2018-2020 DIRECTORS' REMUNERATION POLICY PROPOSAL

Executive summary

The Remuneration Committee (the 'Committee') of the Board is pleased to propose to shareholders the Directors' remuneration policy effective for the next three years starting from the year ended 30 June 2018. The proposed policy is subject to a binding vote by shareholders at the forthcoming Annual General Meeting of the Group on 8 December 2018.

The Committee developed the proposed policy, seeking independent advice during the process from Willis Towers Watson. The Committee has also engaged with our significant shareholders during the design phase of the policy and their feedback has been incorporated into the proposed policy. We have also engaged with the independent governance organisations who will publish their reports to the market in due course.

The proposed remuneration policy for executive directors has four elements as follows: Base salary and benefits; Annual cash bonus; Long Term Incentive Award; and Performance Fee Bonus.

The Group provides a broader range of services than a conventional fund manager, and due to this significant difference the peer company comparison than might apply is of limited use. In setting the policy the Committee has therefore considered the needs of the business and the objectives of customers and shareholders from first principles. The policy therefore also reflects the complexity of the business including the wide range of activities undertaken as well as the role of individual directors in delivering shareholder value and customer outcomes.

In some aspects the policy is intentionally bespoke, for example the LTIP design includes a pre-grant performance consideration and the actual vesting conditions that are intended to apply will be set only as and when the needs of the business are clear at around the time of grant in order to reflect the fast expanding and changing profile of the Group's activities, in addition an EPS growth condition will also apply.

Regarding the Performance Fee Bonus, this applies only when outperformance has triggered the payment of a fee to the Group and this is an important indicator of meeting customer needs and delivery of shareholder value. The committee believes that there should be a strong alignment of interest between Executive Directors that contribute directly to the delivery of performance that earns performance fees for the Group and the net performance fees available to shareholders through the Group's dividend policy.

We believe that the new policy represents the appropriate remuneration regime for both the Group and the Executive Directors, recognising the culture of the business, the current position of the Group and its strategic directions. The remuneration outcomes proposed represent a fair balance between the interests of shareholders, clients, Executive Directors and employees.

The proposed policy has the full support of the Independent Directors, who have indicated that they will vote in favour of the new policy, and we encourage our shareholders to likewise vote to approve the new policy.

Remuneration objectives

The first objective of the Committee in establishing the new remuneration policy is to ensure the alignment of the interests of the Executive Directors with the outcomes expected by our clients. As a client outcome led business, and consistent with the expectations of our regulators, this alignment of outcomes is critical. We consider that if clients are well served, the expected outcomes for shareholders are likewise well served.

The second objective is to ensure that the remuneration outcomes are aligned to the interests of shareholders in the annual implementation of the policy.

In implementing the current policy, in cases where the actions of the Executive Directors have demonstrated a clear alignment with the best interests of clients but have nevertheless resulted in a negative outcome for shareholders, the impact on shareholders has been reflected in Executive Directors' remuneration. The clearest demonstration of this was in 2015 where, in the interests of clients, the Group returned to clients the assets managed by the global thematic team and closed the division. The consequence of this action was a reduction in revenues and net income for shareholders, therefore the Executive Directors were paid no variable remuneration or performance shares in that year.

Our business model and what differentiates us

In developing the Committee's proposed remuneration policy, we recognise that the Group has a differentiated business model from its peers and also is at an earlier stage in its development than its public peers. Over the last three years, the Group has transitioned from a merged private company to a premium listed PLC, while simultaneously continuing the growth path that shareholders expect.

The Group has a total of just over 200 employees and we are therefore smaller than the majority of our public asset management peers. Accordingly our Executive Directors and the CEO in particular, are directly engaged in the day-to-day client engagement and investment management decision processes. Our remuneration policy reflects this dynamic.

The Committee is mindful of the need to implement a remuneration policy appropriate to attract and retain individuals who are confident in their ability to add value in a market against a wide range of both listed and unlisted competitors; many of which are at similar stages of their development but are not listed companies. This is particularly true for those who have a strong investment skillset such as Mike Faulkner, or individuals who operate as head of a business unit but who are not Executive Directors.

While we are mindful of the approaches taken by our asset management peers, we believe that our proposed remuneration policy is aligned to the specific requirements in our business and is reflective of the stage of our development. Therefore our approach to remuneration will be differentiated based on the facts and circumstances of our particular business.

Our stakeholders
In a similar manner we have been mindful of the guidance given by governance advisory bodies and have sought to understand their views. We recognise that there is a desire for consistency across the financial services industry with regards to remuneration policies. Where we consider that the Group's specific circumstances differ significantly from our peers we have departed from the more standard approach in order to align Executive Directors' remuneration both with the outcomes expected from our clients, and with those of our shareholders, in order to incentivise outstanding performance outcomes.

Accordingly we have formally incorporated into the new remuneration policy a remuneration cap on total pay expense to all staff and partners including Executive Directors in any year and an aggregate cap on each element of Executive Remuneration. Again, we believe this is an important differentiator in our policy, and helps provide comfort regarding the overall balance between the remuneration to employees and Executive Directors for their demonstrated performance and shareholder return for capital.

Our key remuneration outcomes
We are now three years on from the IPO and the Committee has undertaken a full review of Executive Director remuneration in light of the progress made by the Group and the strategic objectives the Board has for the Group over the next three years. Elements of this strategy relate to both organic growth and acquisitive growth and this has been taken into account in setting the Group's proposed remuneration policy, particularly with regard to long-term incentives.

The Committee defined the following key outcomes that are required from the proposed remuneration policy:

- Strong alignment between remuneration outcomes and the delivery of client desired outcomes.
- A transparent approach to sharing the economics of the Group between employees including the Executive Directors, and shareholders.
- Ensuring that higher levels of remuneration are only delivered for exceptional long-term growth and performance.
- A clear understanding of expectations with regard to performance outcomes and measurement that translates the Group's strategy into financial and non-financial outcomes that measure progress in the current period, medium and long term.
- A clear understanding by our employees and the Executive Directors of their remuneration outcomes, including their expectations regarding the components of remuneration and how this is linked to their individual, divisional and the Group's performance.
- An alignment to effective risk management and personal and collective conduct through malus adjustments and retention periods, including compliance with the FCA's Remuneration Codes and UCITS V, where applicable.

The Committee has considered the environmental, social and governance implications of the remuneration policy and is satisfied that there is no element which would incentivise inappropriate conduct or behaviour.

Changes from the current remuneration policy
In summary the main changes from the current remuneration policy are:

- The Group's total remuneration and profit share each year will be formally capped at a maximum of 54% of net management and advisory fees, plus 50% of performance fees.
- An increase in maximum annual cash bonus opportunity from 200% to 300% of salary to reward exceptional performance, subject at all times to a requirement to make at least a 50% of awards as long-term incentive plan (LTIP) awards with forward-looking financial performance targets.
- Changing the performance metrics for LTIP awards from total shareholder return to financial metrics linked to the growth of the underlying business economics, for example adjusted underlying EPS.
- Grants awarded to Executive Directors in 2014 under the Executive Performance Share Plan (EPSP) will continue in accordance with the performance terms of the EPSP and are due to end in 2018. A new EPSP will not be established for Executive Directors. Long term incentive awards made to Executive Directors will be made under the existing plans (subject to shareholder approval for the participation of Executive Director in the Deferred Equity Plan).
- We believe that good client investment outcomes are a key driver of client satisfaction and shareholder value creation, both in maintaining and growing existing client relationships and attracting new clients. We are therefore proposing that Executive Directors that have contributed to the generation of investment performance will be eligible to receive remuneration which more explicitly relates to the generation of performance fees. The total performance fee remuneration that can be awarded to the Executive Directors will be subject to a cap of £8m along with the percentage cap above. In addition individual limits on the amount and the percentage of performance fee remuneration will be applied to each Executive Director. Awards will be subject to significant levels of deferral into shares and/or fund units.

With regards to the maximum annual cash bonus opportunity, the previous remuneration policy provided that Executive Directors were eligible to receive up to 200% of their base salary as a discretionary cash bonus based on the progress achieved against 'desired outcomes'. The maximum cash bonus opportunity has been increased to 300% of base salary in the new policy to reflect the concept of 'exceptional outperformance'.

The Committee's evaluation of expected performance aligns to the successful delivery of the Board's annual budget across all KPIs as well as other specific objectives and equates to a level of 100% of fixed base salary. Above expectation performance aligns to outperformance against the Board's budget and equates to a level of 200% of fixed base salary. The Committee's expectation in that an award of above 200% of fixed base salary is, by its nature, rare and would only be awarded by the Committee for exceptional outperformance both in achieving sustainable and accelerated outcomes in the current period aligned to the early achievement of objectives in the Board's three year strategic plan.

In the year ended 2017 based on the clear demonstration of actual outcomes above the desired level the Executive Directors were awarded a cash variable remuneration at the 200% level. The financial year ended 2017 is the only year since the IPO that any of the Executive Directors have received an award at this level. In 2015 all the Executive Directors voluntarily elected no cash bonus remuneration and in 2016 only two Executives Directors were awarded cash bonuses which were set at the 120% and 124% level. The manner in which cash bonuses have historically been awarded gives a strong indication of our alignment to our shareholder's interests and evidences the Committee's commitment to appropriate pay.

In deciding not to repeat the EPSP in the new remuneration policy, and to introduce performance fee remuneration for Executive Directors, the Committee reviewed the overall economics of the two remuneration approaches to ensure that the maximum award levels produced similar financial outcomes for our shareholders. For the full vesting of both the EPSP A and B shares a Total Shareholder Return of 30% compounded over 4 years is required. Including dividends this would require that the share price at vesting is approximately £4.30 per share. This equates to an award value to the Executive Directors, as a group, of £31m, equivalent to £8m per year over the 4-year performance period. Accordingly we set the maximum that the Executive Directors, as a group, could be awarded from Performance fee remuneration at the same level to maintain the same financial outcome for shareholders.

Proposed remuneration policy

In summary the following are the key outcomes of the proposed remuneration policy:

- Shareholder outcomes
  To maintain a balance of outcomes between shareholders and employees, including the Executive Directors, the Group's total remuneration each year will be capped at the maximum aggregate of 54% of net management and advisory fees, plus 50% of performance fees. In the event that an acquisition is undertaken by the Group the Committee has discretion to make adjustments on a temporary basis to the remuneration ratio in order to facilitate integration.

- Fixed remuneration and benefits
  Executive Director base salaries are to be reviewed annually by the Committee and set at a suitably competitive level. The maximum annual increase in base salary of each Executive Director is capped at the weighted average employee salary increase in that year, except in the case of a change in role.

- Variable remuneration
  All Executive Directors will be eligible for annual variable remuneration comprising:

  (a) up to a maximum of 300% of fixed base salary in cash in order to reward exceptional performance,

  plus

  (b) up to a maximum of 400% of fixed base salary in the form of long-term incentive awards under the Group's existing deferral plans.

  The total annual variable remuneration of Executive Directors will be subject to at least 50% deferral into long-term incentive awards with performance metrics linked to shareholder outcomes.

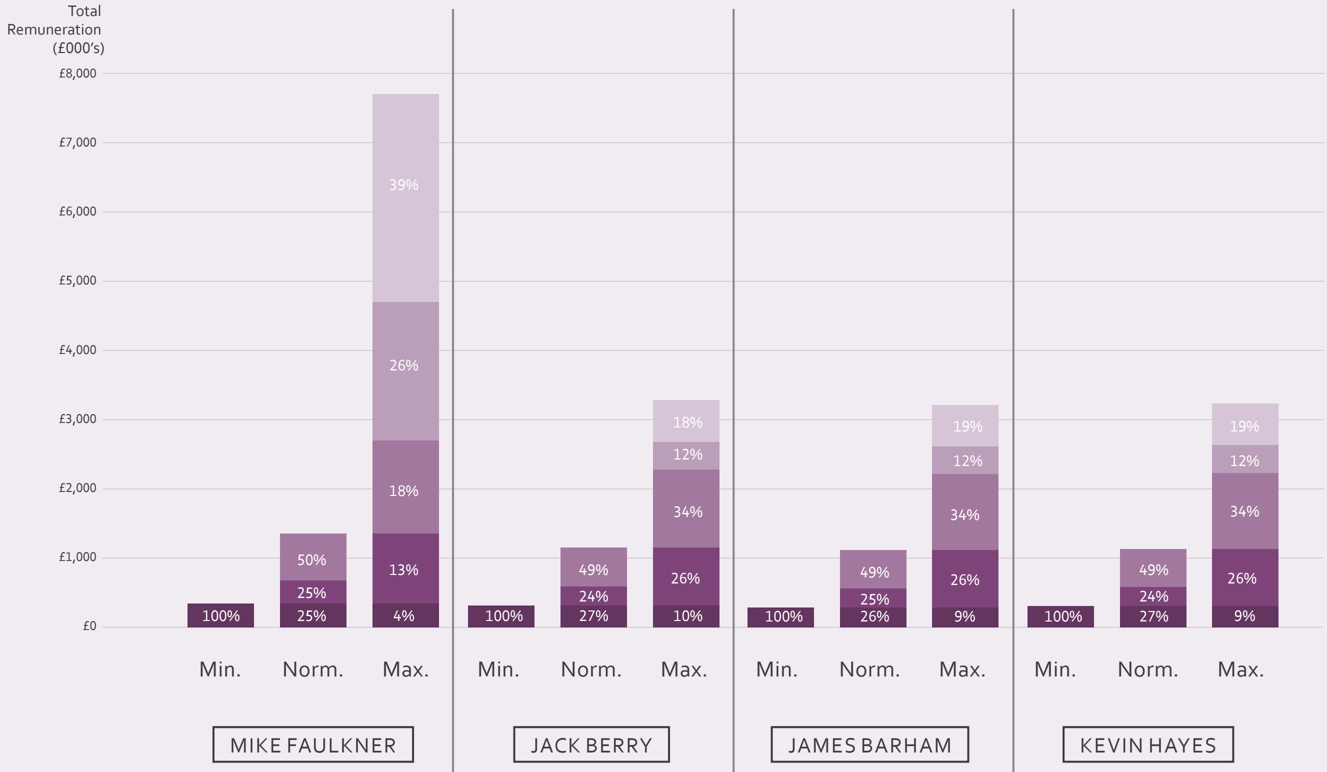
  Long-term incentive awards will be in the form of the Group's shares or, where regulation requires (i.e. UCITS V) or where the Committee considers it appropriate, deferred into other instruments. Long-term incentive awards made to Executive Directors will be made under the existing plans (subject to shareholder approval for the participation of Executive Directors in the Deferred Equity Plan). Long-term incentive awards in the Group's shares may proportionally vest based upon a combination of metrics including adjusted underlying EPS growth measured over the three-year vesting period. The Committee will determine when performance conditions shall be applied to long-term incentive awards. Performance conditions may not be applied when the award is a deferral of variable remuneration under the UCITS V or a deferral of a cash bonus. Awards can be made under the deferral arrangements relating to the deferral of bonuses that are yet to be paid as well as for bonuses for the previous financial year which have been withheld in accordance with UCITS V. Vested awards will be subject to a two-year post-vesting hold period and malus adjustments.

- Performance Fee Remuneration
  The maximum level of total remuneration and profit share applicable to performance fees will be capped at 50% of performance fees in a year. Executive Directors will, as described above, be eligible to share more explicitly in the remuneration relating to performance fees subject to satisfaction of all appropriate good conduct criteria. This will be achieved through the introduction of the Performance Fee Remuneration for Executive Directors whereby Executive Directors that have contributed to the generation of investment performance can be allocated Performance Fee Remuneration. The remuneration will be subject to a cap on the amount and the percentage which varies by individual Executive Director.

Up to 40% of any Performance Fee Remuneration can be paid in cash in the year the performance fees are earned by the Group. A minimum of 60% of the Performance Fee Remuneration will be subject to deferral into the Group's shares and/or fund units which will vest over three years and will be subject to a malus provision.

Policy illustration

The following chart illustrates the application of the remuneration components under the new policy reflecting the maximum possible remuneration based on performance outcomes:



	Mike Faulkner Min.	Mike Faulkner Norm.	Mike Faulkner Max.	Jack Berry Min.	Jack Berry Norm.	Jack Berry Max.	James Barham Min.	James Barham Norm.	James Barham Max.	Kevin Hayes Min.	Kevin Hayes Norm.	Kevin Hayes Max.
Performance fee bonus – Deferred[3]	–	–	3,000	–	–	600	–	–	600	–	–	600
Performance fee bonus – Cash[3]	–	–	2,000	–	–	400	–	–	400	–	–	400
LTIA[3]	–	675	1,350	–	562	1,124	–	550	1,100	–	550	1,100
Cash bonus[2]	–	337	1,012	–	281	843	–	275	825	–	275	825
Base[1]	340	340	340	312	312	312	287	287	287	306	306	306

1 Base includes salary, fees, benefits and pension & performance measures relating to a one year period.
2 Performance measures relating to a one year period.
3 Long Term Incentive Awards. Performance measures relating to greater than one year period.

As noted earlier the increase in the maximum possible remuneration includes both the effect of increasing the maximum cash bonus award to 300% of salary and the addition of Performance Fee Remuneration to replace the maximum remuneration under the EPSP which is not being replaced in the proposed policy.

The maximum remuneration outcomes for Mike Faulkner, the Group's CEO have increased from both the change in cash bonus from 200% to 300%, and the inclusion of Performance Fee Remuneration. Given the specific nature of our client engagement processes and the size of our business, a significant part of Mike's responsibilities include being directly involved in the generation of performance fees through investment ideas, strategy generation, development and sales. The Committee therefore considers it appropriate that were these investments decisions and strategies to result in significant performance fees to the Group, Mike (and the other Executive Directors where they have also contributed) can be awarded remuneration specifically associated with this activity. The maximum level of performance fee remuneration represents exceptional performance which will be directly linked to the Group receiving significant performance fees in that year.

The maximum level of total performance fee remuneration that can be awarded to employees and partners, including the Executive Directors is capped under the proposed policy at 50% in any year. This provides clear alignment with shareholders as historically the net performance fee income (performance fees less performance fee related remuneration and taxes) have been fully distributed to shareholders each year.

In addition, any Performance Fee Remuneration awarded to the Executive Directors will be subject to at least 60% deferral in the Group's shares or managed funds, vesting over a 3 year period and will be subject to a malus provision.

Remuneration policy

This table sets out the components of the proposed remuneration policy for Executive Directors. The proposed policy will be effective for the 2017/2018 financial year.

	Component	Purpose	Application to Executive Directors
Group remuneration capping	To ensure that overall remuneration reflects an appropriate sharing of reward between all employees including Executive Directors and shareholders		A key part of the remuneration policy, a cap on the overall remuneration ratio in line with current levels gives shareholders comfort that they will enjoy at least the same share of the profits of the business as they do currently. The Group's overall remuneration and profit share expense, reflecting fixed and variable elements for all staff and partners, shall be capped at an aggregate of: – 54% of net management and advisory fees, plus – 50% of performance fees In the event that an acquisition is undertaken by the Group the Committee has discretion to make adjustments on a temporary basis to the remuneration ratio in order to facilitate integration. These are the maximums, and the Committee expects the business to operate below them in a typical year.
Fixed pay	Base salary	To help recruit and retain talent	Base salaries represent fixed contractual payments. To maintain financial flexibility in our overall economics, salaries are set at a suitably competitive level based on peer group analysis. Like other employees, Executive Directors' salaries are reviewed annually; however they will not be increased by more than the weighted average increase in employee salaries over the period since the last change in Executive Director salary, except to reflect changes in role.
	Benefits, pension, save-as-you-earn	To help recruit and retain talent and promote health and wellbeing	Executive Directors have access to the same benefits as all Group employees, including save-as-you-earn, defined contribution pensions (or cash in lieu of pension) with a Group contribution of up to 10%, and health and other insurances.

	Component	Purpose	Application to Executive Directors
Variable pay		To provide motivation and reward to individuals for achievement of objectives aligned with the Group's strategy. These objectives may be in-year, or longer in duration.	Variable pay shall be in two forms, the details of which are below: 1. Cash Variable Remuneration – up to 300% base salary, plus 2. Long Term Incentive Awards – up to 400% base salary In setting the overall remuneration for the year, the ratio of Long Term Incentive Awards to Cash Variable Remuneration shall be at least 1:1.
	Cash Variable Remuneration		Executive Directors will be eligible for maximum Cash Variable Remuneration which is capped at a multiple of 300% of base salary. The Cash Variable Remuneration will be assessed by the Committee and will be linked to stated performance objectives aligned to the annual delivery of the Group's strategy. These will be a combination of individual and Group-wide performance objectives, with financial performance measures the key factors. These will include: Group KPIs; specific divisional performance; and Adjusted underlying EPS. These measures will determine the outcomes ranging from minimum to exceptional. Consideration of culture and conduct will also be included to reward high quality conduct which is consistent with the Group's culture. The Committee's evaluation of expected performance aligns to the successful delivery of the Board's annual budget across all KPIs as well as other specific objectives and equates to a level of 100% of fixed base salary. Above expectation performance aligns to outperformance against the Board's budget and equates to a level of 200% of fixed base salary. The Committee's expectation in that an award of above 200% of fixed base salary is, by its nature, rare and would only be awarded by the Committee for exceptional outperformance both in achieving sustainable and accelerated outcomes in the current period aligned to the early achievement of objectives in the Board's three year strategic plan. By mandating a ratio of Long Term Incentive Awards to Cash Variable Remuneration of at least 1:1, at least 50% of the Executive Directors remuneration each year will be in the form of a Long Term Incentive award structure which has more onerous performance conditions than a simple deferral.

	Component	Purpose	Application to Executive Directors
Variable pay (continued)	Long Term Incentive Awards	To incentivise delivery of long-term performance and strategic objectives	Executive Directors can be awarded Long Term Incentive Awards which are capped at a maximum of 400% of base salary. Typical annual grants will be between 100% and 200% of base salary. Awards above 200% and up to 400% of base salary can be awarded subject to pre-grant performance conditions, measured as part of the year-end appraisal process along with Cash Variable Remuneration. Awards shall be made in Group shares or fund units, or a combination of the two. The Committee will decide the most appropriate mix each year depending on the desired outcomes for the business. The performance conditions will be measured over a three-year period, chosen to align with the typical strategic timeline of the Group. Following vesting, the awards shall be subject to a further two year holding period. Vesting will be based on maintaining a minimum level of aggregate Group performance, as measured by adjusted underlying EPS growth. This measure is chosen as it represents the core business and is not subject to volatility resulting from performance fees. These same awards may contain additional criteria requiring the achievement of specific performance targets aligned to the long-term strategic objectives set by the Board. The specific vesting criteria which will be set by the Committee will be clear, measurable and objective and will be included in the annual report on remuneration in the year they are set. Progress against them will be reported in each annual report on remuneration during the vesting period. A maximum of 75% of base salary will vest for threshold performance. Awards will be subject to requirements of continued employment throughout the vesting period, but not the holding period. Deferrals shall be subject to malus during the vesting period and holding period, as detailed below. Executives shall be entitled to dividends or income distributions during the holding period.

	Component	Purpose	Application to Executive Directors
	Performance Fee Remuneration	To reward specific exceptional returns to shareholders resulting from performance fees	Subject at all times to the Group remuneration cap detailed above, the Executive Directors can participate in the performance fee remuneration pool. Participation will be qualified based on objectives relating to: the direct contribution to investment idea generation and innovation, direct portfolio management, risk, capacity and execution management and the development of net new performance fee business. The award is subject to a limit on the percentage of performance fees and the total amount Executive Directors can receive each year:

Individual	Max. % of performance fees	Max. £ amount per annum	Basis for performance evaluation
Mike Faulkner	20%	£5m	Specific objectives relating to: the direct contribution to investment idea generation and innovation, direct portfolio management, risk, capacity and execution management and the development of net new performance fee business
Other Executive Directors, individually	10%	£1m	

			Up to 40% of the Performance Fee Remuneration can be paid in cash in the year the performance fees are earned by the Group. A minimum of 60% of the Performance Fee Remuneration will be deferred in a combination of Group shares and/or fund units for a period of three years, subject to malus which includes significant deviations from client mandate expectations, failures in risk management and conduct issues. Recipients will be entitled to dividends or income distributions on a reinvestment basis.
Malus and clawback		To ensure that variable remuneration reflects longer-term risk outcomes	Malus will apply to all awards during the performance assessment and award setting process, and both the vesting and holding periods. This allows the Committee at its sole discretion to reduce the levels of award due to the individual to reflect risk outcomes including: deviations from client mandate expectations, failures in risk management and conduct issues, personal misconduct, professional conduct failings in a regulatory context, or risk management failings with regard to clients; material mis-statement of financial results; and significant downturn in Group or relevant divisional results. Clawback will apply to cash variable remuneration and performance fee remuneration for a period of 12 months in case of material financial mis-statement or serious personal misconduct by the individual.
Personal shareholding		To align Executive Directors with shareholders	Executive Directors are required to acquire and retain Group shares equivalent to at least 200% of base salary. The Directors shall have five years from taking office to acquire the shares. Shares which have vested under remuneration plans but which are subject to holding periods shall count for the purpose of determining this test.

Total remuneration cap

A key governance metric to demonstrate the alignment between our employees and Executive Directors and our shareholders is the proposed cap on total remuneration as a percentage of both management and advisory fees and performance fees. The cap will be set in the new policy and therefore any motion to exceed the cap will require shareholder approval as a binding vote.

The following table illustrates the previous actual remuneration ratios for net management and advisory revenues and performance fee revenues. We propose to set the ratio in the policy at: 54% of net management and advisory fees plus 50% of the performance fees.

	2014 (6m)	2015	2016	**2017**	Maximum Policy Level
Net management fee and advisory fees	17,525	46,654	45,669	**55,893**	
Remuneration ratio	n/a[1]	52%	54%	**52%**	54%
Performance fees	2,350	5,879	1,526	**12,549**	
Remuneration ratio	n/a[1]	42%	50%	**50%**	50%
Total revenue	20,162	52,533	47,195	**68,442**	
Total remuneration ratio	54%	51%	54%	**52%**	

1 Remuneration was set at an overall level in 2014.

The Board's stated strategy is to improve the overall margin of the business through revenue growth. This will be achieved over time by the reduction in the remuneration and the administrative expenses ratios to revenue. Over the last three years the remuneration ratio has been reduced and we expect this to be maintained over the next 3 years in the range of 50-54% for net management and advisory fees and 50% of performance fees. In setting the ratio at the 54%/50% ratio the Committee recognises that there may be a need for temporary flexibility, for example in order to recruit new investment or consultant teams. Likewise, as stated earlier, the expectation is that in years of significant performance fees the performance fee ratio will be below 50%.

The net management fees and performance fees are defined in our financial statements and subject to audit. Remuneration expense is defined as fixed based salaries, partner drawings, benefits, cash variable remuneration and profit share and the amortisation of performance share and fund awards, recruiting incentives, and payroll taxes. The financial statement effect of the EPSP, including payroll taxes are excluded from the definition of remuneration expense for the purposes of applying the remuneration cap. Remuneration expense is defined in our financial statements and is subject to annual audit.

Executive Performance Share Plan (EPSP)

As a newly listed company, the remuneration policy set in 2014 included the grant of the Executive Performance Share Plans (EPSP) to incentivise the Executive Directors to deliver growth in the client business and to maximise the return to shareholders as measured in terms of share price performance and dividends. The EPSP was designed to provide a reward to the Executive Directors only in the situation where the actual total shareholder return was above 12% compounded over four years. Full vesting of the EPSP was based on achieving actual total shareholder returns of 24% for the A shares and 30% for the B shares, respectively compounded over the four-year period from the IPO date. As these hurdles were considered appropriately challenging the EPSP was treated as dilutive to shareholders.

The Committee also confirms that as the EPSP was issued prior to the IPO it is not included in the calculation of potentially dilutive awards as set out in ABI guidance.

The performance measurement period for the EPSP will end on 30 June 2018. The Committee is proposing to shareholders that this plan will not be repeated, however that the current outstanding awards will continue in accordance with the plan documentation.

Performance fee remuneration

We believe that good client investment outcomes are a key driver to client satisfaction and shareholder value creation, both in maintaining and growing existing client relationships and attracting new clients. As an investment management business our ability to innovate and develop investment intellectual capital in order to achieve long-run investment outperformance is an essential element of our continued success.

Linked to investment outperformance generated for clients is the ability of the Group to generate performance fees. The Executive Directors, in particular Mike Faulkner, have significant input into the generation of performance fees through investment ideas, strategy generation, development and sales. The Committee proposes that within the overall performance fee remuneration, it is appropriate therefore for the Executive Directors to be eligible for remuneration to reflect their role during the year in generating such fees.

We believe that this directly aligns the Executive Directors including Mike Faulkner as an investment focused CEO, with the interests of shareholders in delivering shareholder returns.

For shareholders a significant proportion of net performance fees (performance fees less performance fee remuneration and taxes) are returned to shareholders. To date 100% of the net performance fee profits have been returned to shareholders as dividends. As the performance fee remuneration is capped at 50% of performance fees the direct financial outcome to shareholders will be unchanged.

Annually, specific objectives can be established, where relevant, for Executive Directors by the Committee with the assistance from the Board's other subcommittees: the Global Investment Committee, the Client Engagement Committee and the Audit and Risk Committee. These objectives could relate to the development of a new investment philosophy and process, research and risk management strategies or execution, capacity and distribution strategies.

With regards to the Executive Directors the award of performance fee remuneration is subject to a cap of both the amount and the percentage of total performance fees. We believe that this is an important governance limitation.

Individual	Max. % of performance fees	Max. £ amount	Basis for evaluation
Mike Faulkner	20%	£5m	Specific objectives relating to: the direct contribution to investment idea generation and innovation, direct portfolio management, risk, capacity and execution management and the development of net new performance fee business
Other Executive Directors, individually	10%	£1m	

In our client engagement we are clear as to how this outperformance will be measured and delivered, including clear risk parameters which are monitored independently from those managing the assets. Our approach to client engagement and conduct mitigates the conflicts of interest that can arise in generating performance fees and in particular situations where remuneration is directly linked to underlying investment performance.

In order to ensure longer-term alignment and adherence to UCITS V where applicable, 60% of performance fee remuneration each year will be deferred into the Group's shares and/or fund units for a period of 3 years, subject to malus.

In the determination of vesting and the operation of malus provisions the Committee will be keenly focused on monitoring conduct, not only with regard to our clients but also with regard to our participation in the broader financial markets. The Committee's consideration of malus will include: deviations from client mandate expectations, failure in risk and conduct, personal misconduct, professional conduct failings in a regulatory context, or risk management failings with regard to clients, the Group, as well as dealings in the broader financial markets.

In years in which performance fees are significant and the awards to relevant employees and the Executive Directors are at the respective cap it is the Board's expectation that the remuneration accrual rate applied to performance fees will be reduced below 50%, thereby increasing the distributions to shareholders.

Measuring performance

The Committee defined the following key outcomes that are required from the proposed remuneration policy:

- Ensuring that higher levels of remuneration are only delivered for exceptional long-term growth and performance;
- A clear understanding of expectations with regards to performance outcomes and measurement that translates the Group's strategy into financial and non-financial outcomes that measure progress in the current period, medium and long term; and
- A clear understanding by our employees and the Executive Directors of their remuneration outcomes, including their expectations regarding the components of remuneration and how this is linked to their individual and divisional performance and the Group's performance.

Prior to the start of the financial year the Board undertakes a strategic review of the business and reviews submissions from each business area regarding their strategic ambitions for the forthcoming year and their trajectory towards a three-year strategic plan. These plans form the basis of the Group's annual budget and three-year strategic plan. The budget is set on the basis of stretch objectives so that it is sufficiently challenging for the Executive Directors and Senior Management. The annual budget sets the baseline of the key performance indicators, both financial and non-financial.

Variable Cash Remuneration

These budget key performance indicators form the basis for the performance hurdles for the Executive Directors' Variable Cash Awards which will be set by the Committee annually. The Committee views that the achievement of the annual budget represents the level of 'expected' performance. For each KPI the Board sets a range which gives a clear indication of 'above expectation' and 'exceptional' performance.

In evaluating the Executive Directors there is an element of their performance that is the result of their collective activity and therefore at the Group level the achievement of net management fee and advisory revenues and underlying pre-tax margin are elements that we hold the Executive Directors responsible for as a collective team. Individual divisional objectives, for example sales targets, regretted attrition and non-financial metrics such as the measurement of client satisfaction, and the development and training of staff are more aligned to the individual Executive Directors. The various metrics are therefore weighed by the Committee for each Executive Director.

In order to exclude the effect of performance fees, which could give rise to performance fee remuneration, Variable Cash Remuneration performance objectives will be based on the underlying management and advisory earnings metrics. These will include metrics linked to revenues, AUM, and adjusted underlying margins.

While other financial metrics may also be used, the primary linkage to shareholder returns is the delivery of revenue and the control of both remuneration and administrative expenses. Other non-financial metrics may also be used including those which measure client satisfaction, and staff development and succession.

Strategically the business has grown organically over the last three years. Over the next three-year period adjusted underlying EPS will be used as a performance metric to reflect the potential use of the capital base for the purposes of an acquisition. The Committee considers this a more appropriate metric than those based on return on equity.

In terms of Variable Cash Remuneration the following are used by the Committee to determine each Executive's performance and Variable Cash Remuneration:

Expected performance aligns to the successful delivery of the Board's annual budget across all KPIs and equates to a level of 100% of fixed base salary.

'Above expectation' performance aligns to outperformance against the Board's budget and equates to a level of 200% of fixed base salary. The Committee's expectation in that an award of above 200% of fixed base salary is, by its nature, rare and would only be awarded by the Committee for exceptional outperformance both in achieving sustainable and accelerated outcomes in the current period aligned to the early achievement of objectives in the Board's three year strategic plan.

The Committee will receive quarterly reporting to provide ongoing feedback on progress with a final determination by the Committee at the end of the year.

The Committee will retrospectively disclose the financial targets and the evaluation of actual performance against those targets for each Executive Director. Detailed commentary will be given on the Committee's assessment of performance achieved against the non-financial objectives. Specific targets will not be disclosed in detail in advance for reasons of commercial sensitivity, but some high level disclosure of the types of objectives will be given. In the Chief Executive's review (page 8) the strategy of the Group for the next 3 years has been outlined, including specific growth metrics to be achieved. These strategic objectives will form the basis for the targets for 2017/2018 and will reviewed and updated as required in our reporting to shareholders in the interim and annual reports.

Long Term Incentive Awards
By mandating a ratio of Long Term Incentive Awards to Cash Variable Remuneration of at least 1:1, at least 50% of the Executive Directors' remuneration will be deferred each year in a Long Term Incentive Award structure which has more onerous performance conditions than a simple deferral.

Executive Directors can be awarded grants under the Group's Deferred Equity Plan which provides for awards of shares, fund units or other securities. Typical annual grants will be 100 – 200% of fixed base salary, but up to 400% can be awarded subject to pre-grant performance conditions, measured as part of the year-end appraisal process along with Variable Cash Remuneration.

Long Term Incentive Awards vest over a period of three years to align to the Group's strategic planning horizon. The performance conditions will be the financial and non-financial KPI growth metrics rather than performance metrics to be achieved in a single year.

Awards can be made in Group shares or fund units, or a combination of the two. The Committee will decide the most appropriate mix each year depending on the desired performance outcomes for the business.

Vesting will be based on maintaining a minimum level of aggregate Group performance, as measured by adjusted underlying EPS (Earnings Per Share) growth. These same awards may contain additional criteria requiring the achievement of specific performance targets aligned to the long-term strategic objectives set by the Board as part of its strategic planning process.

The specific vesting criteria which are set by the Committee will be clear, measurable and objective and will be included in the annual report on remuneration in the year they are set. Progress against them will be reported in each annual report on remuneration during the vesting period.

Risk and conduct
The Committee takes risk and conduct issues very seriously, and has incorporated this into the policy to ensure that appropriate remuneration is paid to individuals who exhibit the Group's values, resulting in positive risk and conduct outcomes. Individuals who are directly accountable for risk and conduct issues which arise should have reductions in their remuneration. As a result, all variable remuneration awards are subject to malus, which allows the Committee to:

- Cancel any award before or during the vesting or hold period;
- Reduce the amount of any award before it is made;
- Reduce the amount of any award during the vesting period;
- Reduce the amount of any award during the holding or deferral period; and
- Impose further conditions on any award in certain circumstances including where there has been misconduct, exposure to risks, breach of policy or where the Committee is reasonably of the opinion that the actions of the individual has or is likely to cause injury to the business.

Additionally, the Committee will not only measure the absolute achievement of objectives, but will also apply judgment as to the manner in which the objectives were achieved.

Finally, the up-front cash elements of variable remuneration, being the cash annual bonus and the performance fee bonus shall be subject to a 12 month clawback provision, in case of material mis-statement of financial results or serious personal misconduct by the individual.

Remuneration of new Executive Directors
Upon appointment of new Executive Directors, the Committee aims to pay such Directors appropriate levels of remuneration to achieve the objectives of retention and motivation, in line with the policy detailed above.

Base salaries will typically be set at similar levels to those already in place, although they may be set lower to reflect experience, in which case they may rise more quickly over time. Benefits and bonuses will be applied in a consistent manner with the policy as it applies to other Executive Directors.

New Executive Directors will be given objectives for the remainder of the year in which they are appointed, and will be appraised on their performance and be eligible for variable remuneration in a similar way as existing Executive Directors.

The Group may pay reasonable legal costs for a new Executive Director to obtain independent legal advice in relation to their appointment.

Where a new Executive Director forfeits remuneration as a result of leaving their previous role, the Committee may make one-off awards on their appointment in order to mitigate their loss. In all cases any buy-out awards will be granted on a like-for-like basis, taking into account the nature, time horizon and performance requirements of the forfeited remuneration and will be subject to malus at least as onerous as the awards being replaced.

Non-Executive remuneration

The Group periodically reviews the fees payable to Non-Executive Directors in respect of their roles on the Board and as committee chairs. This review includes the use of benchmarking data to determine appropriate fee levels. The Committee will makes changes to remuneration as appropriate, with the last change being an increase, which was effective from 1 July 2016. The Non-Executive Directors will be entitled to additional fees in exceptional circumstances if determined appropriate by the Chairman in consultation with the CEO.

Directors' service contracts, letters of appointment and termination arrangements

All Executive Directors have service agreements under which, other than by termination in accordance with the terms of these agreements, employment continues indefinitely.

There are no special provisions for notice or compensation in the event of a change of control of the Group. It is the Group's policy that the Group may terminate the Executive Directors' service agreements by giving no less than 12 months' notice.

As an alternative, for Executive Directors the Group may at its discretion pay in lieu of that notice. Payment in lieu of notice may be made in equal monthly instalments from the date of termination to the end of any unexpired notice period. Payment in lieu of notice in instalments may also be subject to mitigation and reduced taking into account earnings from alternative employment.

For Executive Directors, payment in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the Group of providing pension and all other benefits. In limited circumstances, in addition to making a full payment in lieu of notice, the Group may permit an Executive Director to stay employed after the announcement of his or her departure for a limited period to ensure an effective hand-over and/or allow time for a successor to be appointed.

The Group may, depending on the circumstances of the termination, determine that it will not pay the Executive Director in lieu of notice and may instead terminate an Executive Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate his or her loss. The Group may also pay an amount considered to be reasonable by the Committee in respect of fees for legal and tax advice and outplacement support for the departing Executive Director.

On cessation of employment, save as otherwise provided for under the rules of the Group's share plans, Executive Directors' entitlements to any unvested awards lapse automatically. In the case of injury, disability, ill-health or redundancy (as determined by the Committee), change of control, or any other reason that the Committee so decides in its absolute discretion, awards may continue, or vest early.

Awards that are subject to performance conditions not linked to continued employment will stay in force as if the participant had not ceased employment and shall vest on the original vesting date. Awards that are not subject to a performance condition will be released as soon as practicable following cessation of employment.

The number of shares that are released shall be pro-rated for the period of the participant's service in the restricted period (although the Committee may in its absolute discretion waive or vary the pro-rating).

In determining whether and how to exercise its discretion under the Group's share plans, the Committee will have regard to all relevant circumstances distinguishing between different types of leaver, the circumstances at the time the award was originally made, the Executive Director's performance and the circumstances in which the Executive Director left employment.

On cessation of employment, Executive Directors, having been notified of participation in an annual incentive plan for the relevant financial year may, at the Committee's discretion, retain entitlement to a pro-rata annual incentive for their period of service in the financial year prior to their leaving date. Such pay-out will normally be calculated in good faith on the same terms and paid at the same time as for continuing Executive Directors.

Eligibility for allowances and benefits including retirement benefits normally ceases on retirement or on the termination of employment for any other reason.

The rules of the Group's share plans make provision for the treatment of awards in respect of corporate activity, including a change of control of the Group. The Committee would act in accordance with the terms of the awards in these circumstances, which includes terms as to the assessment of performance conditions and time apportionment.

Details of each individual Executive Director's service agreement are outlined in the table below. Employment agreements for other employees are determined in accordance with local labour law and market practice.

Executive Directors	Title	Appointment Date	Resignation Date	Effective Date of Current Service Agreement	Notice Period	Initial Term
James Barham	Global Head of Distribution	27th March 2014		6th April 2014	12 months	Rolling
Jack Berry	Global Head of Solutions	27th March 2014		27th March 2014	12 months	Rolling
Kevin Hayes	Chief Financial Officer	15th April 2014		27th March 2014	12 months	Rolling
Mike Faulkner	Chief Executive Officer	27th March 2014		27th March 2014	12 months	Rolling

Non-Executive Directors	Title	Appointment Date	Resignation Date	Effective Date of Current Service Agreement	Notice Period	Initial Term
Paul Bradshaw		27th March 2014	12th January 2017	27th March 2014	3 months	3 years
Angela Crawford-Ingle		29th May 2014		29th May 2014	3 months	3 years
Robin Minter-Kemp		12th May 2014		12th May 2014	3 months	3 years
Jonathan Punter		26th June 2014		26th June 2014	3 months	3 years
Peter Warry		1st June 2014		1st June 2014	3 months	3 years

Compliance with regulation and legislation

The regulatory and legislative environment is changing rapidly, with implications for remuneration approaches. Whilst all steps are taken at the time of drafting a policy to ensure it is compliant with both the letter and spirit of current requirements, this can change over a three-year cycle. An example of this is the implementation of UCITS V in the current year, which introduces requirements to make deferrals into UCITS fund units, not currently permitted in the Group's current policy.

To avoid these issues in future, the Committee may vary the method and approach to Executive Remuneration in this policy, in order to ensure regulatory and legislative compliance.

Statement of consideration of employment conditions elsewhere in the Group

The Group's head of HR is present at all Committee meetings and provides the Committee with reporting on proposed salary levels and variable remuneration awards during the annual remuneration process, and periodically on request. The Committee approves the overall variable remuneration spend each year and performs a detailed review of the remuneration of senior employees outside of the Executive Directors.

This information helps the Committee reach a conclusion on the remuneration policy which they believe is appropriate in light of employee remuneration, and represents a consistent approach throughout the Group.

The Group does not specifically invite employees to comment on the Directors' remuneration policy, but any comments made by employees are taken into account. Several employees from Finance, HR and legal were involved in the consideration of this proposed remuneration policy.

Approved and signed on behalf of the Remuneration Committee.

Robin Minter-Kemp
Chairman, Remuneration Committee