

## River and Mercantile Group, Remuneration Policy

### Overview

This Remuneration Policy has been prepared for River and Mercantile Group PLC (the "Group") to ensure that the Group has in place appropriate risk-focused remuneration policies that are consistent with and promote effective risk management, support positive behaviours and a strong and appropriate conduct culture within the Group.

Certain of the Group's entities are authorised and regulated by the UK Financial Conduct Authority (the "FCA"). The Group and its FCA authorised subsidiaries, River and Mercantile Investments Limited ("RAMIL") and River and Mercantile Asset Management LLP ("RAMAM"), are required to have documented remuneration policies, procedures and practices that comply with FCA handbook.

RAMIL is prudentially classified as a BIPRU firm and is subject to the SYSC 19C BIPRU Remuneration Code, however we have chosen to apply the SYSC 19A IFPRU Remuneration Code across the Group as we believe the rules and associated guidance of SYSC 19A sufficiently cover (and in some instances go further than) the rules and associated guidance set out in SYSC 19C.

River and Mercantile Asset Management LLP is a UCITS management company and accordingly is subject to a separate UCITS V compliant remuneration policy in respect of its activities as a UCITS manager. This Remuneration Policy shall not apply to that part of RAMAM's activities. Where the activities of a delegate or secondee to RAMAM or another UCITS product managed by any part of the Group, fall within the scope of this Remuneration Policy, the Remuneration Committee shall consider the provisions of the SYSC19E UCITS V remuneration policy to ensure that an equally effective approach to remuneration is taken.

This Group-wide remuneration policy focuses on ensuring remuneration awarded:

- is consistent with, and promotes, sound and effective risk management;
- does not encourage risk taking that exceeds the level of tolerated risk of the Group;
- is in line with the business strategy, objectives, values and interests of the Group;
- includes measures to avoid conflicts of interest.

This Policy serves as the Group's self-assessment of its compliance with the FCA's Remuneration Code and will be used on an ongoing basis to ensure that the Group's remuneration policies balance reward against risk and do not encourage excessive risk-taking by Group employees.

### Scope

This Policy covers all aspects of remuneration which could have a bearing on effective risk management, including salaries, cash variable remunerations, long-term incentive awards, hiring bonuses, severance packages and pension arrangements. It is principally concerned with the risks created by the way remuneration arrangements are structured.

Our success as a Group depends on our ability to successfully engage talent through a combination of career opportunities, a productive work environment and competitive compensation. The Group's compensation and reward programmes are intended to attract, retain and motivate individuals who can utilise their knowledge, expertise, business acumen and leadership skills to serve our clients effectively.

Key objectives of the Group's incentive compensation policies and practices, particularly with respect to senior professionals, managers and executives, whose roles lead to value creation for the firm, its shareholders and its clients, are to provide sufficient annual incentive variation to ensure a pay-for-performance environment. Nonetheless, we do not believe that incentive levels in the Group are of a magnitude that would encourage excessive risk taking.

### **Policy review and approval**

The Group has established a Remuneration Committee which meets formally at least quarterly to consider remuneration matters across the Group. The Remuneration Committee will have regard to the long term interests of shareholders, investors and other stakeholders in the Group when taking decisions on remuneration.

The Chairman of the Remuneration Committee and its members are independent non-executive directors of the Group and accordingly do not perform any executive functions within the Group. A description of the composition, committee terms of reference and authority of the Remuneration Committee is available at [www.riverandmercantile.com](http://www.riverandmercantile.com).

### **Applicability to staff**

This Policy generally applies on a Group-wide basis to all employees, partners and directors. However, certain additional rules will apply to Group members of staff whose professional activities have a material impact on the risk profile of the Group or any part of it, in particular:

- senior management, and those remunerated like senior management;
- staff accountable to the management body for the activities of the independent risk; management function, compliance function or internal audit function;
- heads of significant business lines and support and control functions (and those individuals or groups within their control);
- staff heading functions responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy or information technology.

In addition, under SYSC 19F of the FCA handbook, this policy applies to all relevant persons with an impact, directly or indirectly, on investment and ancillary services provided by the investment firm or on its corporate behaviour.

The Remuneration Committee have assessed staff using the criteria above and developed a list of staff that are subject to this policy (the "Code Staff"). The Remuneration Committee approves this list (at least) on an annual basis.

The Group's Human Resources Department is responsible for informing Code Staff of their status and the implications of this status. Code Staff will be required to sign a declaration to confirm that they have read and understood the policy and that they abide by the Remuneration Code principles set out within FCA SYSC 19A and 19F where relevant.

## Proportionality

The Group's policies and procedures in relation to remuneration must be comprehensive and proportionate to the nature, scale and complexity of the Group's activities (the "Proportionality Principle"). The FCA considers the Group's UK regulated subsidiaries to be a proportionality level three IFPRU firm and a BIPRU firm, meaning certain of the remuneration principles in this policy may be disapplied by the Remuneration Committee. Having considered the individual circumstances of the Group's UK regulated subsidiaries, it has been determined that it is appropriate to disapply the following rules of the FCA handbook:

1. retained shares or other instruments (Principle 12(f))
2. deferral (Principle 12(g))
3. performance adjustment (Principle 12(h))
4. the ratios between fixed and variable components of total remuneration (Principle 12(d))

The Group is of the view that dis-application is appropriate as:

- (a) the Group is an asset management group and, as a result, it has a low risk business model. The Group is therefore confident that the systems and controls in place are adequate to ensure that no inappropriate risk taking occurs;
- (b) the Group does not undertake proprietary trading and as such its capital position is unaffected by principal trading activities ; and
- (c) employees' base salaries are intended to provide regular cash flow throughout the year, irrespective of Group or individual performance. The Group operates a seniority based grading system, under which all employees, partners and directors are ascribed a grade ranging from P1 Associate to P13 Managing Director. Base salaries and benefits linked to salary have traditionally constituted the majority of total compensation for a significant part of the Group's employees from P1 to P8 grade. Employees whose total remuneration consists of a significant proportion of variable compensation will be subject to review by the Remuneration Committee and, at the Remuneration Committee's discretion, be subject to a proportionate application of the rules relating to deferral.

## Remuneration components

The Group has a pay for performance culture and flexible individual incentives are an important part of the Group's performance culture. Employees are rewarded according to personal performance, their business division's performance and the Group's success balanced against risk management and considerations of culture and conduct. Consideration of culture and conduct will be included to reward high quality conduct which is consistent with the Group's culture.

The Remuneration Committee shall consider the following components when determining any Code Staff remuneration and shall ensure that criteria for setting basic fixed remuneration reflecting an employee's professional experience and organisational responsibility is clearly distinguishable from the criteria for setting variable remuneration reflecting performance in excess of what is required to fulfil an employee's job description and terms of employment.

Description of the different remuneration components, how they are determined and the link between pay and performance is set below.

Remuneration Components		
Component	Purpose	Detail of component
Base Salary	To help recruit and retain talent.	Base salaries are generally reviewed annually as part of the annual performance evaluation process. Base salaries are set considering the individual's skills, the size and scope of their role and the market rate at comparator companies
Benefits	To help recruit and retain talent and promote health and wellbeing.	Benefits provided include defined contribution pensions with a Group contribution, private medical and life insurance. Difference in the level of benefits may exist for employees based outside of the UK or where prior to creation of the Group a higher level of benefit was offered.
Cash variable remuneration	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.	<p>Cash variable remuneration rewards individual, relevant business division and Group performance and the achievement of strategic and personal objectives.</p> <p>The Group has placed an overall cap on remuneration of both Directors and employees. 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. Payments of cash variable remuneration are within this remuneration cap.</p>
Performance fees	To reward specific exceptional returns to investors and shareholders resulting from performance fees	For certain individuals in a senior investment management role, performance fee sharing arrangements are in place which helps align the interests of senior investment managers with that of the long term performance of the funds and mandates they manage. This is subject to the Group remuneration cap and, in the instance of executive directors, subject to the cap in the Directors' Remuneration policy. The Remuneration Committee will consider the size of the share of the performance fee and, where appropriate, will defer a portion into either units of the relevant fund or the shares of the Group.
Long term incentive awards	To incentivise delivery of long-term performance and strategic objectives	Long term incentive awards may be granted under the Group's share award plans. Awards are based on pre-grant performance conditions measured as part of the year-end appraisal process. Awards shall be made in Group shares or fund units or a combination of the two. Awards will be deferred for a number of years, typically three years and may be

		<p>subject to performance conditions. Vesting of awards is determined by the Remuneration Committee at the end of the deferral period. The Remuneration Committee will consider whether performance adjustment of the award is appropriate - this allows the Remuneration Committee to reduce or cancel the award made to an individual to reflect risk outcomes, including failure in risk management and misconduct.</p>
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## Control functions

The Group shall ensure employees engaged in control functions:

1. are independent, so far as reasonably practicable taking into account the scale, size and nature of the firm, from the business units they oversee,
2. have appropriate authority, and
3. are remunerated (a) adequately to attract qualified and experienced staff, and (b) in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Taking into account recommendations by the Head of Corporate, remuneration of senior officers in the risk management and compliance functions shall be directly overseen by the Remuneration Committee.

The Group's remuneration policies are designed by senior management in collaboration with certain individuals holding control functions including human resources, legal, compliance and finance. In particular the Group's legal and compliance team will have appropriate input into setting remuneration policies for the Group which are formally approved by the Remuneration Committee.

Prior to the vesting of any long term incentive awards, the Head of Legal, Risk and Compliance will have input into whether an individual's award should be subject to performance adjustment due to riskiness of business undertaken, concerns about conduct or behaviour.

## Sales staff

The Group shall ensure that it does not remunerate or assess the performance of its staff engaged in investment and ancillary services in a way that conflicts with its duty to act in the best interests of its clients or encourages short termism, excessive risk taking. Remuneration and other incentives shall not be solely or predominately based on quantitative commercial criteria and will take fully into account appropriate qualitative criteria reflecting compliance with applicable regulations, conduct, the fair treatment of clients and the quality of services provided to clients.

In addition, a balance between fixed and variable components of remuneration will be maintained by the Group at all times so as to ensure the remuneration structure does not favour the interests of the firm or its relevant persons against the interests of any client. In determining the appropriate balance, the Remuneration Committee will take into consideration the FCA's position on the balance of fixed and variable components of total remuneration – being that the level of the variable component of total remuneration must not exceed 100% of the fixed component of total remuneration. Where the proposed variable remuneration of sales staff exceeds 100% of fixed remuneration in any one year,

the Remuneration Committee will be required to approve the variable remuneration in advance and shall consider the appropriateness of the award and whether or not a proportion of the award should be deferred into units of funds or Group shares.

### **Remuneration and capital**

The Group must ensure that total variable remuneration does not limit the Group's ability to strengthen its capital base.

The Group controls fixed costs by ensuring that compensation expense varies with profitability, and does not constrain the Group's ability to strengthen its capital base. The Group has placed an overall cap on remuneration of both directors and employees. 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. Group Board approval is required for determining the remuneration for a new member of staff where the total remuneration package proposed is £0.5 million or more.

Compensation programmes are also approved by the Remuneration Committee with specific regard to sustainability and risk management.

### **Profit based measurement and risk adjustment**

The Group ensures any measurement of performance used to calculate variable remuneration or pools of variable remuneration:

- includes adjustments for all types of current and future risks,
- takes into account the cost and quantity of capital and liquidity required,
- takes into account the need for consistency with the timing and likelihood of the Group receiving potential future revenues incorporated into current earnings, and
- assesses financial performance principally on profit.

The Group has taken into account its individual business model and circumstances when considering the application of these requirements.

Subject to the Group's total remuneration cap, the final amount of the Group variable remuneration pool is at the discretion of the Remuneration Committee and may be decreased to take into account subdued or negative financial performance of the Group, or current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

### **Pension policy**

The Group offers all employees the opportunity to participate in a Group defined contribution pension scheme to which the Group and the employee contributes, additional contributions made by the employee are matched by the employer up to 10% of the additional contribution.

Whilst we do not approach discretionary pension benefits in the Group on an individual employee level, if our approach should change here our policy would ensure that when an employee leaves the Group before retirement, any discretionary pension benefits awarded at an individual employee level are held by the Group for five years in the form of retained shares. Once an employee reaches retirement, discretionary pension benefits will be paid to the employee in the form of retained shares subject to a five-year retention period, where appropriate.

The Group provides employee benefit programmes, including a SAYE share plan scheme, healthcare, life and long term disability insurance. The Group's benefit programmes are generally competitive and in line with business strategy, objectives, values and the long-term interests of the Group.

The Remuneration Committee retains responsibility for the policy and scope of pension arrangements for executive directors and other senior management.

## **Remuneration structures**

### Assessment of performance

Where remuneration is performance related, the total amount of remuneration will be based on a combination of:

- the assessment of the performance of the individual and of the business unit concerned; and
- the overall results of the Group.

Assessment of individual performance will take into account financial and non-financial criteria.

As stated above, the Group's incentive pool is allocated to each business unit, taking into account the Group total remuneration cap, incentive compensation targets set for each employee, based on market competitive data or other factors specific to the relevant employees. The final split by business and function is a combination of a bottom-up and top-down process. As a result, individual incentive awards will be based on:

- (a) the Group's performance;
- (b) business unit performance; and
- (c) individual performance (including performance relative to financial and non-financial goals, along with compliance and risk management).

Final incentive compensation allocations are discretionary but are based largely on individual performance as determined in the annual performance management cycle and Group compensation differentiation meetings. Poor performance may result in a reduced award or no award being provided.

Employees are informed in advance of the criteria that will be used to assess their performance, the steps and the timing involved. Performance targets are set for employees annually and employees are appraised by their line manager on an annual basis against their performance targets. Performance targets should be understandable and the criteria for each P-Grade are accessible to all employees.

### Early termination payments

The Group must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

Although the Group does not have a formal severance policy, severance payments are generally intended to be reflective of contractual and statutory requirements as well as the performance of the employee over their tenure, and are not intended to reward failure or poor performance. The Remuneration Committee shall ensure that contractual terms of termination, and any payments

made are fair to the individual and members of the Group, that failure is not rewarded and that the duty to mitigate loss is recognised.

The Group also recognises that, in some circumstances, there can be value to the Group in making reasonable separation payments to employees who are involuntarily terminated or leave by mutual agreement. Such payments are typically accompanied by the execution of a release agreement between the Group and the terminated employee. Severance payments or other arrangements on termination of employment for a senior manager are subject to approval by the Remuneration Committee. The Remuneration Committee will ensure that termination payments are awarded in compliance with this Policy.

#### Guaranteed variable remuneration

Guaranteed variable remuneration may only be awarded, paid or provided where it is exceptional, occurs in the context of hiring new staff, is limited to the first year of engagement, and the firm has a sound and strong capital base.

The Group does not award guaranteed variable remuneration except in exceptional circumstances. This includes both guarantees of year end incentive compensation (e.g. retention awards) and “sign-on” awards to new hires in the form of cash.

Although historical compensation levels are taken into account in pay decisions, sign-on inducements made to new hires are not normally considered part of total compensation. Such inducements will be in cash and are typically made in replacement of forfeited compensation or equity awards with prior employers. Any guarantees offered by the Group when recruiting staff will not be more favourable than the incentive compensation awarded or offered by their previous employer and will comply with this Policy. This includes taking reasonable steps to ensure the award contains at least a similar proportion of non-cash instruments as the deferred awards from the individual’s previous employer, as appropriate. The Group should also take reasonable steps to obtain evidence of the existing award. Any sign-on awards for Code Staff will be included in the Group’s annual remuneration report.

Any guarantees that are made are subject to the required approvals, including regulatory approvals where necessary, and will be documented appropriately. In cases where the Group is considering making a retention award to an associate classified as Code Staff, prior notification will be given to the FCA, and appropriate individual guidance may be required. Legal advice will also be sought as appropriate.

#### **Avoidance of the Remuneration Code**

The Group ensures employees undertake not to use any personal hedging strategies, remuneration related insurance or liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Code Staff are prohibited from using personal hedging strategies or contracts of insurance to hedge or insure against risks relating to their compensation. If an employee is found to have acted in breach of this undertaking, then they may be subject to disciplinary proceedings.

The Group confirms that remuneration is not paid through vehicles or methods that facilitate the avoidance of the Code. All recommendations for awards are subject to a number of levels of review and approval and the final awards are approved by the Remuneration Committee.



Approved by River and Mercantile Group PLC – Remuneration Committee

April 2019

**Declaration (For Code Staff)**

I have read and understood the River and Mercantile Group Remuneration Policy.

I confirm that I shall, to the best of my knowledge and understanding, comply with the contents of the River and Mercantile Group Remuneration Policy.

I understand that I am prohibited from using personal hedging strategies or contracts of insurance to hedge or insure against risks relating to my compensation.

Name:

Signature:

Date:

**PLEASE RETURN TO THE HR DEPARTMENT**

(30 Coleman Street, EC2R 5AL)