain purchase</b>                       | <b>(246)</b>  |

#### Goodwill

Owing to the acquisition of the Fund and BIP being for a cash consideration of €1 and the fact that BIP had net assets, (mainly resulting from the intercompany management fees from the Fund), the gain on bargain purchase was recorded in the income statement and was offset against the impairment of goodwill of the Fund.

## f. Acquisition of X-Change Financial Access LLC

The Group acquired 100% of the share capital of X-Change Financial Access LLC ("XFA") a company based in Chicago on 13 November 2020. XFA is an agency trade execution services firm, for exchange traded derivatives in particular US equity and volatility options. XFA was acquired by the Group's US Holding subsidiary, Marex North America Holdings Inc.

|  | <b>Group</b>  |
|--|---------------|
|  | <b>\$'000</b> |
| Cash consideration                               | 21,760        |
| <b>Total consideration</b>                       | <b>21,760</b> |
| Recognised amounts of identifiable net assets:   |               |
| Cash and cash equivalents                        | 8,533         |
| Trade and other receivables                      | 10,502        |
| Trade and other payables                         | (8,275)       |
| Intangible assets acquired                       | 4,948         |
| <b>Total identifiable assets and liabilities</b> | <b>15,708</b> |
| <b>Goodwill</b>                                  | <b>6,052</b>  |

### Identifiable net assets

At 31 December 2020, the valuation of the customer relationships of XFA was \$4,948,000. These were valued by an independent valuation specialist. These are calculated based on the best estimate of the future cash flows receivable by the Group attributable to each of the assets identified.

### Goodwill

The goodwill recognised on the acquisition relates to the expected growth, and the value of XFA's workforce which cannot be separately recognised as an intangible asset.

## 20. SUBORDINATED LOANS DUE FROM GROUP UNDERTAKINGS

|                         | Company        |                |
|-------------------------|----------------|----------------|
|                         | 2021<br>\$'000 | 2020<br>\$'000 |
| Marex North America LLC | 239,500        | 161,000        |
| Marex Financial         | 49,624         | -              |
|                         | <b>289,124</b> | <b>161,000</b> |

The revolving subordinated loan agreement with Marex North America LLC was renewed during the year ended 31 December 2021 with the approval of the CME. The facility has a drawing termination date of 31 January 2022, maturity date of 31 January 2025 and total credit line of \$280,000,000 (2020: \$200,000,000) which were all subsequently amended post year end (refer to note 38(b)). The subordinated borrowings of \$239,500,000 (2020: \$161,000,000) are unsecured and carry interest at three-month LIBOR plus 3.25% (2020: LIBOR plus 3.25%).

The subordinated borrowings qualify as equity capital as defined by the CFTC regulation 1.17d.

During the year, the Company extended a subordinated loan of \$49,624,000 to its subsidiary, Marex Financial. The facility has a maturity date of 1 June 2031 with an optional call date of 1 June 2026 and total credit line of \$49,625,000. The subordinated borrowings of \$49,625,000 are unsecured and carry interest at a fixed rate of 8%.

The subordinated borrowings qualify as tier 2 equity capital under Prudential regulations (Prudential Regulation Authority or PRA).

## 21. TREASURY INSTRUMENTS –UNPLEDGED AND PLEDGED

### a. Unpledged

Unpledged treasury instruments comprise of \$107,083,674 (2020: \$88,790,652) US Treasuries which will fully mature by 15 December 2024.

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2021<br>\$'000 | 2020<br>\$'000 |
| Treasury instruments (non-current) | 68,957         | 23,454         |
| Treasury instruments (current)     | 38,127         | 65,337         |
|                                    | <b>107,084</b> | <b>88,791</b>  |

## b. Pledged as collateral

Treasury instruments pledged as collateral comprise of US Treasuries which will fully mature by 30 September 2023. At year end, the Group has pledged \$1,560,491,697 (2020: \$1,550,076,306) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Group cannot:

- sell or transfer the financial instrument;
- dispose of the financial instrument; or
- have any third party rights associated with the financial instrument whereby it can be used as security towards any further financing activities.

|                                    | Group            |                  |
|------------------------------------|------------------|------------------|
|                                    | 2021<br>\$'000   | 2020<br>\$'000   |
| Treasury instruments (non-current) | 799,683          | 473,494          |
| Treasury instruments (current)     | 616,534          | 934,272          |
| Repurchase agreements (current)    | 144,275          | 142,310          |
|                                    | <b>1,560,492</b> | <b>1,550,076</b> |

## 22. INVENTORY

|  | Group          |                |
|--|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 |
| Cryptocurrency - Trading                                 | 45,254         | -              |
| Carbon emissions licenses - Trading                      | 13,637         | -              |
| Scrap metals   | 21,247         | 8,774          |
| <b>Total inventories at fair value less cost to sell</b> | <b>80,138</b>  | <b>8,774</b>   |

Trading cryptocurrency consists of \$22,196,050 (2020: \$nil) worth of Bitcoin and \$23,057,475 (2020: \$nil) of Ethereum. All inventories are held at fair value less cost to sell. The fair value movements charged to profit and loss are as follows:

| Cryptocurrency and<br>Carbon emission licenses | Cost<br>\$'000 | Fair value<br>movement<br>\$'000 | Inventory<br>2021<br>\$'000 |
|--|----------------|----------------------------------|-----------------------------|
| Bitcoin  | 34,028         | (11,832)                         | 22,196                      |
| Ethereum                                       | 28,124         | (5,066)                          | 23,058                      |
| EUA emission                                   | 10,045         | 3,592                            | 13,637                      |
|  | <b>72,197</b>  | <b>(13,306)</b>                  | <b>58,891</b>               |

## 23. TRADE AND OTHER RECEIVABLES

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000 | 2020<br>\$'000 |
| Amounts due from exchanges, clearing houses and other counterparties | 2,967,272        | 1,100,134        | -              | -              |
| Amounts due from group undertakings                                  | -                | -                | 2,000          | -              |
| Trade debtors  | 58,162           | 46,988           | -              | -              |
| Default funds and deposits   | 157,614          | 102,313          | -              | -              |
| Loans receivable   | 13,334           | 17,644           | -              | -              |
| Other tax and social security taxes                                  | 5,887            | 4,611            | 151            | 70             |
| Other debtors  | 36,025           | 37,360           | 1,291          | 2,168          |
| Prepayments  | 9,084            | 11,446           | 1,917          | 184            |
|  | <b>3,247,378</b> | <b>1,320,496</b> | <b>5,359</b>   | <b>2,422</b>   |

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of \$2,169,576,150 (2020: \$666,173,141) and non-segregated balances of \$797,696,024 (2020: \$433,960,689).

Trade and other receivables are measured at amortised cost with the exception of amounts due from exchanges, clearing houses and other counterparties of \$390,742,793 (2020: \$133,636,002) which are classified as fair value through profit or loss.

Included in other debtors is \$12,197,349 (2020: \$9,018,058) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade and other receivables are assessed on an individual basis for impairment, with a provision of \$5,822,000 (2020: \$6,589,000) recognised for the Group's entire exposure on the impaired trade and other receivables. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amounts of trade and other receivables are not materially different to their fair value.

### a. Ageing of past due, but not impaired, trade debtors

|                    | Group          |                |
|--------------------|----------------|----------------|
|                    | 2021<br>\$'000 | 2020<br>\$'000 |
| Less than 30 days  | 39,994         | 36,159         |
| 31 to 60 days      | 5,511          | 4,681          |
| 61 to 90 days      | 4,362          | 1,639          |
| 91 to 120 days     | 1,645          | 1,239          |
| More than 120 days | 6,650          | 3,270          |
|                    | <b>58,162</b>  | <b>46,988</b>  |

**b. Reconciliation of the movement in impairment allowance**

|   | Group             |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | 2021              |                   |                   |                 |
|   | Stage 1<br>\$'000 | Stage 2<br>\$'000 | Stage 3<br>\$'000 | Total<br>\$'000 |
| At 1 January                                  | -                 | -                 | 6,589             | 6,589           |
| Bad debts written off                         | -                 | -                 | (545)             | (545)           |
| Credited to the consolidated income statement | -                 | -                 | (217)             | (217)           |
| Foreign exchange revaluation                  | -                 | -                 | (5)               | (5)             |
| <b>At 31 December</b>                         | <b>-</b>          | <b>-</b>          | <b>5,822</b>      | <b>5,822</b>    |

|  | Group             |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | 2020              |                   |                   |                 |
|  | Stage 1<br>\$'000 | Stage 2<br>\$'000 | Stage 3<br>\$'000 | Total<br>\$'000 |
| At 1 January                                 | -                 | -                 | 2,040             | 2,040           |
| Charged to the consolidated income statement | -                 | -                 | 4,564             | 4,564           |
| Foreign exchange revaluation                 | -                 | -                 | (15)              | (15)            |
| <b>At 31 December</b>                        | <b>-</b>          | <b>-</b>          | <b>6,589</b>      | <b>6,589</b>    |



## 24. SHORT-TERM BORROWINGS

### a. Repurchase agreements

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2021           | 2020           |
|                                     | \$'000         | \$'000         |
| Repurchase agreements               | 140,406        | 139,969        |
| <b>Borrowings at amortised cost</b> | <b>140,406</b> | <b>139,969</b> |

For the repurchase agreements, the collateral provided to the lenders is recorded as a financial instrument and totals \$144,275,000 (2020: \$142,310,000) (note 21(b)).

### b. Revolving credit facility

On 31 March 2021 the Group renewed the revolving credit facility which is committed up to \$120,000,000 (2020: \$165,000,000) with a renewal date of 30 June 2023. As at 31 December 2021 the facility remained undrawn (2020: undrawn). The credit facility agreement contains certain financial and other covenants.

Interest on the amount utilised is calculated at a floating rate consisting of currency benchmark rate plus a spread. Libor transition occurred on 1 October 2021. Prior to transition interest was calculated as currency LIBOR plus a spread of 220 basis points (2020: LIBOR plus a spread of 190 basis points), post transition interest is calculated as currency risk free rate plus credit adjustment spread plus a spread of 220 basis points. Interest on the unutilised portion is charged at a fixed percentage rate of 88 basis points (2020: 76 basis points).

## 25. DERIVATIVE INSTRUMENTS

Derivative assets and derivative liabilities comprise of exchange traded and over-the-counter foreign exchange, precious metal, agriculture and energy contracts.

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Financial assets</b>   |                |                |
| <i>Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:</i> |                |                |
| Agriculture forward contracts   | 141,452        | 94,916         |
| Agriculture option contracts  | 33,012         | 37,498         |
| Energy forward contracts  | 9,000          | 6,067          |
| Energy option contracts   | 779            | 4,326          |
| Foreign currency forward contracts  | 16,634         | 28,898         |
| Foreign currency option contracts   | 2,452          | 3,626          |
| Precious metal forward contracts  | 10,540         | 4,336          |
| Precious metal option contracts   | 131            | 582            |
| Credit forward  | 1,993          | 796            |
| Equity option   | 606,936        | 12,277         |
| Equity forward  | 9,639          | 3,816          |
| Equity contracts for difference   | 1,322          | 683            |
| Rates Forward   | 201            | -              |
| Valuation reserve   | (7,046)        | -              |
| <i>Held for trading derivatives that are designated in hedge accounting relationships:</i>  |                |                |
| Foreign currency forward contracts  | 25             | 1,837          |
|   | <b>827,070</b> | <b>199,658</b> |

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Financial liabilities</b>  |                |                |
| <i>Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:</i> |                |                |
| Agriculture forward contracts   | 107,854        | 95,926         |
| Agriculture option contracts  | 15,404         | 12,526         |
| Energy forward contracts  | 5,589          | 3,917          |
| Energy option contracts   | 630            | 511            |
| Foreign currency forward contracts  | 20,140         | 26,783         |
| Foreign currency option contracts   | 920            | 2,567          |
| Precious metal forward contracts  | 17,154         | 18,303         |
| Precious metal option contracts   | 66             | 285            |
| Credit forward  | 554            | 1,992          |
| Interest rate forward contracts   | 2,304          | 97             |
| Crypto forward  | 954            | -              |
| Interest rate options   | 49             | -              |
| Equity option contracts   | 504,755        | 57,114         |
| Equity Forward  | 13,042         | 15,576         |
| Equity contracts for difference   | 1,427          | 834            |
| Valuation reserve   | 83             | -              |
| <i>Held for trading derivatives that are designated in hedge accounting relationships:</i>  |                |                |
| Foreign currency forward contracts  | 620            | -              |
|   | <b>691,545</b> | <b>236,431</b> |

## 26. DEFERRED TAX

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Depreciation in excess of capital allowances | (243)          | (45)           | -              | -              |
| Tax losses                                   | 3,832          | 1,714          | -              | -              |
| Lease accounting                             | 455            | 269            | -              | -              |
| Intangibles                                  | (1,321)        | -              | -              | -              |
| Prepayments and Other                        | (553)          | (697)          | -              | -              |
| Goodwill                                     | (438)          | (1,103)        | -              | -              |
| Revaluation of FVTOCI investments            | (882)          | (578)          | (32)           | 55             |
| <b>31 December</b>                           | <b>850</b>     | <b>(440)</b>   | <b>(32)</b>    | <b>55</b>      |

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| At 1 January  | (440)          | 1,369          | 55             | 116            |
| Credited/(charged) to the income statement (note 12(a)) | 2,941          | (1,785)        | -              | -              |
| Recognised on acquisition                               | (1,348)        | 48             | -              | -              |
| Charged to other comprehensive income                   | (305)          | (72)           | (87)           | (61)           |
| Foreign exchange differences and other                  | 2              | -              | -              | -              |
| <b>31 December</b>                                      | <b>850</b>     | <b>(440)</b>   | <b>(32)</b>    | <b>55</b>      |

|                        | Group          |                | Company        |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Deferred tax asset     | 4,004          | 565            | -              | 55             |
| Deferred tax liability | (3,154)        | (1,005)        | (32)           | -              |
| <b>31 December</b>     | <b>850</b>     | <b>(440)</b>   | <b>(32)</b>    | <b>55</b>      |

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax balances have been calculated at the prevailing tax rate as at the balance sheet date, which for the purposes of the 2021 financial statements was 19% (2020: 19%). Finance Act 2021, enacted on 10 June 2021 increases the headline rate of UK corporation tax from 19% to 25% from 1 April 2023. The effect of this has not been applied to the deferred tax assets and liabilities in the 2021 financial statements due to the short-term nature of many of the balances. Non-UK deferred tax assets and liabilities are recognised at the relevant jurisdiction's prevailing tax rate to the extent the Group expects to receive future benefit from them.

### Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets in respect of:

- employee compensation deductions of \$4,948,350 (2020: \$4,923,437). The potential deferred tax asset at 19% is \$940,187 (2020: \$935,453). These assets have not been recognised as it is not foreseeable when a tax deduction will arise; and
- tax losses of \$9,380,000 (2020: \$11,920,000) relate to losses with no expiry date. Losses of \$140,000 (2020: \$30,000) are subject to approval by the relevant tax authorities. These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

## 27. TRADE AND OTHER PAYABLES

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000 | 2020<br>\$'000 |
| Trade payables   | 4,161,292        | 2,409,601        | -              | -              |
| Amounts due to exchanges, clearing houses and other counterparties | 120,092          | -                | -              | -              |
| Amounts due to group undertakings                                  | -                | -                | 306,903        | 224,644        |
| Other tax and social security taxes                                | 3,885            | 3,348            | -              | -              |
| Other creditors  | 4,558            | 10,156           | 95             | 95             |
| Accruals   | 158,898          | 119,025          | 4,362          | 6,017          |
| Deferred income  | 873              | 506              | -              | -              |
|  | <b>4,449,598</b> | <b>2,542,636</b> | <b>311,360</b> | <b>230,756</b> |

Included in trade payables and the amounts due to exchanges, clearing houses and other counterparties are segregated balances of \$3,485,887,832 (2020: \$1,970,721,929) and non-segregated balances of \$795,495,791 (2020: \$438,879,071).

For the Company, amounts due to group undertakings arise mainly due to cash received in order to facilitate another intercompany loan.

The directors consider that the carrying amount of trade and other payables is not materially different to their fair value.

## 28. PROVISIONS

|                          | Group                               |
|--------------------------|-------------------------------------|
|                          | Leasehold dilapidations 2021 \$'000 |
| <b>At 1 January</b>      | 298                                 |
| Movement in the year:    |                                     |
| Increase during the year | 584                                 |
|                          | <b>584</b>                          |
| <b>At 31 December</b>    | <b>882</b>                          |

|                            | Group                               |                                      |                   |
|----------------------------|-------------------------------------|--------------------------------------|-------------------|
|                            | Leasehold dilapidations 2020 \$'000 | Onerous lease provisions 2020 \$'000 | Total 2020 \$'000 |
| <b>At 1 January</b>        | 285                                 | 788                                  | 1,073             |
| Movement in the year:      |                                     |                                      |                   |
| Utilised during the year   | -                                   | (788)                                | (788)             |
| Foreign exchange valuation | 13                                  | -                                    | 13                |
|                            | <b>13</b>                           | <b>(788)</b>                         | <b>(775)</b>      |
| <b>At 31 December</b>      | <b>298</b>                          | <b>-</b>                             | <b>298</b>        |

### a. Leasehold dilapidations

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. The lease agreement terminates on 22 March 2027.

### b. Onerous lease

The onerous lease provision relates to the estimated lease costs on a property in Chicago that is no longer occupied due to the relocation of staff to a new office. This has been utilised during 2020.

## 29. CONTINGENT LIABILITIES

From time to time the Group's subsidiaries are engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews.

The Group's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

As outlined above in respect of legal matters or disputes for which a provision has not been made, notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no individual matters which are considered to pose a significant risk of material adverse financial impact on the Group's results or net assets.

## 30. SHARE CAPITAL

|   | Group and Company     |                |                       |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | Issued and fully paid |                | Issued and fully paid |                |
|   | 2021<br>Number        | 2021<br>\$'000 | 2020<br>Number        | 2020<br>\$'000 |
| Ordinary shares of \$0.000165 each            | 106,491,588           | 18             | 106,491,588           | 18             |
| Non-voting ordinary shares of \$0.000165 each | 3,986,376             | 1              | 3,986,376             | 1              |
| Deferred shares of \$1.65 each                | -                     | -              | 106,798,538           | 176,217        |
| Deferred shares of £0.000469                  | 106,798,538           | 69             | -                     | -              |
| Growth shares of \$0.000165 each              | 27,297,003            | 4              | 27,297,003            | 4              |
|   | <b>244,573,505</b>    | <b>92</b>      | <b>244,573,505</b>    | <b>176,240</b> |

On 22 March 2021 the issued share capital of the Company was reduced from \$176,240,320 to \$92,258 by cancelling and extinguishing capital to the extent of \$1.649349 on each Deferred Share of \$1.65 each and reducing the nominal value of each Deferred Share from \$1.65 to \$0.000651, with the amount by which the share capital was reduced being credited to profit and loss reserves. On 10 May 2021 the \$0.000651 Deferred Shares were converted from US Dollars to Sterling and accordingly redenominated as Deferred Shares of £0.000469 each.

## Group and Company

|  | Ordinary shares Number | Non-voting ordinary shares Number | Deferred shares Number | Growth shares Number | Total Number       |
|--|------------------------|-----------------------------------|------------------------|----------------------|--------------------|
| At 1 January 2020                                  | 106,491,588            | 3,986,376                         | 106,798,427            | 26,181,025           | 243,457,416        |
| Movement 2020                                      | -                      | -                                 | 111                    | 1,115,978            | 1,116,089          |
| <b>At 31 December 2020 and at 31 December 2021</b> | <b>106,491,588</b>     | <b>3,986,376</b>                  | <b>106,798,538</b>     | <b>27,297,003</b>    | <b>244,573,505</b> |

The rights of the shares are as follows:

| Class of share             | Rights  |
|----------------------------|---|
| Ordinary shares            | Full voting rights and right to participate in ordinary dividends ranking pari passu with non-voting ordinary shares. In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares and no right of redemption.  |
| Non-voting ordinary shares | As per ordinary shares, other than having no voting rights.   |
| Deferred shares            | No voting rights, no right to participate in dividends or distributions and no right to redemption. On a return of capital on a winding up or otherwise, the assets of the Company available for distribution to its members shall be applied in paying a sum equal to £1 to the holders of the Deferred Shares pro-rata according to the number of Deferred Shares held by them (rounded to the nearest £0.01, but such that the total paid in aggregate to all the holders shall in no event exceed £1).  |
| Growth shares              | <p>The Company issued growth shares to 21 individuals historically, and in 2019 and 2020 additional growth shares were issued to a nominee who holds the shares on bare trust for 22 individuals who are employees or directors of the Group.</p> <p>The growth shares entitle the holders thereof to a share of the proceeds from a liquidity event, such as an Initial Public Offering or a sale, if the proceeds exceed some specific level thereby diluting existing ordinary shareholders.</p> <p>The holders of growth shares have no voting rights, no rights to participate in dividends, no entitlements to participate in a winding up and cannot impact the timing of a liquidity event.</p> <p>The growth shares issued in 2010, 2012 and 2015 vested over 3 to 5 years, although remain subject to 'bad leaver' provisions. The 2016, 2019 and 2020 growth shares will only vest on a liquidity event. The growth shares do not expire and may be redeemed prior to a liquidity event, or converted into non-voting ordinary shares, whereby the Company issues the growth share holder a number of non-voting ordinary shares equal in value to the redemption price.</p> <p>The directors' view is that it is currently probable the growth shares will be converted into non-voting shares and, therefore, they are treated as equity-settled share-based payments.</p> |



### 31. RESERVES

The following describes the nature and purpose of each reserve within total equity:

| Reserves                | Description   |
|-------------------------|---|
| Share capital           | Amount subscribed for share capital at nominal value.   |
| Share premium           | Amount of consideration received over and above the par value of shares.  |
| Retained earnings       | Cumulative net gains and losses recognised in the income statement or statement of other comprehensive income.                                  |
| Revaluation reserve     | Cumulative unrealised gains on investments in exchanges that are held as FVTOCI and recognised in equity as well as changes in own credit risk. |
| Cash flow hedge reserve | Cumulative unrealised gains and losses on hedging instruments deemed effective cash flow hedges.  |
| Other reserves          | Foreign currency translation reserve.   |

### 32. LEASES

|   | Group              |               |
|---|--------------------|---------------|
|   | Right of use asset |               |
|   | 2021               | 2020          |
|   | \$'000             | \$'000        |
| <b>As at 1 January</b>                                  | 16,256             | 23,577        |
| Additions during the year                               | 5,282              | 808           |
| Adjustment to initial recognition of right of use asset | (17)               | 84            |
| Depreciation charged to income statement                | (4,470)            | (6,473)       |
| Impairment of right of use asset                        | -                  | (1,740)       |
| <b>As at 31 December</b>                                | <b>17,051</b>      | <b>16,256</b> |
|   | Lease liability    |               |
|   | 2021               | 2020          |
|   | \$'000             | \$'000        |
| <b>As at 1 January</b>                                  | 24,390             | 27,635        |
| Additions during the year                               | 5,282              | 808           |
| Interest expense charged to income statement            | 903                | 1,092         |
| Payment of lease liabilities                            | (7,191)            | (5,446)       |
| Foreign exchange revaluation                            | (282)              | 388           |
| Lease incentive   | (87)               | (87)          |
| <b>As at 31 December</b>                                | <b>23,015</b>      | <b>24,390</b> |

Other operating lease expenses including service charges, utilities, property insurance and maintenance amounted to \$5,826,271 (2020: \$4,956,074).

Operating lease expenses for short term leases amounted to \$655,804 (2020: \$98,735).

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 31 December 2021 is 4.2% (2020: 4.4%).

## 33. FINANCIAL INSTRUMENTS

### a. Capital risk management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 30 and 31. The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call any loans and borrowings that the Group might have withdrawn at that point in time. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior year.

Many of the Group's material operating subsidiaries are subject to regulatory restrictions and minimum capital requirements. As at 31 December 2021, each of these subsidiaries had net capital in excess of the requisite minimum requirements. These requirements are designed to ensure institutions have an adequate capital base to support the nature and scale of their operations. Management of regulatory capital forms an important part of the Group's risk governance structure. A robust programme of regular monitoring and review takes place to ensure each regulated entity is in adherence to local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Group's risk appetite, as determined by the Board.

No changes were made in objectives, policies or processes for managing capital during the year.

### b. Debt securities

Debt securities are structured notes issued by the Group's subsidiary Marex Financial (within the Solutions business unit) that offer investors returns that are linked to the performance of a variety of asset classes. The market risk associated with these instruments is economically hedged through holding cryptocurrencies, futures, options and equity instruments in the underlying products. The costs and revenues resulting from the implicit interest costs and the derivative elements within this portfolio are all recognised in Revenue.

### c. Equity instruments

Equity instruments relate to equities purchased to offset the economic exposure arising from the non-host derivative component of the Group's issued debt securities.

#### d. Categories of financial instruments

Below is an analysis of the Group and Company's financial assets and liabilities as at 31 December.

|  | Group            |                  |                          |                  |
|--|------------------|------------------|--------------------------|------------------|
|  | FVTPL<br>\$'000  | FVTOCI<br>\$'000 | Amortised cost<br>\$'000 | Total<br>\$'000  |
| <b>Financial assets</b>  |                  |                  |                          |                  |
| Investments  | -                | 8,903            | -                        | 8,903            |
| Treasury instruments   |                  | -                | 1,523,301                | 1,523,301        |
| Financial institution notes  | 957              | -                | -                        | 957              |
| Repurchase agreements  | -                | -                | 144,275                  | 144,275          |
| Equity instruments   | 92,337           | -                | -                        | 92,337           |
| Derivative instruments   | 827,045          | 25               | -                        | 827,070          |
| Amounts due from exchanges, clearing houses and other counterparties | 390,743          | -                | 2,576,529                | 2,967,272        |
| Trade debtors  | -                | -                | 58,162                   | 58,162           |
| Default funds and deposits   | -                | -                | 157,614                  | 157,614          |
| Loans receivable   | -                | -                | 13,334                   | 13,334           |
| Other debtors  | -                | -                | 14,807                   | 14,807           |
| Cash and cash equivalents  | -                | -                | 712,028                  | 712,028          |
| <b>31 December 2021</b>  | <b>1,311,082</b> | <b>8,928</b>     | <b>5,200,050</b>         | <b>6,520,061</b> |
|  |                  |                  |                          |                  |
|  | FVTPL<br>\$'000  | FVTOCI<br>\$'000 | Amortised cost<br>\$'000 | Total<br>\$'000  |
| <b>Financial assets</b>  |                  |                  |                          |                  |
| Investments  | -                | 8,472            | -                        | 8,472            |
| Treasury instruments   | 2,313            | 1,305,334        | 331,220                  | 1,638,867        |
| Equity instruments   | 52,055           | -                | -                        | 52,055           |
| Derivative instruments   | 197,821          | 1,837            | -                        | 199,658          |
| Amounts due from exchanges, clearing houses and other counterparties | 133,636          | -                | 966,498                  | 1,100,134        |
| Trade debtors  | -                | -                | 46,988                   | 46,988           |
| Default funds and deposits   | -                | -                | 102,313                  | 102,313          |
| Loans receivable   | -                | -                | 17,644                   | 17,644           |
| Other debtors  | -                | -                | 18,726                   | 18,726           |
| Cash and cash equivalents  | -                | -                | 291,546                  | 291,546          |
| <b>31 December 2020</b>  | <b>385,825</b>   | <b>1,315,643</b> | <b>1,774,935</b>         | <b>3,476,403</b> |

|  | <b>Company</b>           |                                  |                         |
|--|--------------------------|----------------------------------|-------------------------|
|  | <b>FVTOCI<br/>\$'000</b> | <b>Amortised cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial assets</b>                        |                          |                                  |                         |
| Investments                                    | 3,912                    | -                                | 3,912                   |
| Subordinated loans due from group undertakings | -                        | 289,124                          | 289,124                 |
| Other debtors                                  | -                        | 1,291                            | 1,291                   |
| Cash and cash equivalents                      | -                        | 32                               | 32                      |
| <b>31 December 2021</b>                        | <b>3,912</b>             | <b>290,447</b>                   | <b>294,359</b>          |

|  | <b>FVTOCI<br/>\$'000</b> | <b>Amortised cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|--------------------------|----------------------------------|-------------------------|
| <b>Financial assets</b>                        |                          |                                  |                         |
| Investments                                    | 3,446                    | -                                | 3,446                   |
| Subordinated loans due from group undertakings | -                        | 161,000                          | 161,000                 |
| Other debtors                                  | -                        | 2,168                            | 2,168                   |
| Cash and cash equivalents                      | -                        | 48                               | 48                      |
| <b>31 December 2020</b>                        | <b>3,446</b>             | <b>163,216</b>                   | <b>166,662</b>          |

|   | <b>Group</b>            |                                      |                         |
|---|-------------------------|--------------------------------------|-------------------------|
|   | <b>FVTPL<br/>\$'000</b> | <b>Amortised<br/>cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial liabilities</b>  |                         |                                      |                         |
| Derivative instruments  | 690,925                 | 620                                  | 691,545                 |
| Repurchase agreements   | -                       | 140,406                              | 140,406                 |
| Amounts due to exchanges, clearing<br>houses and other counterparties | -                       | 120,092                              | 120,092                 |
| Trade payables  | -                       | 4,161,292                            | 4,161,292               |
| Other creditors   | -                       | 4,558                                | 4,558                   |
| Accruals  | -                       | 158,898                              | 158,898                 |
| Deferred income   | -                       | 873                                  | 873                     |
| Lease liability   | -                       | 23,015                               | 23,015                  |
| Debt securities   | 1,119,484               | -                                    | 1,119,484               |
| <b>31 December 2021</b>   | <b>1,810,409</b>        | <b>4,609,754</b>                     | <b>6,420,163</b>        |

|                              | <b>Group</b>            |                                      |                         |
|------------------------------|-------------------------|--------------------------------------|-------------------------|
|                              | <b>FVTPL<br/>\$'000</b> | <b>Amortised<br/>cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial liabilities</b> |                         |                                      |                         |
| Derivative instruments       | 236,431                 | -                                    | 236,431                 |
| Repurchase agreements        | -                       | 139,969                              | 139,969                 |
| Trade payables               | -                       | 2,409,601                            | 2,409,601               |
| Other creditors              | -                       | 10,156                               | 10,156                  |
| Accruals                     | -                       | 119,025                              | 119,025                 |
| Deferred income              | -                       | 506                                  | 506                     |
| Lease liability              | -                       | 24,390                               | 24,390                  |
| Debt securities              | 376,757                 | -                                    | 376,757                 |
| <b>31 December 2020</b>      | <b>613,188</b>          | <b>2,703,647</b>                     | <b>3,316,835</b>        |

|                                   | <b>Company</b> |                                      |                         |
|-----------------------------------|----------------|--------------------------------------|-------------------------|
|                                   |                | <b>Amortised<br/>cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial liabilities</b>      |                |                                      |                         |
| Amounts due to group undertakings |                | 304,903                              | 304,903                 |
| Other creditors                   |                | 95                                   | 95                      |
| Accruals                          |                | 4,362                                | 4,362                   |
| Debt securities                   |                | 50,000                               | 50,000                  |
| <b>31 December 2021</b>           |                | <b>359,360</b>                       | <b>359,360</b>          |

|                                   |  | <b>Amortised<br/>cost<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-----------------------------------|--|--------------------------------------|-------------------------|
| <b>Financial liabilities</b>      |  |                                      |                         |
| Amounts due to group undertakings |  | 224,644                              | 224,644                 |
| Other creditors                   |  | 95                                   | 95                      |
| Accruals                          |  | 6,017                                | 6,017                   |
| <b>31 December 2020</b>           |  | <b>230,756</b>                       | <b>230,756</b>          |

### e. Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

As a member of the London Metals Exchange ("LME"), the Group is subject to the settlement and margining rules of LME Clear. The majority of products transacted by the Group are LME forward contracts. LME forwards that are in-the-money do not settle in cash until maturity ('prompt') date, while the Firm is required to post margin to cover loss-making contracts daily. In accordance with the LME Clear rules, the Group is able to utilise forward profits to satisfy daily margin requirements and are set-off against loss-making contracts. Consequently, amounts due from exchanges, clearing houses and other counterparties are presented on a net basis in the balance sheet.

The effect of offsetting is disclosed below:

|  | Group                  |                           |                                |   |   |                      |
|--|------------------------|---------------------------|--------------------------------|---|---|----------------------|
|  | Gross amount<br>\$'000 | Amounts set-off<br>\$'000 | Net amount presented<br>\$'000 | Non-cash collateral rec'd / (pledged)<br>\$'000 | Cash collateral rec'd / (pledged)<br>\$'000 | Net amount<br>\$'000 |
| <b>31 December 2021</b>  |                        |                           |                                |   |   |                      |
| <b>Financial assets</b>  |                        |                           |                                |   |   |                      |
| Amounts due from exchanges, clearing houses and other counterparties | 5,700,000              | (2,732,728)               | 2,967,272                      | -   | -   | 2,967,272            |
| <b>Financial liabilities</b>   |                        |                           |                                |   |   |                      |
| Trade payables   | 6,894,020              | (2,732,728)               | 4,161,292                      | (90,769)  | -   | 4,068,136            |
|  |                        |                           |                                |   |   | <b>Group</b>         |
|  | Gross amount<br>\$'000 | Amounts set-off<br>\$'000 | Net amount presented<br>\$'000 | Non-cash collateral rec'd / (pledged)<br>\$'000 | Cash collateral rec'd / (pledged)<br>\$'000 | Net amount<br>\$'000 |
| <b>31 December 2020</b>  |                        |                           |                                |   |   |                      |
| <b>Financial assets</b>  |                        |                           |                                |   |   |                      |
| Amounts due from exchanges, clearing houses and other counterparties | 1,952,869              | (852,735)                 | 1,100,134                      | -   | -   | 1,100,134            |
| <b>Financial liabilities</b>   |                        |                           |                                |   |   |                      |
| Amounts due to exchanges, clearing houses and other counterparties   | 3,262,336              | (852,735)                 | 2,409,601                      | (102,432)                                       | -   | 2,307,169            |

## f. Financial risk management objectives

The Group's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk as discussed in the Strategic Report.

The Group manages these risks through various control mechanisms and its approach to risk management is both prudent and evolving.

Overall responsibility for risk management rests with the Board. Dedicated resources within the Risk Department control and manage the exposures of the Group's own positions, the positions of its clients and its exposures to its counterparties, within the risk appetite set by the Board.

### Credit risk

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. Credit risk in the Group principally arises from cash and cash equivalents deposited with third party institutions, exposures from transactions and balances with exchanges and clearing houses, and exposures resulting from transactions and balances relating to customers and counterparties, some of which have been granted credit lines.

The Group only makes treasury deposits with banks and financial institutions that have received approval from the Group's Executive Credit and Risk Committee. These deposits are also subject to counterparty limits with respect to concentration and maturity.

The Group's exposure to customer and counterparty transactions and balances is managed through the Group's credit policies and, where appropriate, the use of initial and variation margin credit limits in conjunction with overall position limits for all customers and counterparties. These exposures are monitored both intraday and overnight. The limits are set by the Group's Executive Credit and Risk Committee through a formalised process.

### Credit quality

The table below does not take into account collateral held.

|                   | Group            |                  | Company        |                |
|-------------------|------------------|------------------|----------------|----------------|
|                   | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000 | 2020<br>\$'000 |
| AA and above      | 3,035,540        | 1,988,100        | -              | -              |
| AA-               | 1,070,293        | 265,845          | 32             | 48             |
| A+                | 76,826           | 114,999          | -              | -              |
| A                 | 8,840            | 28,956           | -              | -              |
| A-                | 1,294,046        | 188,584          | -              | -              |
| BBB+              | 189,694          | 398,341          | -              | -              |
| Lower and unrated | 903,185          | 491,578          | 294,327        | 166,614        |
|                   | <b>6,578,424</b> | <b>3,476,403</b> | <b>294,359</b> | <b>166,662</b> |

The Group has received collateral in respect of its derivative assets during the year ended 31 December 2021 amounting to \$126,025,641 (2020: \$31,436,945). Collateral was recognised in amounts due to exchanges, clearing houses and other counterparties.

#### Market risk

The Group's activities expose it to financial risks primarily generated through foreign exchange, interest rate and commodity market price exposures which are outlined in the Strategic Report.

#### *Market risk sensitivity*

As principally an intermediary (excluding Marex Solutions), the Group's market risk exposure is modest. It manages this market risk exposure using appropriate risk management techniques within pre-defined and independently monitored parameters and limits.

The Group uses a range of tools to monitor and limit market risk exposures. These include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.

#### Value at risk ('VaR')

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

The VaR model used by the Group is based upon the Monte Carlo simulation technique. This model derives plausible future scenarios from past series of recorded market rates and prices, taking account of inter-relationships between different markets and rates, including interest rates and foreign exchange rates. The model also incorporates the effect of option features on the underlying exposures.

The Monte Carlo simulation model used by the Group incorporates the following features:

- 5,000 simulations using a variance covariance matrix;
- simulations generated using geometric Brownian motion;
- an exceptional decay factor is applied across an estimation period of 250 days; and
- VaR is calculated to a 1-day, 99.75% one tail confidence level.

The Group validates VaR by comparing to alternative risk measures, for example, scenario analysis and exchange initial margins as well as the back testing of calculated results against actual profit and loss.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations, for example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in 1-day. This may not fully reflect the market risk arising at times of severe liquidity stress, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99.75% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- the VaR, disclosed below, is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposure; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

The Group recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Group also applies a wide range of stress testing, both on individual portfolios and on the Group's consolidated positions. The VaR as at 31 December 2021 was \$1,579,167 (2020: \$1,041,819) and the average monthly VaR for the year ended 31 December 2021 was \$1,532,974 (2020: \$1,537,817).

The VaR calculation encompasses the activities of the Market Making desks of Metals, Ags, CSC Commodities and Equities. Marex Solutions (see below) and the remaining Market Making desks are not yet governed within the VaR methodology. This is mainly due to the complexity of the products within them that the Group finds cannot be captured within VaR, or as newer desks, they have not been integrated yet into the existing VaR infrastructure. Separate stress-based frameworks, and suites of risk sensitivity limits, have been designed and implemented to control these businesses within the Risk Appetite of the Board.

The Group is not yet required to calculate an Economic VaR for capital purposes however we endeavour to bring all desks within a VaR framework for consistency of risk management.



Marex Solutions' market risk profile is managed via risk sensitivities according to the prevailing risk factors of the business. This is monitored and controlled daily on a net risk profile for the desk, but additional concentration and scenario-based analyses are carried out.

Traded market risks are monitored by the dedicated risk team for Marex Solutions, and are monitored per asset class and determined by their respective price movements:

- Commodity risk
- Equity risk
- Foreign exchange risk
- Interest rate risk
- Credit spread risk
- Crypto currency market risk

Risk sensitivity calculations are made using a dedicated Risk Engine, whose models have been independently validated by a third-party. They are calculated by altering a risk factor and repricing all products to observe the profit and loss impact of the change - as defined below:

- Delta risk measures the impact of +1% relative change in price of the reference asset.
- Vega risk measures the impact of +1% absolute change in implied volatility of the reference asset, applied in parallel across the entire surface.
- Correlation risk measures the impact of a +1% change to implied correlations between reference assets.
- Dividend risk measures the impact of a +1% change to the expected dividend of equity reference assets.
- Foreign exchange risk measures the impact of a +1% relative change in price of the reference currency asset against the US \$.
- Interest Rate delta risk measures the impact of a +1 basis point change to the yield curve of the reference asset, applied in parallel across the entire curve.
- Credit Spread delta risk measures the impact of a +1% relative change in price of the reference credit spread.

Please see below for risk sensitivity exposures for the Marex Solutions business as at 31 December:

|                         | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------|----------------|----------------|
| <b>Commodity</b>        |                |                |
| Delta – agriculture     | 0.8            | (1.8)          |
| Delta – energy          | 4.0            | 1.1            |
| Delta – metals          | 3.8            | (1.6)          |
| Vega – agriculture      | 9.7            | 68.7           |
| Vega – energy           | (6.0)          | 3.3            |
| Vega – metals           | (0.9)          | 3.0            |
| <b>Equity</b>           |                |                |
| Delta                   | (15.8)         | 0.3            |
| Vega                    | 498.6          | 207.6          |
| Correlation             | (667.9)        | (194.0)        |
| Dividend                | 28.3           | 8.1            |
| <b>Foreign exchange</b> |                |                |
| FX G10 delta            | 9.7            | 4.0            |
| FX EM delta             | 2.1            | (0.4)          |
| <b>Rates</b>            |                |                |
| Interest rates delta    | (3.6)          | 5.4            |
| Credit spread delta     | 2.0            | 0.1            |
| <b>Cryptocurrency</b>   |                |                |
| Delta                   | 2.4            | -              |
| Vega                    | 45.3           | -              |
| Correlation             | (2.0)          | -              |

### Foreign currency risk

The Group's policy is to minimise volatility as a result of the translation of foreign currency exposure. As such management monitors currency exposure on a daily basis and buys or sells currency to minimise the exposure, in addition to the hedging of material future dated GBP commitments through the use of derivative instruments. It is the policy of the Group to enter into foreign exchange forward contracts to cover these specific future dated GBP commitments.

The associated gains and losses on derivatives hedging GBP commitments are recognised in other comprehensive income and will be removed when the anticipated commitments take place and included in the initial cost of the hedged commitments. The Group has designated certain foreign exchange forward contracts as hedging instruments.

The following table details the foreign currency forward contracts, held within derivatives on the statement of financial position, that are designated in hedging relationships:

|  | Group<br>2021                      |                               |                         |                                     |
|--|------------------------------------|-------------------------------|-------------------------|-------------------------------------|
|  | Average<br>forward<br>rates (\$/£) | Foreign<br>currency<br>\$'000 | Notional value<br>£'000 | Fair value<br>liabilities<br>\$'000 |
| <b>Outstanding contracts</b>                     |                                    |                               |                         |                                     |
| <b>Derivative designated as Cash flow hedges</b> |                                    |                               |                         |                                     |
| Less than 3 months                               | 1.3641                             | 13,422                        | 9,350                   | (165)                               |
| 3 to 6 months                                    | 1.3657                             | 14,340                        | 10,500                  | (144)                               |
| 6 to 12 months                                   | 1.3644                             | 28,654                        | 21,000                  | (311)                               |
|  |                                    | <b>56,416</b>                 | <b>40,850</b>           | <b>(620)</b>                        |

|  | Group<br>2021                      |                               |                         |                                |
|--|------------------------------------|-------------------------------|-------------------------|--------------------------------|
|  | Average<br>forward<br>rates (\$/£) | Foreign<br>currency<br>\$'000 | Notional value<br>£'000 | Fair value<br>assets<br>\$'000 |
| <b>Outstanding contracts</b>                     |                                    |                               |                         |                                |
| <b>Derivative designated as Cash flow hedges</b> |                                    |                               |                         |                                |
| Less than 3 months                               | 1.3422                             | 2,480                         | 3,180                   | 25                             |
|  |                                    | <b>2,480</b>                  | <b>3,180</b>            | <b>25</b>                      |

|  | Group                       |                         |                      |                          |
|--|-----------------------------|-------------------------|----------------------|--------------------------|
|  | 2020                        |                         |                      |                          |
|  | Average forward rates(\$/£) | Foreign currency \$'000 | Notional value £'000 | Fair value assets \$'000 |
| <b>Outstanding contracts</b>                     |                             |                         |                      |                          |
| <b>Derivative designated as Cash flow hedges</b> |                             |                         |                      |                          |
| Less than 3 months                               | 1,3078                      | 14,885                  | 11,400               | 710                      |
| 3 to 6 months                                    | 1,3084                      | 7,807                   | 6,000                | 404                      |
| 6 to 12 months                                   | 1,3110                      | 15,712                  | 12,000               | 723                      |
|  |                             | <b>38,404</b>           | <b>29,400</b>        | <b>1,837</b>             |

The Group has future foreign currency exposure related to material future dated GBP commitments. The Group has entered into foreign exchange forward contracts (for terms not exceeding 14 months) to hedge the exchange rate risk arising from these anticipated future commitments, which are designated as cash flow hedges.

As at 31 December 2021, the aggregate amount of gains / (losses) under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future commitments is a loss of (\$594,967) (2020: gain of \$1,836,746). It is anticipated that these commitments will become due monthly over the course of the next 14 months, at which time the amount deferred in equity will be reclassified to profit or loss.

As at 31 December 2021 no ineffectiveness (2020: \$nil) has been recognised in profit or loss arising from the hedging of these future dated GBP commitments.

#### Interest rate risk

The Group is exposed to interest rate risk on cash, investments, derivatives, client balances and bank borrowings.

The main interest rate risk is derived from interest-bearing deposits in which the Group invests surplus funds and bank borrowings.

The Group's exposure to interest rate fluctuations is limited through the offset that exists between the bulk of its interest-bearing assets and interest bearing liabilities. Since the return paid on client liabilities is generally reset to prevailing market interest rates on an overnight basis, the Group is only exposed for the time it takes to reset its investments which are held at rates fixed for a maturity which does not exceed three months, with the exception of US Treasuries which have a maturity of up to two years.

During 2020 and 2021 the Group reviewed all key contracts with respect to the transition away from IBORs to alternate reference rates. Material risk areas of focus for the Group's IBOR transition activities included:

- client agreements, including OTC ISDA agreements;
- external and internal funding agreements;
- pricing activities; and
- operations and systems changes to cater for a transition to risk free rates (see Operational risk below)

A working group headed up by the Legal department reviewed each of these areas and changes have been made to contracts that referenced IBORs as required. Client agreements now reference alternate risk free rates as appropriate and for ISDA agreements the new ISDA Protocol has been implemented. In some cases where IBOR rates will continue to be readily available for some time no changes were required by year end. All significant issues were satisfactorily dealt with ahead of the 31 December 2021 transition deadline.

#### Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems, or from external events. It is inherent in every business organisation and covers a wide spectrum of issues. Operational risk is managed through systems and procedures in which processes are documented, authorisation is independent, and transactions are monitored and reconciled. Treasury systems and other systems were updated during 2021 to fully manage the transition to alternative benchmark rates though there is a risk that not all systems were identified and updated. To mitigate this the Group has plans in place for alternate manual procedures with relevant controls to address any issues that arise.

The Group maintains disaster recovery or contingency facilities to support operations and ensure business continuity. The invocation of these facilities is regularly tested.

Compliance or Regulatory risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to entities within the Group. Non-compliance can lead to fines, public reprimands, enforced

suspensions of services, or in extreme cases, withdrawal of authorisation to operate.

Subsidiaries within the Group are subject to authorisation by the LME, DGCX, London Stock Exchange, SGX, Euronext, ICE Futures and Eurex. In the UK the FCA regulates the Group under consolidated supervision.

#### Concentration risk

To mitigate the concentration of credit risk exposure to a particular single customer, counterparty or group of affiliated customers or counterparties, the Group monitors these exposures carefully and ensures that these remain within pre-defined limits. Large exposure limits are determined in accordance with appropriate regulatory rules.

Further concentration risk controls are in place to limit exposure to clients or counterparties within single countries of origin and operation through specific country credit risk limits as set by the Board Risk Committee.

The largest concentration of cash balances as at 31 December 2021 was 28% (2020: 33%) to a UK-based, AA rated global banking group (2020: UK-based, AA- rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2021 was 34% to the CME and 28% to ICE (2020: 32% to the LME).

#### Liquidity risk

The Group defines liquidity risk as the failure to meet its day-to-day capital and cash flow requirements. Liquidity risk is assessed and managed under the Individual Liquidity Adequacy Assessment ('ILAA') and Liquidity Risk Framework. To mitigate liquidity risk, the Group has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Group has sufficient resources to meet its margin requirement at clearing houses and third party brokers. In the event of a liquidity issue arising, the Group has recourse to existing global cash resources after which it could draw down on a \$120 million (2020: \$165 million) committed revolving credit facility (note 24(b)).

There are strict guidelines followed in relation to products and tenor into which excess liquidity can be invested. Excess liquidity is invested in highly liquid instruments, such as cash deposits with financial institutions for a period of less than three months and US Treasuries with a maturity of up to two years.

The financial liabilities are based upon rates set on a daily basis, apart from the financing of the warrant positions and the credit facility where the rates are set for the term of the loan. For assets not marked-to-market there is no material difference between the carrying value and fair value.

#### *Liquidity risk exposures*

The following table details the Group's available financing facilities and annually committed credit agreements:

|  |       | <b>Group</b>   |                |
|--|-------|----------------|----------------|
|  |       | <b>2021</b>    | <b>2020</b>    |
| <b>Secured revolving credit facility, reviewed annually:</b> |       | <b>\$'000</b>  | <b>\$'000</b>  |
| Amount used  |       | -              | -              |
| Amount unused  | 24(b) | 120,000        | 165,000        |
|  |       | <b>120,000</b> | <b>165,000</b> |

The following table details the Group's contractual maturity for non-derivative financial liabilities. Debt securities are presented discounted based on earliest expected call dates. Lease liabilities are undiscounted and contractual.

|  | Group               |                                 |                             |                           |                             |                  |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------------------|------------------|
|  | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | More than 5<br>years \$'000 | Total<br>\$'000  |
| Repurchase agreements  | -                   | 140,406                         | -                           | -                         | -                           | 140,406          |
| Trade payables   | 4,160,133           | 1,159                           | -                           | -                         | -                           | 4,161,292        |
| Amounts due to exchanges,<br>clearing houses and<br>other counterparties | 120,092             | -                               | -                           | -                         | -                           | 120,092          |
| Other creditors  | -                   | 4,558                           | -                           | -                         | -                           | 4,558            |
| Accruals   | -                   | 147,230                         | 11,107                      | 561                       | -                           | 158,898          |
| Deferred income  | -                   | 873                             | -                           | -                         | -                           | 873              |
| Lease liabilities  | -                   | 1,796                           | 4,247                       | 17,279                    | 1,171                       | 24,493           |
| Debt securities  | -                   | 103,101                         | 360,452                     | 655,241                   | 690                         | 1,119,484        |
| <b>At 31 December 2021</b>   | <b>4,280,225</b>    | <b>399,123</b>                  | <b>375,806</b>              | <b>673,081</b>            | <b>1,861</b>                | <b>5,730,096</b> |

|                            | Group               |                                 |                             |                           |                             |                  |
|----------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------------------|------------------|
|                            | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | More than 5<br>years \$'000 | Total<br>\$'000  |
| Repurchase agreements      | -                   | 139,969                         | -                           | -                         | -                           | 139,969          |
| Trade payables             | 2,409,601           | -                               | -                           | -                         | -                           | 2,409,601        |
| Other creditors            | -                   | 7,713                           | -                           | 2,443                     | -                           | 10,156           |
| Accruals                   | 226                 | 114,296                         | 3,912                       | 591                       | -                           | 119,025          |
| Deferred income            | -                   | 506                             | -                           | -                         | -                           | 506              |
| Lease liabilities          | -                   | 1,865                           | 5,459                       | 17,115                    | 1,751                       | 26,190           |
| Debt securities            | -                   | 40,434                          | 89,567                      | 228,529                   | 18,227                      | 376,757          |
| <b>At 31 December 2020</b> | <b>2,409,827</b>    | <b>304,783</b>                  | <b>98,938</b>               | <b>248,678</b>            | <b>19,978</b>               | <b>3,082,204</b> |

|                                   | Company             |                                 |                             |                           |                 |
|-----------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|                                   | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| Amounts due to group undertakings | 304,903             | -                               | -                           | -                         | 304,903         |
| Accruals                          | -                   | 4,362                           | -                           | -                         | 4,362           |
| Other creditors                   | -                   | 95                              | -                           | -                         | 95              |
| Debt securities                   | -                   | -                               | 50,000                      | -                         | 50,000          |
| <b>At 31 December 2021</b>        | <b>304,903</b>      | <b>4,457</b>                    | <b>50,000</b>               | <b>-</b>                  | <b>359,360</b>  |

|                                   | Company             |                                 |                             |                           |                 |
|-----------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|                                   | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| Amounts due to group undertakings | 224,644             | -                               | -                           | -                         | 224,644         |
| Accruals                          | -                   | 6,017                           | -                           | -                         | 6,017           |
| Other creditors                   | -                   | 95                              | -                           | -                         | 95              |
| <b>At 31 December 2020</b>        | <b>224,644</b>      | <b>6,112</b>                    | <b>-</b>                    | <b>-</b>                  | <b>230,756</b>  |

Shown below is the Group's contractual maturity for non-derivative financial assets:

|  | Group               |                                 |                             |                           |                  |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|------------------|
|  | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000  |
| Treasury instruments   | 92,393              | 1,004                           | 691,917                     | 737,987                   | 1,523,301        |
| Financial institution notes  | -                   | -                               | -                           | 957                       | 957              |
| Repurchase agreements  | -                   | 144,275                         | -                           | -                         | 144,275          |
| Equity instruments   | 92,337              | -                               | -                           | -                         | 92,337           |
| Amounts due from exchanges, clearing houses and other counterparties | 2,967,272           | -                               | -                           | -                         | 2,967,272        |
| Trade debtors  | -                   | 56,957                          | 1,205                       | -                         | 58,162           |
| Default funds and deposits   | -                   | 157,614                         | -                           | -                         | 157,614          |
| Loans receivable   | 13,226              | 35                              | 73                          | -                         | 13,334           |
| Other debtors  | 144                 | 10,771                          | 3,376                       | 516                       | 14,807           |
| Cash and cash equivalents  | 712,028             | -                               | -                           | -                         | 712,028          |
| <b>At 31 December 2021</b>   | <b>3,877,400</b>    | <b>370,656</b>                  | <b>696,571</b>              | <b>739,460</b>            | <b>5,684,087</b> |

|  | Group               |                                 |                             |                           |                  |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|------------------|
|  | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000  |
| Treasury instruments   | -                   | 734,497                         | 407,416                     | 496,954                   | 1,638,867        |
| Equity instruments   | 52,055              | -                               | -                           | -                         | 52,055           |
| Amounts due from exchanges, clearing houses and other counterparties | 1,100,134           | -                               | -                           | -                         | 1,100,134        |
| Trade debtors  | -                   | 46,988                          | -                           | -                         | 46,988           |
| Default funds and deposits   | -                   | 102,313                         | -                           | -                         | 102,313          |
| Loans receivable   | 17,483              | 4                               | 157                         | -                         | 17,644           |
| Other debtors  | -                   | 17,361                          | 887                         | 478                       | 18,726           |
| Cash and cash equivalents  | 291,546             | -                               | -                           | -                         | 291,546          |
| <b>At 31 December 2020</b>   | <b>1,461,218</b>    | <b>901,163</b>                  | <b>408,460</b>              | <b>497,432</b>            | <b>3,268,273</b> |

Shown below is the Company's expected undiscounted contractual maturity for non-derivative financial assets:

|  | Company             |                                 |                             |                           |                 |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|  | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| Subordinated loans due from group undertakings | -                   | -                               | -                           | 289,124                   | 289,124         |
| Cash and cash equivalents                      | 32                  | -                               | -                           | -                         | 32              |
| <b>At 31 December 2021</b>                     | <b>32</b>           | <b>-</b>                        | <b>-</b>                    | <b>289,124</b>            | <b>289,156</b>  |

|  | Company             |                                 |                             |                           |                 |
|--|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|  | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| Subordinated loans due from group undertakings | -                   | -                               | -                           | 161,000                   | 161,000         |
| Cash and cash equivalents                      | 48                  | -                               | -                           | -                         | 48              |
| <b>At 31 December 2020</b>                     | <b>48</b>           | <b>-</b>                        | <b>-</b>                    | <b>161,000</b>            | <b>161,048</b>  |

Both assets and liabilities are included to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.



The following table details the Group's expected contractual maturity for derivative financial assets and derivative financial liabilities:

|                               | Group               |                                 |                             |                           |                 |
|-------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|                               | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| <b>Derivative instruments</b> |                     |                                 |                             |                           |                 |
| Assets                        | -                   | 220,130                         | 233,694                     | 373,246                   | 827,070         |
| Liabilities                   | -                   | (206,135)                       | (169,547)                   | (315,863)                 | (691,545)       |
| <b>At 31 December 2021</b>    | <b>-</b>            | <b>13,995</b>                   | <b>64,147</b>               | <b>57,383</b>             | <b>135,525</b>  |

|                               | Group               |                                 |                             |                           |                 |
|-------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
|                               | On demand<br>\$'000 | Less than 3<br>months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Total<br>\$'000 |
| <b>Derivative instruments</b> |                     |                                 |                             |                           |                 |
| Assets                        | -                   | 88,390                          | 92,888                      | 18,380                    | 199,658         |
| Liabilities                   | -                   | (107,866)                       | (76,531)                    | (52,034)                  | (236,431)       |
| <b>At 31 December 2020</b>    | <b>-</b>            | <b>(19,476)</b>                 | <b>16,357</b>               | <b>(33,654)</b>           | <b>(36,773)</b> |

Derivative assets and liabilities do not meet the offsetting criteria in IAS 32, but the entity has the right of offset in the case of default, insolvency or bankruptcy. Consequently, the gross amount of derivative assets of \$827,070,000 (2020: \$199,658,491) and the gross amount of derivative liabilities of \$691,545,000 (2020: \$236,430,555) are presented separately in the Group's Statement of Financial Position.

#### Fair value measurement

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Level 2 pricing for investments is based on the latest traded price. The Level 2 pricing for derivative instruments and debt securities are determined using quantitative models that require the use of multiple market inputs including commodity prices, interest and foreign exchange rates to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The Level 3 pricing for derivative instruments are determined using quantitative models that require the use of multiple market inputs including commodity prices, interest and foreign exchange rates to generate continuous yield or pricing curves and volatility factors in addition to unobservable inputs, which are used to value the position.

### Own credit

Under IFRS 9, changes in fair value related to own credit risk for other financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income. The changes in own credit risk recognised in other comprehensive income are subsequently transferred within equity to retained earnings in the same period as the sales fee income is deemed earned. The Group determines its own credit spread regularly based on a model using observable market inputs. Management compared the determined credit spread with observable and paid credit spreads for public distributed products of the Group and, given current market developments, decided to adjust the Group's own credit spread in September 2021 and December 2021. No own credit spread adjustment was required in the prior year. The following table shows an analysis of the financial assets and liabilities recorded at fair value shown in accordance with the fair value hierarchy. No assets or liabilities have been transferred between levels within the fair value hierarchy during 2021 or 2020.

|  | Group             |                   |                   | Total<br>\$'000  |
|--|-------------------|-------------------|-------------------|------------------|
|  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |                  |
| <b>Financial assets - FVTPL:</b>                                     |                   |                   |                   |                  |
| Financial institution notes  | 957               | -                 | -                 | 957              |
| Equity instruments   | 92,337            | -                 | -                 | 92,337           |
| Derivative instruments   | -                 | 825,611           | 1,434             | 827,045          |
| Amounts due from exchanges, clearing houses and other counterparties | 390,743           | -                 | -                 | 390,743          |
| <b>Financial assets - FVTOCI:</b>                                    |                   |                   |                   |                  |
| Investments  | 3,761             | 5,142             | -                 | 8,903            |
| Derivative instruments   | -                 | 25                | -                 | 25               |
| <b>Financial liabilities - FVTOCI:</b>                               |                   |                   |                   |                  |
| Derivative instruments   | -                 | (620)             | -                 | (620)            |
| <b>Financial liabilities - FVTPL:</b>                                |                   |                   |                   |                  |
| Derivative instruments   | -                 | (688,489)         | (2,436)           | (690,925)        |
| Contingent consideration   | -                 | (2,974)           | -                 | (2,974)          |
| Debt securities  | -                 | (1,119,484)       | -                 | (1,119,484)      |
| <b>At 31 December 2021</b>   | <b>487,798</b>    | <b>(980,789)</b>  | <b>(1,002)</b>    | <b>(493,993)</b> |

|   | Group             |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000  |
| <b>Financial assets – FVTPL:</b>  |                   |                   |                   |                  |
| Treasury instruments  | -                 | 2,313             | -                 | 2,313            |
| Equity instruments  | 52,055            | -                 | -                 | 52,055           |
| Derivative instruments  | -                 | 199,449           | 209               | 199,658          |
| Amounts due from exchanges, clearing<br>houses and other counterparties | 133,636           | -                 | -                 | 133,636          |
| <b>Financial assets – FVTOCI:</b>                                       |                   |                   |                   |                  |
| Investments   | 3,416             | 5,056             | -                 | 8,472            |
| Treasury instruments <sup>1</sup>                                       | 1,305,335         | -                 | -                 | 1,305,335        |
| Derivative instruments  | -                 | 1,837             | -                 | 1,837            |
| <b>Financial liabilities – FVTPL:</b>                                   |                   |                   |                   |                  |
| Derivative instruments  | -                 | (236,402)         | (29)              | (236,431)        |
| Contingent consideration  | -                 | (2,443)           | -                 | (2,443)          |
| Debt securities   | -                 | (376,757)         | -                 | (376,757)        |
| <b>At 31 December 2020</b>  | <b>1,494,442</b>  | <b>(406,947)</b>  | <b>180</b>        | <b>1,087,675</b> |

<sup>1</sup> In 2021 Treasury instruments previously included within FVTOCI have been disclosed under Amortised cost in accordance with the Group's accounting policy.

The following table summarises the movements in the Level 3 balances during the year.

Asset and liability transfers between Level 2 and Level 3 are primarily due to either an increase or decrease in observable market activity related to an input or a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant. There were no transfers between any levels during the year (2020: no transfers).

Reconciliation of Level 3 fair value measurements of financial assets

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2021</b>   | <b>2020</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Balance at 1 January</b>  | 209           | 272           |
| Purchases  | 920           | 1,439         |
| Settlements  | (573)         | (1,480)       |
| <b>Total gains or losses in the period recognised in the income statement:</b> |               |               |
| Market making revenue  | 878           | (22)          |
| <b>Balance at 31 December</b>  | <b>1,434</b>  | <b>209</b>    |

Reconciliation of Level 3 fair value measurements of financial liabilities

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2021</b>   | <b>2020</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Balance at 1 January</b>  | 29            | 39            |
| Purchases  | 1,580         | 376           |
| Settlements  | (58)          | (389)         |
| <b>Total gains or losses in the period recognised in the income statement:</b> |               |               |
| Market making revenue  | 885           | 3             |
| <b>Balance at 31 December</b>  | <b>2,436</b>  | <b>29</b>     |

The Group's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the Level 3 fair values are appropriate. The impact of reasonably possible alternative assumptions from the unobservable input parameters shows no significant impact on the Group's profit, comprehensive income or shareholders' equity. The Group deems the total inventory of Level 3 financial assets and liabilities to be immaterial and therefore any sensitivities calculated on these balances are also deemed to be immaterial.

### 34. CASH FLOW HEDGE RESERVE

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2021<br>\$'000 | 2020<br>\$'000 |
| At 1 January                   | 1,837          | 211            |
| (Loss) / profit on revaluation | (2,432)        | 1,626          |
| <b>At 31 December</b>          | <b>(595)</b>   | <b>1,837</b>   |

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

### 35. CLIENT MONEY

As required by the UK FCA's Client Assets Sourcebook rules and the US CFTC's client money rules, the Group maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. Segregated assets at banks and the related liabilities to clients, whose recourse is limited to segregated accounts, are not included in the statement of financial position as the Group is not beneficially entitled thereto and does not share any of the risks or rewards of the assets.

|   | Group            |                  |
|---|------------------|------------------|
|   | 2021<br>\$'000   | 2020<br>\$'000   |
| Segregated assets at banks (not recognised)   | 1,848,485        | 1,063,032        |
| Segregated assets at exchanges, clearing houses and other counterparties (recognised) | 3,555,234        | 2,032,552        |
|   | <b>5,403,719</b> | <b>3,095,584</b> |

As at 31 December 2021, \$48,645,259 (2020: \$49,092,688) of excess Firm cash placed in segregated accounts to satisfy US regulations has been recorded within cash and cash equivalents and client liabilities.

### 36. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profits attributable to the shareholders of the Group for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to the shareholders of the Group for the year, divided by the average number of ordinary, non-voting ordinary, growth shares and awards under the Deferred Bonus Plan. The weighted average number of shares outstanding includes shares held in trust. The only shares not included are deferred shares, to which no income can be attributed and therefore diluted earnings per share is not materially different.

|   | Group       |             |
|---|-------------|-------------|
|   | 2021        | 2020        |
| Profit attributable to equity holders of the Group (\$'000) | 56,450      | 43,823      |
| Weighted average number of shares during the year           | 137,774,967 | 136,662,046 |
| Basic and diluted earnings per share (\$)                   | <b>0.41</b> | <b>0.32</b> |

### 37. COMPANY PROFIT AND LOSS

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its income statement for the year. The Company reported a retained profit for year ended 31 December 2021 of \$21,496,204 (2020: \$9,344,445).

### 38. EVENTS AFTER THE BALANCE SHEET DATE

#### a. Acquisitions

On 1 February 2022, the Group acquired 100% of the share capital of Arfinco S.A., a European agriculture broker for cash consideration of €2,915,287, subject to an adjustment for the value of net assets as at the completion date.

#### b. Subordinated loans due from group undertakings

After the year end the revolving subordinated loan agreement with Marex North America LLC (note 20) was amended. The facility now has a drawing termination date of 31 January 2023 and a maturity date of 31 January 2026 and a total credit line of \$355,000,000.

#### c. Ukraine situation

We are shocked and deeply concerned about the developments in Ukraine since the start of the year and the impact it has had on human lives.

On 24 February 2022, Russia commenced a large-scale invasion against Ukraine. In response, the West has moved to impose broad-based sanctions targeting Russia, including but not limited to certain Russian banks and the Russian Central Bank, companies, parliamentary members and high-profile individuals and their families. It is possible that additional sanctions and other measures may be imposed in the future. Developments with regards to the military conflict are fast moving and the extent of any financial and non-financial impact on the Group is currently not known.

Whilst Marex has limited direct exposure to Russia or Ukraine, we have followed, and will continue to follow any government guidance regarding sanctions to the extent that they affect our business or our clients. We also note that certain commodity markets have seen unprecedented volatility and exchanges are taking appropriate steps to mitigate the impact of this volatility on market participants in certain instances. For example, the London Metal Exchange suspended trading in Nickel contracts on 8 March 2022 following unprecedented price increases. Trading subsequently resumed on 16 March with daily price limits.

Marex is well positioned, having entered the year with strong liquidity, including \$818.6 million in total liquid assets. Our business has been very resilient during the recent volatility, we have continued to support our clients whilst generally trading positively and closely managing our liquidity position and credit risk throughout.

We will continue to monitor the situation closely and the impact it has on the markets we operate in and on our clients. Overall, the potential financial and non-financial impact of the ongoing situation on the Group will depend on how the crisis unfolds. Given the uncertainty of the situation, it is currently not possible to estimate any future impact on the financial statements.

## 39. RELATED PARTY TRANSACTIONS

### a. Parent and ultimate controlling party

In these financial statements of the Group, being the Company and its subsidiaries, where subsidiaries refer to the entities controlled by the Company as disclosed in note 17(c).

In the directors' opinion, the immediate parent and ultimate controlling party of the Company is Amphitryon Limited, a company incorporated in Jersey, Channel Islands.

### b. Key Management Personnel

The remuneration paid to key management personnel for their services to the Group was as follows:

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2021<br>\$'000 | 2020<br>\$'000 |
| Aggregate wages and salaries      | 44,502         | 29,417         |
| Short-term monetary benefits      | 232            | 193            |
| Defined contribution pension cost | 154            | 136            |
| Management Incentive plan         | -              | 95             |
|                                   | <b>44,888</b>  | <b>29,841</b>  |

The remuneration of the highest paid director for their services to the Group was \$5,422,934 (2020: \$4,777,810). No pension contributions were made on their behalf whilst they were a director of the Group (2020: \$nil). As at 31 December 2021, there were 11 key management personnel in the Group's defined contribution pension scheme (2020: 9).

### c. Key Management Personnel transactions

During 2020 the Group paid \$115,560 for consultancy services provided by MCS Advisory Ltd, a company 50% owned by Carla Stent. This relationship ceased in November 2020.

Pursuant to share buyback arrangements, in June 2020 the Company offered certain ex-employees the opportunity to sell shares and surrender options over shares in the capital of the Company they held to the Employee Benefit Trust and certain ex-employees elected to sell or surrender such interests. These shares were subsequently offered by the Company to, and acquired from the EBT by Executive Directors and members of senior management in December 2020 and in January 2021. The shares were acquired by the Employee Benefit Trust and by the subsequent purchasers at market value. In total, 438,000 Non-Voting Ordinary Shares were beneficially acquired by key management personnel in January 2021. Each acquirer of such shares in January 2021 is subject to lock-in arrangements pursuant to which each acquirer may not transfer any interest in (i) 50% of such acquired shares until on or after the first anniversary of the occurrence of certain corporate events and (ii) the remaining 50% of such acquired shares until on or after the second anniversary of the occurrence of certain corporate events.

No growth shares were purchased during the year (2020: 2,225,000 shares).

### d. Transactions with entities having significant influence over the Group

Balances and transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

The Group paid management fees to parties associated with the ultimate parent company based on a percentage of the Group's profitability amounting to \$2,078,403 (2020: \$1,710,870).

### e. Share-based payment

During the year, the Company introduced two equity settled share-based remuneration schemes for executive directors and certain senior management. Both of these are United Kingdom tax authority unapproved schemes.

The cost of the employee service received in respect of the shares granted is recognised in the income statement over the period that the employee provides service. The cost of the service is calculated by reference to the fair value of shares at the grant date, the number of shares expected to vest under the schemes, and the probability that the performance and service conditions will be met. The fair value of the shares was calculated by applying an estimated price-earnings multiple to the earnings per share of the Group.

Under the Deferred Bonus Plan, the members of the scheme are awarded a fixed number of shares vesting in three equal tranches over the three years following the date of grant. The awards were based on the employees' performance during the year ended 2021. The first year of the service period is therefore considered to be 2021 with 2024 as the final year.

Under the Retention Long Term Incentive Plan the members of the scheme are awarded a variable number of shares three years after the grant date. The number of shares awarded are determined by reference to a hurdle return on equity of the Group and to growth targets for the profit after tax of the Group over the three year period. As the service conditions and performance years begin in 2022, no cost has been recognised in 2021.

The charge for the year arising from share-based payment schemes was as follows:

|  | Group         |               |
|--|---------------|---------------|
|  | 2021<br>\$000 | 2020<br>\$000 |
| Deferred Bonus Plan                              | 1,202         | -             |
| Retention Long Term Incentive Plan               | -             | -             |
| <b>Total equity settled share-based payments</b> | <b>1,202</b>  | <b>-</b>      |

### f. Share award plans

The weighted average fair value per award granted, weighted average contractual remaining life and number of awards at the balance sheet date were as follows:

|                                    | Group   |                              |   |                              |
|------------------------------------|---|------------------------------|---|------------------------------|
|                                    | 2021<br>\$  | 2021<br>No.                  | 2020<br>\$  | 2020<br>No.                  |
|                                    | Weighted average fair value per award granted in the year | Number of awards outstanding | Weighted average fair value per award granted in the year | Number of awards outstanding |
| Deferred Bonus Plan                | 4.33  | 844,761                      | -   | -                            |
| Retention Long Term Incentive Plan | 5.41  | 3,119,214                    | -   | -                            |



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