

MODERN SLAVERY STATEMENT

01 January 2023 - 31 December 2023
(in Special Administration)



Introduction

Modern slavery is a crime that affects 49.6 million¹ people around the world living in situations of modern slavery, either forced to work against their will or in a marriage that they were forced into and includes people trafficked from overseas as well as people within the UK.

There were 16,938 potential victims of modern slavery referred to the Home Office, UK, in 2022, representing a 33% increase compared to the preceding year (12,706) and the highest annual number since the National Referral Mechanism began in 2009.

The Modern Slavery Act 2005, section 54 (Transparency in Supply Chains), requires certain commercial organisations to publish an annual statement setting out the steps they take to prevent modern slavery in their business and their supply chains. Statutory guidance states it should be done within six months of the organisation's financial year-end.

Our Declaration

We will not tolerate slavery or human trafficking in our business or supply chains. We are committed to continually improving our policies and practices to play our part in fighting against slavery and human trafficking and protecting human rights.

We will review our policies regularly, updating them as appropriate to meet all legislative requirements set by the UK government and Modern Slavery practices.

After exiting the Special Administration, we will continue to review our modern slavery due diligence activities to assess legal compliance on all procurements and assess and manage risk for suppliers in higher-risk categories and/or geographies.

We are committed to combating the risk of modern slavery or human trafficking within our supply chains or in any other part of our business. As part of the financial services industry, we recognise that we have a responsibility to ensure human rights are respected and promote fair and ethical recruitment.

As such, this statement sets out our actions to identify and combat all potential modern slavery risks related to our business and to put in place steps to ensure that there is no slavery or human trafficking in our own business and our supply chains. For more information about our mission and approach, visit our website (sovacapital.com).

¹ According to the 2022 Global Estimates developed by the International Labour Organization (ILO), Walk Free, and the International Organization for Migration (IOM).

Executive Summary:

Sova Capital Ltd ("SCL" or the "firm") is a commercial organisation, an FCA-authorized and regulated broker incorporated and carrying its business in the UK, based in London, and entered into Special Administration on 3 March 2022.

This statement relates to actions and activities during the financial year **1 January 2023 to 31 December 2023**.

SCL meets the criteria for an annual statement production except for its' negative turnover as of 2023 year-end. Since 3 March 2022, the Joint Special Administrators have been managing the affairs, business, and property of the firm Company.

Our approach during the preceding financial year for ensuring slavery and human trafficking are not taking place in our supplier chains or any part of our business remained unchanged.

After entering the Special Administration, we have reduced our supplier chains (suppliers/vendors) to the required minimum to meet the business "On hold" requirements. We have continued our efforts to deal with the modern slavery risks (see the areas descriptions below) and to raise awareness of our employees and contractors (represented by SCL's ex-employees) on Modern Slavery by conducting training sessions that covered the topic of Modern Slavery, as well as topics of Discrimination and harassment in the workplace. Failure to complete training is escalated to management, and remediation actions taken. The Whistleblowing Framework remains up-to-date and allows for confidential reporting.

Organisational structure and supply chains

- Structure

SCL is a wholly-owned subsidiary of two established companies in Cyprus: Blendiser Corporation LTD (which holds 97.93% of voting shares of Sova Capital) and Lunaray Investments LTD (which holds 2.07% of voting shares).

The total workforce in 2023 was around 128 employees at the beginning of the year, reducing to 13 as of the year-end as a result of the reduction program and closure of the SCL's Moscow-based branch. SCL kept around 50 ex-employees worldwide on contractor/consultant basis.

Before entering Special Administration, the firm offered institutional and corporate clients a full range of investment brokerage services, including independent research, securities trading, electronic and high-touch execution, and public capital markets financing. Before the sale in 2022, there was also a subsidiary undertaking in Cyprus, which was acting as an Alternative Investment Fund Manager and providing portfolio management, safekeeping, and administration of financial instruments for the account of clients and investment advisory services. There was also a subsidiary undertaking in Luxembourg acting as a venture capital firm and investing in early-stage tech start-ups and a

reserved alternative investment fund. Our Moscow-based branch was providing support services to SCL, which are now carried out by contractors based worldwide (represented by SCL's ex-employees).

- [Supply chains](#)

SCL buys a wide range of goods and services and has engaged directly with around 37 suppliers (decreased from 450+ to the required minimum while in S.A.) as of the 2023 year-end. 60% of SCL suppliers are registered in the UK, 33% in the US and EU, and the rest 5% are in other countries; none of them, to the best of our knowledge, relate to high-risk countries where modern slavery or human trafficking are prevalent. Many of the operations and supply chains of our suppliers are global and have complex structures with multiple tiers of sub-suppliers.

Policies in relation to slavery and human trafficking

As a dedicated and responsible market player, we have several policies and procedures in place to combat the risk of modern slavery and human trafficking within our business and supply chain.

The over-arching framework is the **firm's Handbook**, which covers a variety of topics, including Equal opportunities, Harassment and Bullying, Disciplinary Rules, Grievance Procedures, Absences, Leaves, Flexible and HomeWorking, Health & Safety, Whistleblowing, and others.

- [Recruitment and selection](#)

Our Recruitment & Selection Policy aligns with UK employment laws. It outlines the recruitment process, including onboarding requirements for new employees (e.g., "right to work" checks, employment contracts, and ensuring employed staff are 16 and above). In all cases, multi-stage interviews and reference checks are conducted. In many cases, an external specialist vetting process is conducted to verify the prospective employee's identity, bona fides, and status.

We have a strong commitment to diversity and inclusion at all levels.

- [Staff well-being and health](#)

Our Health & Safety Policy Statement sets out identified risks and mitigating actions taken to prevent accidents and untoward incidents occurring to its staff. Further, through its personal health scheme, the firm offers well-being activities to staff and other benefits.

SCL is focused on the well-being of our staff, ensuring that they are safe and well and offered an appropriate amount of care and support.

Various resources available to staff have been communicated and are available on the intranet. SCL's Line managers are in continuous contact with their

subordinates to be aware of and take timely actions concerning staff overworking, working on weekends, facing unfair treatment, experiencing burn-out, etc. In 2021, the firm introduced "Sova Helping Hand" and its mental health first aiders to support staff when needed. This initiative is currently "on hold" while in the Special Administration.

- [Values and ethics](#)

Our Employee Handbook outlines the actions and behaviours we expect of our staff while employed in the firm. We strive to maintain the highest standards of employee conduct and ethical behaviour when operating abroad and managing our supply chain.

- [Whistleblowing](#)

We encourage all our staff, customers, and other business partners to report any concerns related to the direct activities or the firm's supply chains, including any circumstances that may give rise to an enhanced risk of slavery or human trafficking. Our whistleblowing procedure is designed to make it easy for staff to report a concern or wrongdoing (without fear of retaliation) by offering a variety of options for confidential escalation and reporting - it can be done by reporting to a Line Manager, Chief of Compliance, Legal, HR (while under Special Administration HR arrangements are under Special Administrators management) or the Designated Officer for Whistleblowing, or the designated internal e-mail address. Further, a report may be made anonymously by calling the confidential helpline via Navex Global or submitting it via the dedicated link.

To submit an anonymous report:

<https://secure.ethicspoints.eu/domain/media/en/gui/106638/index.html>

Via Navex Global dedicated free telephone number UK & NI 0800 069 8012

The Designated e-mail address: Whistleblower@sovacapital.com

- [Anti-money laundering and counter-terrorism financing \("AML"\) policy](#)

It is recognised that modern slavery offences are often linked to money laundering and other financial crimes. We have in place policies specifically designed to counter this risk.

More specifically, SCL's AML policy outlines steps staff must take to mitigate the risk of the firm being used as a vehicle for financial crime. Such risk will be systematically assessed, mitigated, and monitored. Identifying and reporting suspicious activity is vital and mandatory.

To reduce the incidence and risk of financial crime, the focus is placed on knowing our clients, understanding their businesses, and carrying out proportionate verification checks. It is covered in-depth in the Client Due Diligence Policy, the Account Opening and Maintenance Procedures, the Politically Exposed Persons (PEPs) Policy, and the Sanctions Policy. In addition to these policies, other policies of interest related to financial crime are the Market

Abuse Policy, the Fraud Policy, the Anti-Bribery & Corruption Policy, and the sections on fraud found in the Firm's Compliance Manual.

- [Supply Chain Policies](#)

We recognise our responsibility to ensure that our suppliers have fair and ethical labour practices. SCL has a Vendor Management policy that introduces a complex approach to vendor selection and annual review.

Due diligence processes in relation to slavery and human trafficking in the business and supply chains

The firm is risk-averse, undertaking due diligence when considering onboarding new third parties and suppliers, and regularly reviews its existing suppliers.

SCL's supplier/vendor onboarding process includes Dow Jones screening covering modern slavery checks, including human rights violations, human trafficking, and forced/slave labour.

Risk assessment and management

Due to the nature of our business, we consider the inherent risk of modern slavery and human trafficking occurring in our business to be low. Nonetheless, we take our responsibility to identify and effectively respond to any incidents of modern slavery and human trafficking very seriously.

We identified the following low-probability risks:

- Potentially forced labour at the supplier (or sub-contractor of the supplier), using illegal migrants (e.g. office maintenance services)
- Potentially, the call centre (of the member of the supply chain) located in the high-risk jurisdiction, where the workers are forced to work long hours for little pay.

Employees' awareness and training on modern slavery and trafficking

We raise and support awareness of our employees in modern slavery so they can recognise and report suspected examples of modern slavery or human trafficking.

Communications to SCL's employees include:

- How employees can identify and prevent slavery and human trafficking.
- What employees can do to flag up potential slavery or human trafficking issues to the relevant parties within the organisation.
- What external help is available, for example, through the Modern Slavery Helpline (<https://www.modernslaveryhelpline.org/>).

Training is a fundamental way of raising awareness and ensuring our employees understand the importance of a Modern Slavery issue.

All employees would receive introductory Modern Slavery training, which contains information on modern slavery, the Modern Slavery Act 2015, and the firm's statement (published on SCL's website) as part of mandatory Compliance induction. All employees are required to undertake regular training on combatting Modern Slavery in accordance with the firm's training calendar. Non-completion of mandatory training is considered a breach and impacts remuneration.

Key performance indicators (KPIs) to measure effectiveness of steps taken

KPI	Target	Status
Training	<ul style="list-style-type: none"> ▪ MS topic covered by the Induction training ▪ MS training is provided regularly as a separate training or a part of other Compliance Refresher training 	<ul style="list-style-type: none"> ▪ no new hiring in 2023 ▪ All employees took MS topic as a part of other Compliance training.
Whistle-blowing alerts	<ul style="list-style-type: none"> ▪ up and running for staff and contractors ▪ swift action is taken 	<ul style="list-style-type: none"> ▪ in place and operate ▪ no reports on MS reportable issues during the period
Supplier, Counterparties, and Client screening alerts	<ul style="list-style-type: none"> ▪ no alerts at the time of screening and during the re-assessment. Any alerts are recorded and escalated for the decision-making ▪ none from countries with increased risk of MS. If any, it is subject to enhanced DD. 	<ul style="list-style-type: none"> ▪ no alerts ▪ no suppliers from high-risk MS countries

Board approval

We are making this statement in the form set out in section 54 of the Modern Slavery Act 2015.

This statement was approved on 05 June 2024 by the firm's Board of Directors and the Joint Special Administrator, David Soden, who will review and update it annually.

Sergey Sukhanov
 Chief Executive Officer
 Updated: June 2024

