

## River and Mercantile Asset Management LLP's Remuneration Policy, 15 November 2016

### Overview

River and Mercantile Asset Management LLP ("RAMAM") is required to have documented remuneration policies, procedures and practices that comply with the FCA SYSC 19E Remuneration Code as the management company of a UCITS scheme.

This policy focuses on ensuring remuneration awarded:

- is consistent with, and promotes, sound and effective risk management;
- does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS funds which RAMAM manages;
- does not impair compliance with RAMAM's duty to act in the best interests of the UCITS funds it manages;
- is in line with the business strategy, objectives, values and interests of RAMAM and the UCITS funds which it manages and of the investors in those UCITS funds;
- includes measures to avoid conflicts of interest<sup>1</sup>.

(Principles 1 and 2 of the Remuneration Code)

### Application

This policy has been adopted by RAMAM and the Remuneration Committee, as described below, and is effective from 15 November 2016.

This policy applies to all categories of staff whose professional activities have a material impact on the risk profiles of RAMAM and the UCITS it manages<sup>2</sup> in particular:

- senior management
- risk takers
- staff engaged in control functions
- employees receiving remuneration similar to those of risk takers and senior management<sup>3</sup>

The Remuneration Committee have assessed staff using the criteria above and developed a list of staff that is subject to this policy (the "Code Staff").

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 19E.

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<sup>1</sup> SYSC 19E.2.1

<sup>2</sup> SYSC 19E.2.2 (1)

<sup>3</sup> SYSC 19E.2.2 (2)

### **Remuneration Committee (Principal 3)**

RAMAM has established a Remuneration Committee which meets formally at least once a year<sup>4</sup> to implement this policy<sup>5</sup> and take responsibility for decisions regarding remuneration including those which have implications for the risk and risk management of RAMAM and the UCITS it manages and which are to be taken by the management body<sup>6</sup>. When preparing its decisions, the Remuneration Committee shall take into account the long-term interests of investors and other stakeholders and the public interest<sup>7</sup>. The Chairman of the Remuneration Committee and its members do not perform any executive functions within RAMAM<sup>8</sup>.

A description of the composition, duties and authority of the Remuneration Committee is available at [www.riverandmercantile.com](http://www.riverandmercantile.com).

### **Risk management and compliance staff (Principal 4)**

Remuneration of senior officers in the risk management and compliance functions shall be overseen by the Remuneration Committee<sup>9</sup> to ensure such employees are compensated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas that are within their remit<sup>10</sup>.

### **Remuneration components**

The Remuneration Committee shall consider the following components when determining any Code Staff remuneration.

#### Assessment of performance (Principal 5(a))

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 or UCITS fund concerned, and of their risks<sup>11</sup>; and
- the overall results of RAMAM<sup>12</sup>.

Assessment of individual performance will take into account financial and non-financial criteria<sup>13</sup>. For example, an individual who has generated high returns but in the view of the Remuneration Committee has undertaken excessive risk to achieve such a result.

The period for assessment of performance shall be set in a multi-year framework appropriate to the holding period recommended to the investors of the UCITS fund managed by RAMAM to ensure that the:

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<sup>4</sup> SYSC 19E.2.8

<sup>5</sup> SYSC 19E.2.7

<sup>6</sup> SYSC 19E.2.9 (3)

<sup>7</sup> SYSC 19E.2.9 (5)

<sup>8</sup> SYSC 19E.2.9 (4)

<sup>9</sup> SYSC 19E.2.11 (1)

<sup>10</sup> SYSC 19E.2.10

<sup>11</sup> SYSC 19E.2.12 (1)(a)

<sup>12</sup> SYSC 19E.2.12 (1)(b)

<sup>13</sup> SYSC 19E.2.12 (2)

- assessment process is based on the long-term performance of the UCITS and its investment risks<sup>14</sup>; and
- actual payment of the performance-based components of remuneration is spread over the same period<sup>15</sup>.

Guaranteed variable remuneration (Principal 5(b))

Guaranteed remuneration may only be awarded, paid or provided where it is exceptional<sup>16</sup>, occurs in the context of hiring new staff<sup>17</sup> and is limited to the first year of engagement<sup>18</sup>.

Early termination payments (Principal 5(c))

Any payments related to the early termination of a contract shall reflect the performance achieved over time, and be designed in a way that does not reward failure<sup>19</sup>.

Fixed and variable remuneration (Principal 5(d))

Fixed and variable components of total remuneration shall be appropriately balanced, and fixed components shall represent a sufficiently high proportion of the total remuneration<sup>20</sup>.

**Variable remuneration**

Unless Code Staff meet both the following conditions<sup>21</sup>,

1. variable remuneration of an individual is no more than 33% of their total remuneration; and
2. an individual's total remuneration is no more than £500,000.

variable remuneration shall be awarded as follows:

Retained units, shares or other instruments (Principal 5(e))

A substantial portion, and in any event at least 50%, of any variable remuneration (deferred or not<sup>22</sup>) shall consist of:

- units or shares,
- equivalent ownership interests,
- share-linked instruments, or
- equivalent non-cash instruments with incentives that are equally effective as the instruments listed above,

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<sup>14</sup> SYSC 19E.2.13 (1)

<sup>15</sup> SYSC 19E.2.13 (2)

<sup>16</sup> SYSC 19E.2.14 (1)

<sup>17</sup> SYSC 19E.2.14 (2)

<sup>18</sup> SYSC 19E.2.14 (3)

<sup>19</sup> SYSC 19E.2.16

<sup>20</sup> SYSC 19E.2.15

<sup>21</sup> SYSC 19E.2.17

<sup>22</sup> SYSC 19E.2.18 (4)

in relation to the UCITS fund concerned (the "Instruments")<sup>23</sup>. Such Instruments shall be subject to an appropriate retention policy designed to align incentives for the Code Staff with the long-term interests of RAMAM, the UCITS it manages and the investors of such UCITS<sup>24</sup>.

Where the UCITS accounts for less than 50% of the total portfolio managed by RAMAM, the minimum of 50% does not apply. However, a substantial portion of the variable remuneration shall still consist of the Instruments.<sup>25</sup>

#### Deferral (Principal 5(f))

A substantial portion, and in any event at least 40%, of the variable remuneration shall be deferred over a period which is:

- appropriate in view of any holding period recommended to investors of the UCITS fund concerned;<sup>26</sup>
- aligned with the nature of the risks of the UCITS fund concerned; and<sup>27</sup>
- not less than 3 years<sup>28</sup>.

Deferred variable remuneration shall vest no faster than on a pro-rata basis<sup>29</sup>. Where variable remuneration is determined to be particularly high, or over £500,000, at least 60% shall be deferred<sup>30</sup>.

#### Performance adjustment (Principal 5(g))

Variable remuneration, including any deferred portion, shall vest or be paid only where it is:

- sustainable to do so according to the financial situation of RAMAM, and<sup>31</sup>
- justified according to the performance of<sup>32</sup>:
  - i. the UCITS;
  - ii. the business unit; and
  - iii. the individual concerned.

In assessing the financial situation of RAMAM, both current compensation and reductions in payouts of amounts previously earned, including through malus or clawback arrangements shall be taken into account<sup>33</sup>.

#### **Calculation of variable performance (Principal 6)**

Any measurement of performance used to calculate variable remuneration shall include a comprehensive adjustment mechanism to integrate all relevant types of current and future risks<sup>34</sup>.

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<sup>23</sup> SYSC 19E.2.18 (1)

<sup>24</sup> SYSC 19E.2.18 (3)

<sup>25</sup> SYSC 19E.2.18 (2)

<sup>26</sup> SYSC 19E.2.20 (a)

<sup>27</sup> SYSC 19E.2.20 (b)

<sup>28</sup> SYSC 19E.2.20 (2)

<sup>29</sup> SYSC 19E.2.20 (3)

<sup>30</sup> SYSC 19E.2.20 (4)

<sup>31</sup> SYSC 19E.2.22 (1)

<sup>32</sup> SYSC 19E.2.22 (2)

<sup>33</sup> SYSC 19E.2.23 (2)

### **Pension policy (Principal 7)**

RAMAM shall ensure that its pension policy is in line with the business strategy, objectives, values and long-term interests of itself and the UCITS it manages<sup>35</sup>.

Where an employee leaves RAMAM before retirement, or is approaching retirement, discretionary pension benefits shall be held by RAMAM for a period of five years in the form of the Instruments<sup>36</sup>.

### **Avoidance of the Remuneration Code (Principals 8 and 9)**

RAMAM shall ensure:

- employees undertake not use any personal hedging strategies, remuneration related insurance or liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements,<sup>37</sup>
- variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the Remuneration Code.<sup>38</sup>

**Approved by River and Mercantile Group PLC – Remuneration Committee  
15 November 2016**

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<sup>34</sup> SYSC 19E.2.24

<sup>35</sup> SYSC 19E.2.25 (1)

<sup>36</sup> SYSC 19E.2.25 (2) and (3)

<sup>37</sup> SYSC 19E.2.26

<sup>38</sup> SYSC 19E.2.27

**Declaration (For Code Staff)**

I have read and understood the River and Mercantile Asset Management LLP Remuneration Policy.

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

Name:

Signature:

Date:

**PLEASE RETURN TO THE HR DEPARTMENT**  
(11 Strand London, WC2N 5HR)