

## NEPTUNE INVESTMENT MANAGEMENT LIMITED (the “Company”)

### UCITS V REMUNERATION DISCLOSURES

#### 1 Introduction

- 1.1 SYSC 19E of the Financial Conduct Authority’s Handbook of Rules and Guidance implements Directive 2009/65/EC, as amended by 2014/91/EU, on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Transferable Securities (“**UCITS V**”) and requires the Company to have in place remuneration policies and practices for certain categories of “UCITS Remuneration Code Staff” (as set out below) (the “**Remuneration Policy**”).
- 1.2 The Remuneration Policy takes account of the European Securities Markets Authority (“**ESMA**”) Final Report “*Guidelines on sound remuneration policies under the UCITS Directive and AIFMD*” (“**ESMA’s Final Report**”) and also the FCA’s “*General Guidance on the AIFM Remuneration Code (SYSC 19B) (the “FCA Guidance”)*”<sup>1</sup>.
- 1.3 The Remuneration Policy is designed to ensure that the Company’s remuneration practices are consistent with and promote sound and effective risk management, do not encourage risk taking which is inconsistent with the risk profiles of the UCITS that it manages and do not impair its duty to act in the interest of the UCITS under its management.
- 1.4 The Company considers the Remuneration Policy to be appropriate to the size, internal operations, nature, scale and complexity of the UCITS funds that the Company manages and in line with the risk profile, risk appetite and the strategy of those funds.

#### 2 Objective

- 2.1 The objective of applying the Remuneration Policy is to ensure common, uniform and consistent application of the provisions on remuneration in UCITS V. It is intended that application of the Remuneration Policy will ensure that the Company does not engage in practices which encourage risk taking which is inconsistent with the risk profile of the UCITS managed by the Company and the FCA rules which govern the relevant UCITS. Pursuant to the Remuneration Policy, the Company is required to act in the best interest of the UCITS.
- 2.2 The Remuneration Policy, together with an implementation process and ongoing monitoring, is a tool which the Company uses to implement and comply with best practice and to eliminate and mitigate behaviours which could lead to failure to act in the investors’ best interest.

#### 3 Governance

- 3.1 The Company’s board of directors (the “**Board**”) has a Remuneration Committee (the “**RemCo**”) which consists entirely of independent non-executive directors. The directors of the Company and, in particular, the Company’s non-executive directors (the “**Board of Directors**”) (as the Company’s management body) will have overall responsibility for implementation of, and ensuring compliance with, the Remuneration Policy. The design and implementation of the Remuneration Policy shall be the responsibility of the Board of Directors and shall include input from the relevant senior management of the Company.
- 3.2 The Board of Directors shall review and approve the Remuneration Policy at least annually or more frequently if required to comply with applicable laws.

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<sup>1</sup> Whilst this guidance does not apply directly to the Company, the FCA has indicated that UCITS managers may have regard to this paper when considering proportionality issues - <https://www.fca.org.uk/firms/remuneration/ucits-remuneration-code-sysc-19e>

3.3 The non-executive members of the Board of Directors receive a fixed fee benchmarked to industry standards. In addition, non-executive members will be reimbursed for appropriate expenses associated with their role as outlined in each directors' letter of engagement.

#### 4 **UCITS Remuneration Code Staff**

4.1 SYSC 19E requires that the Remuneration Policy apply to certain "**UCITS Remuneration Code Staff**" including, but not limited to:

4.1.1 senior management;

4.1.2 risk takers – staff who can exert material influence on the UCITS that the Company manages;

4.1.3 those in control functions: risk management, compliance, internal audit and similar functions within the Company;

4.1.4 employees receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the Company's risk profile or the risk profiles of the UCITS that it manages; and

4.1.5 categories of staff of the entities to which investment management activities have been delegated by the Company, whose professional activities have a material impact on the risk profiles of the UCITS that the Company manages.

#### 5 **Forms of Remuneration**

5.1 UCITS V defines the forms of payments or benefits which fall within the category of remuneration. These are further described in ESMA's Consultation Paper and include (but are not limited to):

5.1.1 all forms of payments or benefits paid by the Company;

5.1.2 any amount paid by the UCITS itself including any portion of performance fees that are paid directly or indirectly for the benefit of Remuneration Code Staff;

5.1.3 any transfer of units or shares of the UCITS,

in exchange for professional services rendered by the Company's UCITS Remuneration Code Staff.

5.2 Whenever payments, excluding reimbursements of costs and expenses, are made directly by the UCITS to the Company for the benefit of the relevant categories of UCITS Remuneration Code Staff, or directly by the UCITS to the relevant categories of UCITS Remuneration Code Staff, for professional services rendered, which may otherwise result in a circumvention of the relevant remuneration rules, they should be considered remuneration.

5.3 All remuneration can be divided into either fixed remuneration (payments or benefits without consideration of any performance criteria) or variable remuneration (additional payments or benefits depending on performance or, in certain cases, other contractual criteria). Both components of remuneration (fixed and variable) may include monetary payments or benefits (such as cash, shares, options, cancellation of loans to staff members at dismissal, pension contributions) or non (directly) monetary benefits (such as, discounts, fringe benefits or special allowances for car, mobile phone, etc.).

5.4 Ancillary payments or benefits that are part of a general, non-discretionary, management company-wide policy and pose no incentive effects in terms of risk assumption can be excluded from this definition of remuneration for the purposes of the risk alignment remuneration requirements that are specific to UCITS V.

5.5 The Company has in place a Share Option Plan in which all staff may participate once they have passed their probationary period and an Equity Participation Scheme in which selected key members of staff are invited to participate.

5.6 Bonuses may be paid to certain members of staff in accordance with metrics linked to “good corporate behaviour” (and for investment staff, also linked to investment performance and profitability).

## 6 **Proportionality**

6.1 UCITS V allows the application of the remuneration requirements in a way and to an extent that is proportionate having regard to the size, nature, internal organisation, scope and complexity of the relevant entity. On an exceptional basis proportionality may lead to the disapplication of certain requirements including:

6.1.1 formation of a remuneration committee; and

6.1.2 the remuneration pay-out process rules.

6.2 The Company will not automatically trigger disapplication but shall internally assess on an annual basis whether the disapplication can be applied.

6.3 In assessing proportionality the Company will consider the following:

6.3.1 size of the Company;

6.3.2 AUM;

6.3.3 number of staff, branches or subsidiaries of the Company;

6.3.4 liabilities of the Company;

6.3.5 internal organisation of the Company;

6.3.6 risk appetite;

6.3.7 whether the Company is listed;

6.3.8 nature, scope and complexity of the Company;

6.3.9 type of authorisation held by the Company;

6.3.10 investment policies and strategies managed by the Company;

6.3.11 national or cross border / EU vs Non-EU;

6.3.12 management of multiple product types;

6.3.13 UCITS Remuneration Code Staff;

6.3.14 percentage of variable vs fixed remuneration; and

6.3.15 size of obligations they may undertake.

## 7 **Assessment**

7.1 The Company is a UCITS manager which manages five funds – three of which are umbrellas with numerous sub-funds, two of which are standalone funds.

7.2 The Company offers predominantly equity strategies (UK and global (including emerging markets)) and also offers some multi asset products.

- 7.3 The Company does not manage AIFs. It only manages open-ended UK UCITS funds and the Board of Directors considers that there are a sufficient number of indicators present to suggest that the business of the Company is a relatively non-complex business.
- 7.4 The Neptune funds do not pay performance fees.
- 7.5 The Company is a UK based business with no branches. The Company is the 100% shareholder of Neptune Investment Contracts Limited, this subsidiary has no employees.
- 7.6 The Company does not delegate portfolio management.
- 7.7 As at 30 September 2017 the Company had AUM of £3,507 million.
- 7.8 Having considered the criteria set out in Section 7 (Proportionality) and having regard to the ESMA Final Report and the FCA Guidance, the Board of Directors is satisfied that it may disapply the strict requirements of the pay-out process.
- 8 Delegation**
- 8.1 ESMA's Final Report requires that entities to which portfolio management or risk management are delegated, are subject to equivalent remuneration rules in their home state or have in place documented contractual arrangements in order to ensure that there is no circumvention of the remuneration rules.
- 9 The Company does not currently delegate portfolio management or risk management.
- 10 Monitoring**
- 10.1 The Board of Directors will review the Remuneration Policy and the implementation of procedures on an annual basis for the Company.
- 10.2 The annual review of the Remuneration Policy is intended to ensure the effectiveness of the Remuneration Policy and the effectiveness of any policy and arrangements in place with any of the Company's delegates.
- 10.3 In order to avoid conflicts of interest monitoring will not be carried out by an individual which is subject to the Remuneration Policy.
- 11 Disclosure**
- 11.1 The Company will comply with the disclosure requirements set out in ESMA's Consultation Paper to include Annual Reports, KIIDs, Prospectus and Policy Statement.
- 11.2 Any UCITS Remuneration Code Staff shall be informed of the criteria associated with variable remuneration.

**10 January 2018**