

River and Mercantile Group PLC
Remuneration Policy

This policy is applicable to all employees, partners, directors engaged by the following entities:

River and Mercantile Asset Management LLP

FCA Firm Reference Number: 453087

River and Mercantile Investments Limited

FCA Firm Reference Number: 195028

River and Mercantile Group PLC

River and Mercantile Infrastructure LLP

This policy is also applicable to the activities of certain employees of River and Mercantile LLC who are engaged in investment management activities related to UCITS funds.

Version:	1.2
Policy owner:	Group Head of Compliance
Policy approver:	Group Remuneration Committee
Date:	27 May 2021

Updates to this policy

This Policy is maintained and updated by the Compliance Department. It will be updated from time to time as a result of legislative and regulatory changes and new or amended regulatory guidance. You should ensure that you keep up-to-date with the most recent version which will be published on the 4Policies tool on the RMG intranet.

Version Control:

Date	Version	Change
30 November 2017	1.0	Approval of new policy by Group Remuneration Committee
April 2019	1.1	Updates for RAMIL's classification as a BIPRU firm
April 2019	1.1	Reviewed and approved by Group Remuneration Committee
May 2021	1.2	Updates made following changes to the Directors' Remuneration Policy and the variation of RAMAM's permissions
26 May 2021	1.2	Reviewed and approved by Group Remuneration Committee

Glossary

Term	Definition
FCA	UK Financial Conduct Authority.
FCA Handbook	The FCA compilation of rules and guidance applicable to regulated firms such as RAMAM and RAMIL.
Group	River and Mercantile Group PLC.
Policy	This Remuneration Policy.
RAMAM	River and Mercantile Asset Management LLP.
RMG	River and Mercantile Group PLC.
RAMIL	River and Mercantile Investments Limited.
RMI LLP	River and Mercantile Infrastructure LLP.

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1 Overview

This Remuneration Policy has been prepared for River and Mercantile Group PLC 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 FCA. The Group and its FCA authorised subsidiaries, RAMIL and RAMAM, are required to have documented remuneration policies, procedures and practices that comply with the FCA Handbook.

RAMIL and RAMAM are prudentially classified as BIPRU firms and are subject to the SYSC 19C BIRPRU Remuneration Code.

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 long-term interests of the Group;
- does not limit either RAMIL or RAMAM's ability to strengthen its capital base;
- does not conflict with our duty to act in the best interests of our clients; and
- includes measures to avoid conflicts of interest.

This Policy serves as the Group's self-assessment of its compliance with the FCA's SYSC 19C BIRPRU 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 members of the Group.

2 Scope

This Policy covers all aspects of remuneration which could have a bearing on effective risk management, including salaries, cash variable remuneration, 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.

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.

3 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, clients 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.

4 Applicability to staff

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

- senior management;
- risk-takers;
- staff engaged in control functions who head these areas; and
- staff receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers and whose professional activities have a material impact on the firm’s risk profile.

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.

Based on the above criteria and the guidance provided by the FCA, a list of staff that are subject to this Policy (the “**Code Staff**”) is produced annually and reviewed by the Head of HR and Head of Compliance. The Remuneration Committee approves this list (at least) on an annual basis.

The Group’s HR Department is responsible for informing Code Staff of their status and the implications of this status.

5 Proportionality

The Group’s policies and procedures in relation to remuneration are applied in way that is proportionate to the firm’s size and internal organisation and to the extent appropriate to the nature, scope and complexity of the Group’s activities. The FCA considers the Group’s UK regulated subsidiaries to be proportionality level three BIPRU firms, 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)); and
3. certain elements of guaranteed variable remuneration (Principle 12(c)), namely guaranteed variable remuneration beyond the first year, in exceptional circumstances.

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

- (a) the Group does not undertake proprietary trading and as such its capital position is unaffected by principal trading activities; and
- (b) base salaries are intended to provide regular cash flow throughout the year, irrespective of Group or individual performance. Base salaries and benefits linked to salary have traditionally constituted the majority of total compensation for a significant part of the Group’s employees. Group Staff 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.

Further, in accordance with FCA’s guidance on proportionality relating to remuneration thresholds, where both of the following conditions are met by Group Staff, being:

- (a) a Group Staff member's variable remuneration is no more than 33% of their total remuneration; and
- (b) a Group Staff member's total remuneration is no more than £500,000 per annum,

then the rules relating to guaranteed variable remuneration, retained shares or instruments, deferral and performance adjustment may be disapplied.

6 Remuneration components

Group Staff 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 a Code Staff member'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 a Code Staff member'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.
Monthly drawings (applicable to partners only)	To provide monthly cashflow to partners in accordance with their profit-sharing arrangements.	Monthly drawing paid to partners in the Group in accordance with the terms of their profit-sharing arrangements set out in the relevant members' agreement for the relevant partnership.
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 staff 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.	Cash variable remuneration rewards individual, relevant business division and Group performance and the achievement of strategic and personal objectives.

Partners' variable profit share	To allow partners to share in the profits of the respective partnership.	Variable profit-share paid to partners in accordance with the terms of their profit-sharing arrangements set out in the relevant members' agreement for the relevant partnership.
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 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 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.

7 Control functions

The Group shall ensure Group Staff 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.

Remuneration of the heads of the risk management and compliance functions shall be directly overseen by the Remuneration Committee.

Prior to the vesting of any long term incentive awards, the Head of Compliance, Head of HR and Chief Risk Officer 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.

8 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, encourages short termism or 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.

9 Remuneration and capital

The Group must ensure that total variable remuneration does not limit the Group's ability to strengthen its capital base and considers forward-looking capital planning measures.

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.

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

10 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, including staff turnover;
- 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.

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 pay-outs of amounts previously earned, including through malus or clawback arrangements.

11 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.

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

12 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 incentive compensation targets set for each staff member, based on market competitive data or other factors specific to the relevant staff members. 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 calibration meetings. Poor performance may result in a reduced award or no award being provided.

Staff 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 staff annually and staff are appraised by their line manager on an annual basis against their performance targets. Performance targets should be understandable and measurable and include non-financial metrics.

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 staff member 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 staff who are involuntarily terminated or leave by mutual agreement. Such payments are typically accompanied by the execution of a settlement agreement between the Group and the terminated member of staff. Severance payments or other arrangements on termination of employment for a senior Group Staff member 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 (unless otherwise extended for a further period in accordance with the principles of proportionality in exceptional circumstances), 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 or instruments.

Sign on bonuses will be in cash or instruments (or a combination thereof) and are typically made in replacement of forfeited compensation or equity awards with prior employers. Any guarantees offered by the Group when recruiting Code Staff will not be more favourable than the incentive compensation awarded or offered by their previous employer (including any deferral or retention period) 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 will, where practicable, take reasonable steps to obtain evidence of the existing award.

13 Avoidance of the Remuneration Code

The Group ensures staff 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 staff member 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 SYSC 19C Remuneration 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

26 May 2021

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)

13.1