

Cowen Execution Services Limited
Annual MIFIDPRU Remuneration Disclosure Statement
23 April 2024

1. Background

- 1.1 This remuneration disclosure statement (the "**Statement**") has been prepared by Cowen Execution Services Limited ("**CESL**") in order to fulfil the Financial Conduct Authority ("**FCA**")'s regulatory disclosure requirements under chapter 8.6 of the Prudential sourcebook for MiFID Investment Firms ("**MIFIDPRU 8.6**").
- 1.2 Under MIFIDPRU 8.6, CESL is required to disclose certain information about its remuneration policies, practices and outcomes on at least an annual basis. These disclosures are published concurrently with CESL's 2023 Annual Report and Accounts and relate to the performance period of CESL beginning on 1 January 2023 and ending on 31 October 2023 ("**2023 Performance Period**").¹
- 1.3 CESL is subject to the UK prudential framework under the Investment Firms Prudential Regime ("**IFPR**") and the MIFIDPRU Remuneration Code ("**Code**"). Under the IFPR, CESL is classified as a non-SNI MIFIDPRU investment firm that falls within SYSC 19G.1.1R(2), meaning it is not subject to the enhanced requirements under the Code.
- 1.4 During the 2023 Performance Period, the parent company of CESL, Cowen Inc. was acquired by the TD Bank Group ("**Acquisition**"). The Acquisition completed on 1 March 2023 ("**Completion**"). Collectively, the former business of Cowen Inc. is now known as TD Cowen, a division of TD Securities ("**TDCowen**").
- 1.5 Cowen International Limited ("**CIL**"), a former subsidiary of Cowen Inc., was acquired by Marex in an acquisition which completed on 1 December 2023. CIL is now called Marex Prime Services Limited and is no longer part of TDCowen.

¹ CESL adopted a shorter remuneration performance period for 2023 to align with the wider TD Bank Group, including TDCowen. CESL's next remuneration performance period will be from 1 November 2023 to 31 October 2024.

- 1.6 In accordance with its obligations under the Code, CESL implemented a remuneration policy for the 2023 Performance Period ("**Remuneration Policy**") which is designed to ensure that there are sound and effective risk management procedures in place for CESL by having a clear policy for setting remuneration.
- 1.7 For the avoidance of doubt, the disclosures in this Statement are in respect of CESL only. During the 2023 Performance Period, CIL remained part of TDCowen and the Remuneration Policy applied to both CIL and CESL. This Statement relates only to the Remuneration Policy as implemented by CESL during the 2023 Performance Period.

2. **Our approach to remuneration**

2.1 **Principles or philosophy guiding CESL's remuneration policies and practices**

CESL's remuneration philosophy is founded on four essential principles:

- (a) ensuring that excessive risk taking is not rewarded and that sound conduct is rewarded;
- (b) rewarding exceptional performance against CESL's stated expectations;
- (c) monitoring the marketplace so that CESL's pay practices are competitive with what the market is paying for the same or similar jobs, qualifications, and experience; and
- (d) ensuring that levels of compensation and titles reflect similar responsibilities across the firm.

Behaviours that are relevant to CESL's business strategies and mission are vision, tenacity and empathy as well as teamwork, outreach, and productivity. All these traits are taken into account when determining remuneration.

CESL's approach to remuneration can be summarised as follows:

- (a) variable remuneration is awarded in a manner which:
 - (i) promotes sound risk management;
 - (ii) includes ex-post risk adjustment (in-year adjustments, malus and clawback arrangements);

- (iii) does not incentivise excessive risk-taking; and
 - (iv) aligns employees with the long-term interests of CESL, TD Cowen, TD Securities and the TD Bank Group, including CESL's business strategies and interests of its clients, customers and investors;
- (b) remuneration is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of CESL or the risk profile of the assets CESL manages;
- (c) employees engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
- (d) guaranteed variable remuneration is exceptional, occurs only in the context of hiring new staff and is limited to the first year of employment;
- (e) variable remuneration is not paid through vehicles or methods that facilitate avoidance of Code requirements; and
- (f) remuneration is paid in a way which does not conflict with CESL's duty to act in the best interests of its clients. Targets are designed in a way not to incentivise employees to favour their own or CESL's interests to the potential detriment of a client.

2.2 How CESL links variable remuneration and performance

Variable remuneration is paid only if it is sustainable according to the financial situation of CESL, TD Cowen, TD Securities and the TD Bank Group, and justified according to the performance of CESL, the business unit and the individual concerned. This ensures that it is possible for no variable remuneration to be paid in years where business performance does not merit this.

2.3 CESL's main performance objectives

CESL's main performance objectives are aligned to those of our clients, supporting them via an entrepreneurial, values-based client-focused mindset. CESL looks to maintain sustainable long-term growth of revenue associated with our client-focused business.

2.4 Categories of staff eligible to receive variable remuneration

All employees are eligible to receive variable remuneration.

3. **Objectives**

The objectives of CESL's financial incentives are to reward employees for achieving CESL's annual performance goals and to reward individual performance. They are also intended to drive the successful performance of CESL, TD Cowen, TD Securities and the TD Bank Group by incentivising employees and to attract, retain and motivate high performing personnel, to create sustainable value over the long term.

4. **Governance**

4.1 **Remuneration Committee**

CESL has established a Remuneration Committee that is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and the risk management of CESL and which are to be taken by the Board.

CESL's Remuneration Committee is ultimately responsible for establishing and embedding effective remuneration policies and procedures.

The Remuneration Committee for CESL is chaired by CESL's non-executive director ("**NED**"), who also chairs CESL's Audit and Risk Committee. The Remuneration Committee also includes the COO and the Chairman of CESL

CESL's Remuneration Committee ensures that there is an appropriate balance between fixed and variable remuneration for all employees. All performance-related awards, financial and non-financial, are reviewed and approved by the Remuneration Committee.

CESL's Remuneration Committee reviews the factors set out in the Remuneration Policy as well as CESL's overall profitability when remuneration levels are considered.

CESL's Remuneration Committee reviews the Remuneration Policy on at least an annual basis as part of the year-end compensation process for employees to ensure that it is effective and fit for purpose.

4.2 **Annual review**

Alongside the Remuneration Committee's review, CESL's Chief Compliance Officer performs an annual review of CESL's compliance with its legal and regulatory responsibilities regarding the remuneration of its employees. This includes a review of the integrity of CESL's remuneration policies and procedures.

This review includes ensuring that the Remuneration Policy aligns with CESL's long term business strategies, values and clients, customers and investors. The Remuneration Policy is also be reviewed for compliance with policies and procedures for remuneration adopted by the Remuneration Committee in its supervisory function.

This review assesses factors such as:

- (a) whether the Remuneration Policy considers the specific objectives of encouraging effective management of risk and supporting positive behaviours and conduct;
- (b) whether the proposed distribution between fixed and variable remuneration levels are consistent with CESL's strategy, risk appetite, regulatory and legal responsibilities and its policies and procedures; and
- (c) whether variable remuneration is awarded with due regard to the capital position of CESL and does not compromise CESL's ability to meet its regulatory capital requirements, operate as a going concern or meet all of its financial obligations as they fall due.

4.3 **External consultants**

Ashurst LLP has assisted in the development of CESL's Remuneration Policy.

5. **Material Risk Takers**

Employees that have specific roles or levels of responsibilities that are deemed to have the ability to materially impact the risk profile of CESL are classified as Material Risk Takers ("**MRTs**").

During the 2023 Performance Period, CESL had ten MRTs. The MRTs of CESL that have been identified comprise:

- (a) control functions; and
- (b) members of the board.

TDCowen categorises individuals that run the firm's business as MRTs. TDCowen is satisfied that no other staff members' activities have a material impact on the risk profile of CESL or the assets it manages.

CESL assesses new employees at the point of joining to determine whether they will be classified as an MRT. In accordance with the Code, CESL also conducts an annual assessment of all employees to identify its MRTs and determine the appropriate elements of the Code to apply to which employees.

6. **Our Remuneration Policy**

The Remuneration Policy applies to all employees, with additional controls for employees identified as MRTs. When applying the Remuneration Policy, CESL takes account of all aspects of an employee's business activities, irrespective of whether or not these are subject to FCA regulation.

The Remuneration Policy applies to all aspects of remuneration that could have a bearing on effective risk management, including salaries and bonuses.

6.1 **Components of remuneration**

Remuneration at CESL is comprised of the following components:

- (a) an employee's basic salary, which is built on factors including (but not limited to) the employee's professional experience, organisational responsibilities, and any additional benefits;
- (b) discretionary bonuses, consisting of cash and equity (as applicable), awarded to employees; and,
- (c) various flexible benefits, including permanent health insurance, life insurance and pension contributions.

6.2 **Fixed and variable remuneration**

(a) **Fixed remuneration**

Fixed remuneration is paid to employees in cash form.

(b) **Variable remuneration**

In the 2023 Performance Period, front-office employees of CESL were awarded variable remuneration on a discretionary basis funded through the TD Securities Performance Compensation Plan (PCP), which is a TD Bank Group global incentive plan. All other CESL employees, including control function employees, were compensated under CESL's bonus plan.

In the 2024 performance year, all CESL employees have transitioned to TD Securities or TD Bank Group global incentive plans.

The variable remuneration plans are described below.

TD Securities Performance Compensation Plan

The PCP plan is a fully discretionary incentive plan, under which aggregate funding is allocated to individual participants after considering performance during the year, including any risk, control or other applicable conduct issues.

The aggregate pool is determined based on adjusted contribution to profit with modifiers based on TD Bank Group's enterprise performance and TD Securities Scorecard performance. The pool is also subject to a risk adjustment that is approved by the TD Bank Group Human Resources Committee ("**TD HRC**") after considering performance against the bank's risk appetite, as well as other discretionary adjustments (as approved by the TD HRC).

The approved global pool is allocated to senior business leaders by the President and CEO of TD Securities at their discretion. Factors considered when allocating the pool include, but are not limited to, the following: business performance, strategic initiatives, risk management, and market levels of remuneration.

Senior business leaders are responsible for allocating their portion of the approved pool to the individual employees within their business. Individual award decisions are determined as a total remuneration award. They are discretionary and there are no formulae or explicit guidelines for making award decisions. Factors considered include, but are not limited to, the following: individual and business performance, teamwork, risk management, market environment, market levels of remuneration, and potential future contribution to the firm. To ensure appropriate consideration of non-financial performance, performance for PCP participants also considers risk outcomes in the determination of their annual incentive award.

Under the PCP plan, once the incentive award is determined, a portion of the award is separated into cash incentive and equity incentive in accordance with deferral levels established by the TD Securities Deferral Policy, subject to a transition plan agreed upon as a result of the Acquisition.

CESL Bonus Plan

The primary means by which variable remuneration is awarded to eligible employees are (i) cash bonuses and (ii) equity bonuses.

Cash bonuses

CESL has an annual cash bonus plan ("**Cash Bonus Plan**") which applies to eligible employees, regardless of job title. Under the Cash Bonus Plan, employees are eligible to receive performance-based cash bonuses determined in accordance with the Remuneration Policy.

Discretionary bonuses under the Cash Bonus Plan are performance based, taking into account individual financial and non-financial performance and the TD Bank Group's, TD Securities', TDCowen's, CESL's, and the relevant business unit's performance. In particular, cash bonuses reflect the long term performance of the employee as well as performance in excess of their job description, role and duties.

Equity bonuses

At certain salary thresholds, variable remuneration can be paid to employees in the form of restricted stock units ("**RSUs**"), issued by the TD Bank Group following input from CESL's management and Remuneration Committee.

Employees who qualify to receive an equity bonus for a given year receive equity (in the form of RSUs) as part of their year-end bonus award. The amount of the equity component is determined annually with input from CESL's management, Remuneration Committee and the Board, based on the total incentive compensation paid to the employee.

6.3 Performance assessment

Variable remuneration is only paid if it is sustainable according to the financial situation of CESL ,TDCowen and TD Bank Group , and justified according to the performance of CESL, the business unit and the individual concerned.

(a) Firm and business unit performance

CESL's Remuneration Committee considers the following criteria when calculating the variable remuneration awarded to CESL employees:

- (i) the financial performance of CESL, TDCowen TD Securities and the TD Bank Group;
- (ii) the availability of profits to fund the payment of variable compensation and the appropriate percentage of profits to be paid to staff;
- (iii) the appropriateness of using other reserves to fund the payment of variable compensation, if applicable, in periods of lower profitability and in the context of the need and desire to retain key staff;

- (iv) CESL's compliance and risk management "performance", taking into account any known risk or compliance failures and including taking advice from the Audit & Risk Committee;
- (v) the projected profitability of CESL in the next financial year and other factors likely to impact capital so that payment of variable compensation does not jeopardise the maintenance of minimum regulatory and working capital requirements;
- (vi) the risk profile of CESL as a whole and any significant risks which could crystallise in the future and have a material impact on capital. In view of the activities of CESL, these are likely to be regulatory/conduct related only; and
- (vii) compliance with applicable law, tax, accounting or other regulatory requirements, guidance and expectations applicable from time to time (including those set out in the Code).

In evaluating the size of the bonus pool, CESL considers the overall ratio of "value given compensation" (i.e. salaries plus bonuses) against CESL's total revenue. CESL also considers the following revenue ratios:

- (i) value given compensation plus benefits and taxes compared to revenue; and
- (ii) "economic income compensation expense" (fixed income compensation expense) compared to revenue.

Management at CESL level have the ability to allocate numbers based upon their interpretation of the risk approach of individuals.

Variable incentive awards are limited in the event that the performance of CESL, TDCowen, TD Securities and/or the TD Bank Group is subdued or negative. CESL's Remuneration Committee has the flexibility to reduce the bonus pool to zero.

(b) **Individual performance**

When assessing individual performance, CESL takes into account a number of financial as well as non-financial criteria. Both criteria are considered in the context of the individual's performance against the specifications of the role, the level of responsibility, and seniority within the role.

The criteria include (but are not limited to):

- (i) **Financial criteria:**
 - (A) the financial performance and profitability of CESL, taking into consideration CESL's, TD Cowen, TD Securities and the TD Bank Group's strategic objectives;

- (B) performance of client funds and separate accounts; and
- (C) cost and quantity of the capital and liquidity required.

(ii) **Non-financial criteria:**

- (A) adherence to CESL's risk management and compliance policies relating to regulatory requirements, including any applicable overseas regulatory requirements;
- (B) compliance with internal conduct policies and procedures;
- (C) building and maintaining positive client relationships and outcomes, such as positive client feedback, fair treatment of clients and quality of service provided;
- (D) performance in line with CESL's strategy, purpose, culture and values, for example by displaying leadership, teamwork or creativity; and
- (E) being aware of matters relating to: (A) environmental, social and governance factors; and (B) diversity and inclusion.

In addition to the criteria above, the following are also assessed in determining the variable remuneration of an employee:

- (i) the individual's performance against the specifications of their role, including the long term performance of the employee as well as performance in excess of the employee's job description and terms of employment; and
- (ii) the level of responsibility and seniority within the role.

Poor performance or business conduct, such as poor risk management or other behaviours contrary to CESL's values, can pose significant risks for CESL and non-financial metrics therefore override financial performance metrics where appropriate.

6.4 **Risk adjustment of remuneration**

(a) **Ex-ante risk adjustment**

CESL's Remuneration Committee can exercise its discretion to adjust remuneration where it considers any award to be in breach of sound and effective risk management.

CESL may cancel cash bonuses before they are paid out where they consider this appropriate, such as in cases of employee misbehaviour. This may result in a cash bonus not being paid out to an employee.

(b) Malus and clawback

CESL has the right to:

- (i) reduce or cancel awards of deferred remuneration (i.e. to apply malus); or
- (ii) require repayment of all or part of an award of variable remuneration (i.e. to apply clawback).

All variable remuneration may be subject to malus or clawback. CESL uses these arrangements to prevent excessive risk-taking, better align risk, reward, incentivise, and encourage more effective and sound risk management.

CESL may apply malus or clawback in circumstances where:

- (i) an individual participated in or was responsible for conduct which resulted in significant losses for CESL; or
- (ii) CESL has determined that the individual has failed to meet appropriate standards of fitness and propriety.

In particular, CESL will apply clawback in cases of fraud or other conduct with intent or severe negligence which led to significant losses for CESL.

CESL may also apply malus where:

- (i) there is reasonable evidence of employee behaviour or material error;
- (ii) CESL or the relevant business unit suffers a material downturn in its financial performance; or
- (iii) CESL or the relevant business unit suffers a material failure of risk management.

When deciding the amounts to be adjusted, CESL will take into account all relevant criteria, including:

- (i) the impact on CESL's customers, counterparties and the wider market;
- (ii) the impact of the failure on CESL's relationships with its other stakeholders;

- (iii) the cost of fines and other regulatory actions;
- (iv) direct and indirect financial losses attributable to the relevant failure; and
- (v) reputational damage.

CESL ensures that the malus and clawback periods they set and apply allow sufficient time for any potential risks to crystallise. This may mean that different periods are set for different categories of MRTs.

The starting point for CESL's consideration of the appropriate malus or clawback period is five years from the date of the award or its vesting (whichever is the later).

6.5 **Guaranteed variable remuneration**

CESL's general approach to guaranteed variable remuneration is that it should be exceptional, occur only in the context of hiring new staff and be limited to the first year of employment.

CESL does not typically use guaranteed, sign-on or retention bonus arrangements as a matter of course. These will only be permitted if they are required for exceptional reasons, align with the long term interests of CESL and otherwise comply with FCA guidance on such payments.

Circumstances in which CESL may award non-standard forms of variable remuneration to an MRT include where it is necessary to buy a prospective employee out of their existing contract with their current employer. Such an arrangement will only be entered into if CESL has a strong capital base and the guarantee will be limited to the first year of service.

Any guaranteed bonuses are brought to the attention of CESL's Remuneration Committee.

Portico Retention Awards

Certain employees of CESL who were employed by Portico Capital Europe LLP ("**Portico**") prior to the closing of the acquisition of the assets of Portico by Cowen Inc. are eligible to receive the following retention awards, which each vest in three portions in accordance with the terms of the relevant employees' employment contracts:

- (a) a time-based retention award (comprising 60 percent of the total retention award), which is dependent on the employee remaining in their role for a specified period of time only; and

- (b) a performance-based retention award (comprising the remaining 40 percent of the total retention award), where the determination of the amount awarded on each vesting date also takes into account certain performance-based conditions.

These retention awards are used by CESL on an exceptional basis in relation to the Portico transaction only and not as common practice.

TD Securities Retention Awards

In connection with the Acquisition, certain key employees of CESL are eligible to receive a one-time retention award (the details of which are specified in the employment contracts of, or separately communicated to, the relevant employees).

These retention awards are exceptional one-off awards made by CESL in relation to the Acquisition only and not as common practice.

6.6 Severance pay

Severance pay for CESL is used in redundancy or mutually agreed termination arrangements, calculated using the monthly reference salary based on complete years of service capped at 12 months total of the reference salary.

When assessing whether a reward is consistent with CESL's ratio of variable to fixed remuneration, severance pay that: (a) exceeds the maximum amount of severance pay that can be paid; and (b) CESL has become obliged to pay as a result of a legal obligation that has arisen after the date on which CESL adopted the relevant version of the Remuneration Policy, is excluded in the calculation.

6.7 Deferral and vesting

CESL is not subject to the specific requirements under the Code in relation to deferral arrangements, as the enhanced requirements under the Code do not apply to it. However, CESL does apply the enhanced requirements to the variable remuneration it awards to certain individuals, in particular two directors who are MRTs of CESL and were previously also MRTs of CIL (prior to the sale of CIL to Marex).

(a) Deferral

CESL may apply deferral arrangements to variable remuneration (cash and equity bonuses) awarded to all employees, whether or not they are MRTs. This allows the payment of variable remuneration to be deferred or spread over a period which takes account of the underlying business cycle of CESL and its business risks.

(i) Non-MRTs

In the 2023 Performance Period, non-MRT employees were subject to either the TD Securities Deferral Policy (subject to a transition plan in certain circumstances) or the TD Cowen Deferral Grid. In both cases, for eligible employees, the amount of variable incentive deferred increased in the same manner as a progressive tax table.

(ii) **MRTs**

Where CESL applies the enhanced requirements under the Code on deferral arrangements to certain MRTs, it ensures that:

- (A) where the total variable remuneration awarded to an MRT is more than GBP 167,000 but not more than GBP 500,000, 40 percent of the variable remuneration will be deferred for a minimum of three years;
- (B) where the total variable remuneration awarded to an MRT is more than GBP 500,000, 60 percent of the variable remuneration will be deferred for a minimum of three years; and
- (C) a minimum of 50 percent of the deferred variable remuneration awarded to an MRT is paid out in Eligible Instruments, as defined in SYSC 19G.6.19R (such as RSUs).

CESL has discretion to tailor the proportion of deferred variable remuneration, the deferral period and the speed of vesting in different ways for different categories of MRT.

(b) **Retention**

Where CESL makes a payout to an employee in Eligible Instruments, this is subject to an appropriate retention policy that is designed to align the interests of the employee with the longer-term interests of CESL, its creditors and clients.

In determining an appropriate retention policy, CESL considers the following factors as a minimum:

- (i) the length of the deferral period of the Eligible Instruments;
- (ii) the length of CESL's business cycle;
- (iii) the types of risks relevant to the role of the employee; and
- (iv) how long it could take for the risks underlying the employee's performance to crystallise.

CESL may set different retention periods for different MRTs where appropriate, in particular where the applicable deferral periods differ. The greater the impact of the MRT on the risk profile of CESL and of the assets it manages, the longer the retention period is likely to be.

(c) **Vesting schedule**

RSUs awarded to employees will vest (i) over a three-year period with the following vesting schedule: 25% at the end of year one, 25% at the end of year two and 50% at the end of year three, or (ii) 100% at the end of a three-year period, and in each case may be subject to deferral arrangements. Where RSU awards are deferred, the first deferred portion vests no sooner than a year after the start of the deferral period.

7. Remuneration for the 2023 Performance Period

Total remuneration awarded				
	All staff	Senior management	Other MRTs*	Other staff
Fixed	8,075,127	850,434	439,072	-
Variable	4,650,795	1,257,975	155,384	-
Total	12,725,922	2,108,409	594,457	-
MRTs	Total			
Number of MRTs	10			
Guaranteed variable remuneration				
	Total	Senior management	Other MRTs*	
Total awarded	0	0	0	
Number of MRT recipients	0	0	0	
Severance payments				
	Total	Senior management	Other MRTs*	
Total severance payments awarded	160,277	0	0	
Number of MRT recipients	0	0	0	
Highest severance payment awarded to an individual MRT	0			