

## 1. Introduction

At TCS Trade Car Sales (Midlands) Ltd, we are steadfast in our commitment to fostering a culture of ethical behavior, regulatory compliance, and unwavering dedication to the fair treatment of our customers. Recognizing the profound impact that staff incentives, remuneration structures, and performance management frameworks can have on employee conduct and customer outcomes, we have instituted this Compliance Incentive Schemes Policy. This policy is meticulously designed to ensure that our incentive programs not only motivate and reward exemplary performance but also align seamlessly with our overarching compliance objectives and ethical standards.

## 2. Purpose and Objectives

The primary purpose of this policy is to establish a structured and transparent framework that:

**Aligns Incentives with Compliance:** Ensures that all incentive schemes are intricately designed to promote behaviors that are in full compliance with regulatory requirements and internal policies, thereby mitigating any potential risks of misconduct or customer detriment.

**Promotes Ethical Conduct:** Encourages and rewards behaviors that exemplify integrity, transparency, and a steadfast commitment to the fair treatment of customers, thereby fostering a culture of ethical excellence.

**Mitigates Risk of Misconduct:** Identifies, assesses, and addresses any potential risks associated with incentive structures that could inadvertently encourage inappropriate behavior or compromise the quality of customer service.

By achieving these objectives, TCS Trade Car Sales (Midlands) Ltd aims to cultivate an environment where compliance and ethical conduct are at the forefront of our operations, thereby enhancing customer trust and safeguarding the firm's reputation.

## 3. Scope

This policy is applicable comprehensively to:

**All Employees:** Every staff member, irrespective of their role or tenure, is subject to the guidelines and principles outlined in this policy, ensuring a unified approach to compliance and ethical conduct.

**Third-Party Associates:** Individuals or entities engaged in activities on behalf of TCS Trade Car Sales (Midlands) Ltd, including contractors, consultants, and partners, are also expected to adhere to the standards set forth herein.

## 4. Regulatory Frameworks

Our Compliance Incentive Schemes Policy is meticulously aligned with the directives and guidelines promulgated by the Financial Conduct Authority (FCA), specifically:

**FCA Finalised Guidance FG18/2:** This guidance emphasizes the imperative for firms to design and implement staff incentive programs that do not inadvertently encourage behaviors leading to customer harm or regulatory breaches. It underscores the necessity of robust controls and governance to manage potential risks associated with incentive schemes.

**Consumer Credit Sourcebook (CONC):** This sourcebook provides detailed rules and guidance on staff remuneration and performance management, particularly concerning consumer credit activities. It highlights the importance of aligning incentive structures with the fair treatment of customers and the firm's compliance obligations.

## 5. Design Principles for Incentive Schemes

In crafting our incentive schemes, TCS Trade Car Sales (Midlands) Ltd adheres to the following foundational principles:

**Customer-Centric Metrics:** Incentive programs are designed to prioritize customer satisfaction, fair treatment, and the delivery of suitable products and services. Metrics such as customer feedback scores, complaint ratios, and service quality assessments are integral components of performance evaluations.

**Balanced Performance Indicators:** A holistic approach is adopted, incorporating both quantitative targets (e.g., sales volumes, financial performance) and qualitative measures (e.g., adherence to compliance protocols, ethical decision-making) to ensure a well-rounded assessment of employee performance.

**Risk Mitigation Measures:** Provisions are in place to deter and address behaviors that could lead to regulatory breaches or customer harm. This includes implementing clawback mechanisms, deferred bonus structures, and stringent compliance oversight.

## 6. Governance and Oversight

To ensure the integrity and effectiveness of our incentive schemes:

**Board Oversight:** The Board of Directors bears ultimate responsibility for approving and periodically reviewing the design and implementation of incentive programs, ensuring alignment with the firm's strategic objectives and compliance commitments.

**Compliance Function Involvement:** The Compliance Department plays a pivotal role in assessing potential risks associated with incentive structures, providing guidance on regulatory requirements, and conducting regular audits to ensure adherence to established policies.

**Regular Monitoring and Review:** Continuous monitoring mechanisms are in place to evaluate the impact of incentive schemes on employee behavior and customer outcomes. Regular reviews facilitate the timely identification and mitigation of any emerging risks or unintended consequences.

## 7. Performance Management and Evaluations

Our performance management framework is designed to:

**Encourage Ethical Behavior:** Employees are recognized and rewarded for demonstrating integrity, transparency, and a commitment to ethical standards in their daily activities.

**Incorporate Compliance Metrics:** Performance evaluations encompass assessments of adherence to compliance protocols, participation in mandatory training sessions, and proactive engagement in risk management initiatives.

**Provide Constructive Feedback:** Regular feedback sessions are conducted to guide employees in aligning their performance with the firm's compliance objectives and to identify opportunities for professional development.

## 8. Training and Awareness

To support the effective implementation of this policy:

**Comprehensive Training Programs:** All employees undergo regular training sessions that elucidate the principles of this policy, the significance of compliance in incentive structures, and the potential risks associated with misaligned incentives.

**Continuous Professional Development:** Opportunities are provided for employees to enhance their understanding of regulatory requirements, ethical standards, and best practices in compliance, thereby fostering a culture of continuous learning and improvement.

## 9. Record-Keeping and Documentation

We maintain meticulous records to demonstrate compliance with this policy, including:

**Incentive Scheme Documentation:** Detailed records of all incentive programs, including their design, objectives, performance metrics, and approval processes.

**Performance Evaluations:** Comprehensive documentation of employee performance assessments, highlighting both achievements and areas for improvement in relation to compliance and ethical conduct.

**Training Logs:** Records of all training sessions conducted, including participant details, content covered, and assessment results.

## 10. Monitoring and Review

To ensure the ongoing relevance and effectiveness of this policy:

**Regular Monitoring:** Continuous oversight is conducted to assess the impact of incentive schemes on employee behavior, customer outcomes, and compliance adherence.

**Periodic Reviews:** Comprehensive reviews of the policy and associated incentive programs are undertaken at least annually, incorporating feedback from stakeholders and adapting to any changes in regulatory requirements or industry best practices.

**Continuous Improvement:** Insights gained from monitoring and reviews are utilized to refine and enhance incentive structures, ensuring they remain aligned with the firm's commitment to ethical conduct and regulatory compliance.

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*This Compliance Incentive Schemes Policy reflects TCS Trade Car Sales (Midlands) Ltd's unwavering dedication to integrating compliance and ethical considerations into our incentive structures, thereby promoting behaviors that prioritize the well-being of our customers and the integrity of our operations.*