WAVERTON INVESTMENT MANAGEMENT REMUNERATION POLICY

Scope and Purpose

Waverton Investment Management (Waverton) is required to have a stated remuneration policy which is subject to regular review.

This policy outlines Waverton's staff remuneration and incentive arrangements and the controls in place to ensure that they do not encourage or reward behavior which represents a conflict of interest or is not in the best interests of clients.

Policy Statement

All Waverton employees are salaried and not paid solely with variable remuneration. It is not intended that a high proportion of remuneration packages for any employee is made up by incentives. Where employees derive a proportion of their remuneration from revenue from funds/specialist mandates, it is intended that such revenue is not derived at the point of sale but from revenues. Such bonus allocations will be approved by the remuneration committee as necessary.

All variable remuneration and incentive schemes are considered against the risk of miss-selling, or other client detriment, prior to being introduced.

Variable remuneration paid by Waverton is based on qualitative and quantitative factors, and is not guaranteed.

It is not Waverton's policy to reward employees with schemes that encourage product bias, or are based on accelerated bonus rates or thresholds being met.

Waverton's current remuneration parameters are set out in Appendix 1, titled Waverton's Compensation Principles, and is reviewed annually by the firm's Remuneration Committee.

The Remuneration Code

The FCA Remuneration Code (the "Code") has been established to adhere to the requirements of the Capital Requirements Directive CRD IV (developed from Basel III).

The Code aims to ensure that the remuneration policies operated by firms to which it applies promote effective risk management. The Code is principally concerned with the risks created by the way remuneration arrangements are structured, not with the absolute amounts payable.

As such, a firm's Remuneration Policy must define:

- staff it considers to be captured under the Code and how they have been categorised as Code Staff
- the Code principles/rules which are being applied and dis-applied in the firm's policy
- the process by which the firm will deal with remuneration matters under the Code.

Statement of Proportionality

Waverton is classified with a proportionality level of three under the Code. Waverton's Remuneration Policy has been drawn up with reference to a level three firm and consequently Waverton considers that the firm may, as permitted by the Code, dis-apply certain remuneration principles under the Code (SYSC 19A) including:

1) The requirement to retain shares or other instruments (SYSC 19A.3.47R)
2) The deferral of an element of remuneration (SYSC 19A.3.49R)
3) Adjust the remuneration due to subsequent performance (SYSC 19A.3.51R)
4) The ratios between fixed and variable remuneration (SYSC19A.3.44R)

Responsibilities

The Remuneration Committee is responsible for the approval and regular review of remuneration and incentive schemes, which are initially recommended by Senior Management, with input from relevant business areas, including Compliance and Finance.

Code Staff

Waverton is required to identify those persons who fall within the category of Code Staff. This is the FCA term used for the Identified Staff within scope of the Capital Requirements Directive, and as such, who will have their remuneration governed by this policy. Waverton considers the following to be Code Staff:

- Senior Management – all individuals who are *Executive members of the Executive Board or members of the Management Committee.*

- Risk Takers – those individuals who have a material impact on the firm's risk profile. We have interpreted that this provision brings the Head of Legal and Compliance within the scope of code staff.

A list of Code Staff will be maintained by Waverton's Head of Finance, and the implications of this status will be explained to those persons. The list of code staff will be reviewed by the Remuneration Committee on an annual basis.

Notification

All Code Staff are notified of their status and to receive a copy of this Policy on an annual basis.

The Remuneration Principles

The FCA Code comprises 12 Remuneration Principles, some of which should be applied generally to firm wide remuneration matters. Those that are applicable to Waverton are as follows:

- Principle 1: Risk management and risk tolerance;
- Principle 2: Supporting business strategy, objectives, values and long-term interests of the firm;
- Principle 3: Conflicts of interest;
- Principle 4: Governance;
- Principle 5: Control functions;
- Principle 6: Remuneration and capital;
- Principle 8: Risk adjustment;
- Principle 9: Pension policy;

- Principle 10: Personal investment strategies;
- Principle 11: Avoidance of the Code; and
- Principle 12: Assessment of performance; guaranteed variable remuneration; and payments related to early termination

Waverton is required to comply with the Code in a way and to the extent that is proportionate to its size, internal organisation and the nature, scope and complexity of its activities. Under this proportionality rule, Waverton qualifies as a low risk "Tier 3" firm and as such, may disapply, and has disapplied, the following Code Principles and the associated requirements as Waverton does not consider it appropriate to the nature, scale and complexity of Waverton's business model. This disapplication will be reviewed on an annual basis:

- Principle 12(f): Retained shares or other instruments

- Principle 12(g): Deferral

- Principle 12(h): Performance Adjustment

This remuneration policy also incorporates remuneration rules and principles covered by other EU regulations and directives.

<u>Principle 1</u>: *The Remuneration Policy must be consistent with and promote effective risk management, and must not expose the Firm to excessive risk taking.*

Waverton has a low risk appetite. The firm is a limited license firm with no ability to propriety trade so does not take principal positions with its own capital. Waverton does not lend and as such is not subject to material credit risk. The main categories of risk for Waverton are market, operational and reputational which are accounted for in the design of the remuneration structure.

Waverton operates a tiered remuneration system comprising:

- fixed salary
- single year discretionary variable cash bonus
- incentive scheme for certain fund managers (of funds/specialist mandates)

This enables the firm to reward or penalise staff as appropriate with the individuals' performance both from an absolute perspective and a risk perspective. The criteria for the calculation of all client-facing staffs' cash bonus incorporates a number of qualitative and quantitative Key Performance Indicators (KPI) which include compliance-adherence and is not solely linked to investment performance.

The controls around these payments are described in more detail in Appendix 1.

<u>Principle 2</u>: *A Firm must ensure that its remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Firm.*

As an investment manager, Waverton's overall objective is to achieve consistent performance for the firm's clients. The firm's income is dependent upon client funds under management, and therefore the profit available for distribution under this Policy is dependent upon the firm's overall performance. As such, the fulfilment of our objectives is interlinked with the best interests of our clients, which in turn is in line with this Policy.

All of the variable remuneration plans operated are geared towards the longer-term performance of the firm as a whole.

The discretionary bonus scheme, although only focused on an individual year, is clearly based upon the performance of the firm and as such should ensure the goal congruence of all staff members. The calculation methodology of the overall discretionary bonus pot protects the firm in difficult economic conditions whilst still encouraging collegiate behaviour.

The fund incentive fees encourages the strategic growth of the firm and by ensuring the assets introduced are retained for at least 3 quarters, it also encourages the introduction of appropriate types of client.

Principle 3: *The remuneration policy should avoid conflicts of interest*

Waverton has a conflicts of interest policy in line with requirements in the FCA rules. Waverton is aware of the need to ensure that its Remuneration Policy will not give rise to any conflicts of interest. We believe our approach to remuneration removes any material conflicts of interest due to:

- Bonus payments being discretionary based on the performance of the firm and individual objectives rather than AUM growth targets or incentive based approach.

- Bonus payments not being excessive compared to fixed remuneration.

- The Chairman of the remuneration committee is a Non-Executive Director and receives no variable remuneration. All awards are also independently reviewed by the parent company.

- Remuneration for non-executive directors reflects the time commitment and responsibilities of the role, and does not include share options or other performance related elements. If such remuneration options are used, Board approval is sought in advance.

- Where Waverton portfolio managers invest on behalf of clients into funds that are managed by Waverton, the firm does not levy a portfolio management fee nor pay a performance fee, thereby controlling any conflict of interest by providing incentives that may lead to persons favouring their own interests.

- No variable remuneration is paid on the basis of meeting a specified target or increasing on tiered basis when target levels are reached.

- No variable remuneration is paid to an individual on the basis of sales volumes achieved by staff who they manage.

Principle 4: *A Firm must ensure that its governing body in its supervisory function adopts and periodically reviews the general principles of its Remuneration Policy and is responsible for its implementation.*

As a Tier 3 firm Waverton is able to disapply the requirements of this Principle to have a Remuneration Committee. However Waverton has chosen to create a Remuneration Committee which is chaired by a Non-Executive Director and which has responsibility for the review and implementation of this policy.

Waverton's remuneration structure allows for both short-term and long-term adjustments to remuneration in light of any risk scenario.

The Remuneration Committee has the ability to apply discretion to adjust the bonus pool and individual payments including those paid out in individual incentive schemes, although this would be done in conjunction with any relevant line managers for the bonus pool. Generally, the bonus allocations have not been materially adjusted by the remuneration committee.

The firm ensures the long term interests of shareholder, investors and other stakeholders by utilizing KPI's for the calculation of Investment manager bonuses which incorporate several investor categories.

No Code Staff earn in excess of €1 million and the firm is therefore not subject to additional transparency disclosure requirements.

Principle 5: *A Firm must ensure that individuals in "control functions" 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.*

When setting remuneration levels, Waverton recognises the importance of attracting and retaining experienced staff to perform control functions.

The fixed salary of all individuals is reviewed annually and is based upon prevailing remuneration levels within the industry for the role undertaken and the experience of the individual.

As a small firm with a limited number of personnel it is inevitable that it will not always be possible for control staff to be independent of the business areas they control. However this is recognised by the firm and is referenced in its conflicts policy.

The discretionary bonus scheme is based upon the performance of the firm as a whole, rather than individual business areas. The proportion of the discretionary bonus pot allocated to an individual is based on the qualitative and quantitative annual assessment of their performance. Profitability of the individual revenue generator is only one of several KPI criteria which are used in the formation of the bonus allocations.

The compliance Director, for example, provides KPIs in relation to adherence to client best interest requirements which are utilised in the allocation of individual remuneration for all investment managers.

Principle 6: *The firm must ensure that total variable remuneration does not limit its ability to strengthen its capital base.*

The firm has a very strong capital base and has a policy of holding in excess of its capital adequacy requirements. As the bonus pool is a percentage of pre-tax profits the firm has been able to ensure that the firms' capital base has grown each year.

Waverton will not make any variable remuneration awards that would impact upon the firm's capital base. As required by the FCA, Waverton monitors its capital base as part of its ICAAP process and provides information to the FCA in this respect.

Principle 8: *Bonus pools should be based principally on profits and be adjusted for risk and the cost of capital.*

Waverton is required to base its assessment of financial performance for the purposes of calculating variable remuneration principally on profits. Waverton is also required to ensure that, when measuring performance, it (a) includes adjustments for current and future risks (b) takes into account the cost and quantity of the capital and liquidity required and (c) takes into account the need for consistency with the timing and likelihood of Waverton receiving potential future revenues incorporated into current earnings.

Waverton's focus is to generate investment performance for its clients. The remuneration of Code Staff is therefore linked to the overall performance of the business or of particular funds or accounts.

All remuneration schemes aim to follow a 1:1 maximum fixed to variable ratio. Where there is a possibility that this will be exceeded, such excess is discussed and agreed at by the remuneration committee and, if appropriate, board level. Only in exceptional circumstances will the variable remuneration exceed a 1:2 fixed to variable ratio.

Discretionary Bonus Scheme – This scheme covers all Waverton staff and is payable in full in cash in the February of the following year. The calculation of the total pot is based upon a percentage of pre-tax profits earned by Waverton as a whole. Individual awards are calculated based upon the annual performance review for support staff and a comprehensive review of code staff performance which includes an assessment of adherence to regulatory requirements.

The percentage level is set by senior management at the point of budget-setting each year during the planning cycle which is a three year budget. This is reviewed and agreed at the Executive Board by the shareholders.

This scheme purely looks at each financial year in isolation which is in line with IFRS accounting standards.

As the pool determination is a percentage of pre-tax profits it would be zero of the firm were loss-making and in the event that the firm's performance has been weak, the bonus pot will be accordingly low or nil as appropriate.

All Code Staff to whom a discretionary bonus award is made have a qualitative assessment applied by the Head of Legal and Compliance. This can affect the level of award based on that individual's adherence to regulatory requirements as well as internal policies and procedures.

The assessment considers the following:

- Fair treatment of customers
- Results of Training and Competence monitoring
- Complaints received
- Adherence to suitability and AML requirements

In addition, Compliance monitors the number of new accounts taken on by each Code Staff in order to detect any outliers that may indicate inappropriate sales techniques.

Revenue Sharing scheme – This scheme is available contractually to certain members of the Marketing and Funds teams. The scheme allows for 30% of a team's revenue from external assets to be credited to a team bonus pool for allocation to team members.

The financial performance measures are reviewed as part of the individual's annual review by senior management.

No future earnings are recognised, and the monitoring period manages the risk of this being manipulated. In recognition of the potential risks that this incentive exposes the firm to, Waverton also monitors which eligible staff are the highest earners from this scheme in order to determine whether this indicates inappropriate behavior or other trends or patterns that may give rise to concerns.

<u>Principle 9</u>: *A Firm must ensure that its pension policy is in line with its business strategy, objectives, values and long-term interests.*

Waverton currently offers a non contributory defined contribution pension to its Code Staff. This is in the long term interests of its staff and other stakeholders.

Principle 10: *A Firm must ensure that its employees do not undertake personal hedging strategies or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements.*

All personal account trading is reportable to the Compliance Department and it is the firm's policy that no-one undertakes transactions covered by this Principle.

Principle 11: *A Firm must not pay remuneration using methods designed to avoid the Code.*

Waverton supports both the regulatory obligations and the ethics of the FCA's Remuneration Code. No variable remuneration awards will be paid through any vehicles or methods that would facilitate the avoidance of the Code.

All Code Staff are employed in the UK and are therefore subject to the Code, and all payments are settled accordingly.

Principle 12: *A firm must ensure that an employee's remuneration structure is consistent with and promotes effective risk management. The firm must ensure that where remuneration is performance-related: (1) the total amount of remuneration is based on a combination of the assessment of the performance of (a) the individual; (b) the business unit; and (c) the Firm's overall results; and (2) when assessing individual performance, financial as well as non-financial criteria are taken into account. The assessment process should be set in a multi year framework in order to ensure that the assessment process is based on longer terms performance.*

All non-client facing staff are measuring using a standard annual review process, whilst all client facing staff are measured in a balanced method incorporating a range of qualitative and quantitative criteria ranging from compliance to investment performance. Reference to previous year's scores is taken into account, where appropriate, to determine trends in performance.

Before the actual discretionary bonus pot size is calculated:

- The client facing team allocations are specifically allocated by the Remuneration Committee
- The Remuneration Committee splits the pot on a percentage basis between the different departments based upon the annual review process of the line managers.
- The Remuneration Committee determines what percentage of the departmental allocation the line manager should receive based upon the annual review process.
- Each line manager splits their pot allocation between their staff on a percentage basis based upon the annual review process.

Following this, the amount of the pot is calculated and as per the above drives the individual allocations.

No guaranteed remuneration should be paid unless it is exceptional, occurs when hiring new Code Staff, and is limited to the first year of service.

Waverton does not generally award guaranteed remuneration. However, in exceptional circumstances such payments may need to be reconsidered in the context of new Remuneration Code staff or as a retention award. In such cases Waverton will consider and document whether such an award would be in keeping with Remuneration Code Principle 12.

Payments made on early termination of a contract must reflect performance over time and must not reward failure.

In the case of early termination of a contract any payments will reflect performance achieved over the relevant time period based on the same qualitative criteria describe above. Waverton does not reward failure.

All variable remuneration is subject to claw back of paid or deferred sums in instances where an individual is culpable in future financial losses or where their performance falls below the requisite standard.

Reporting

Waverton discloses annually to the regulator details of individuals earning €1m or more. In addition, Waverton has a statement on its website explaining how it complies with the rules.

The Remuneration Policy is subject to annual independent review by the Remuneration Committee prior to each year's awards.

Impact of other legislation

<u>AIFMD</u>

Waverton is an investment manager delegate under AIFMD and as such, is required to adhere to the Directive's remuneration requirements. The FCA has confirmed that the CRD remuneration regime is equivalent to the AIFM remuneration regime and Waverton have placed reliance on this equivalence.

Appendix I

Waverton's Compensation Principles

Basic salary and package

Waverton aims to offer a competitive salary package, generally aiming to be in the second or first quartile of the industry's salary levels for wealth managers. References are made to independent industry surveys to benchmark salaries across the firm. The salary is augmented by participation in a medical insurance scheme, the provision of season ticket loans and contributions to a pension scheme.

Bonus payments

Waverton's bonus scheme is discretionary and the overall allocations approved by the Remuneration Committee. The aggregate bonus pool is set as 30% of pre-tax profits (inclusive of NI and after any third party commissions or internal incentive schemes) for the company as at the end of the fiscal year. The Remuneration Committee considers the overall allocation of the bonus pool to departments and allocates to each manager of a department a percentage of their department's total. The manager is asked to consider the allocations within their team based upon the individual's role and appraisal performance. These are collated by the FD and the CEO and the individual awards presented to the Remuneration Committee.

For investment managers, individual scores are calculated using input from 9 different criteria:

AUM	No. of Family Groups
Investment performance	NNA
Profitability	Pitch/new business generation
Management input	Investment process input
Compliance	