

DEVON

Equity Management

Devon Equity Management Limited

Remuneration Policy

November 2019

Document Governance

Document owner

Name	Role
Richard Pavry	Chief Executive Officer, Chief Compliance Officer and Money Laundering Reporting Officer

Document approval process

Governing body / person	Date approved
Board	04/12/19

Document review and change record

Date	Version	Revision
04/12/19	1	Board Approved
	2	
	3	
	4	
	5	
	6	

Contents

1. Background	4
2. Decision-making process to determine remuneration policies	4
3. Remuneration policy	4
4. Risk and reward at Devon.....	6
5. Identification of material risk taker roles – 2018	8

1. Background

This document sets out remuneration related disclosures for Devon Equity Management Limited (“Devon”).

Devon is regulated by the Financial Conduct Authority. Devon is required to comply with the requirements of the Capital Requirements Directive and is subject to the FCA’s BIRPU Remuneration Code.

Devon’s remuneration policy applies to all employees across the company. This document provides details of this remuneration policy.

2. Decision-making process to determine remuneration policies

Devon has a Remuneration Committee (“Committee”) comprising all of its Directors, including the independent company Chairman. The Committee meets on a regular basis to consider remuneration matters.

The Committee is responsible for the determination, regular review of, and implementation of the overarching policy for remuneration that applies to the Company. The Committee is also responsible for determining and reviewing annually individuals who have a material impact on the risk profile of Devon, and determining total remuneration packages for these individuals. In considering the remuneration policy, the Committee seeks to ensure remuneration is structured in a way that attracts, motivates and retains high calibre staff, rewards individual and corporate performance and is aligned with appropriate risk and compliance standards and the long-term interests of shareholders, investors, clients and other stakeholders.

The Committee takes full account of Devon’s strategic objectives and stakeholder views in considering remuneration policy decisions. This includes careful consideration of any feedback from investors, employees, the regulator and our clients, as well as specific input from subject matter experts, where requested. To avoid any conflicts of interest, no individual is involved in any decisions regarding their own remuneration.

3. Remuneration policy

Devon has a pay for performance culture and flexible individual incentives are an important part of our performance culture. All employees are incentivised in a similar way and are rewarded according to personal performance and Devon’s success.

A description of the different remuneration elements, how they are determined and the link between pay and performance are as follows:

Remuneration elements

<i>Base salary</i>	Base salaries are generally reviewed annually. Base salary levels are set considering the individual’s skills, the size and scope of their role, and the market rate for the role at comparator companies.
--------------------	--

Benefits

Benefits provided include pension contributions (or cash allowance equivalent) and certain insurance benefits such as private medical insurance and life assurance. The same range and level of benefits is available to all UK employees regardless of seniority. Regional difference in the level of benefits may exist for employees based outside of the UK where benefits are aligned with local market practice.

<p><i>Annual bonus</i></p>	<p>The annual bonus rewards individual and corporate performance and the achievement of strategic and personal objectives. The variable compensation pool is based on Devon's profits, ensuring that any bonuses are affordable. The variable compensation pool may be adjusted based on the Committee's assessment of a range of financial and non-financial considerations, including risk and compliance, as described later in this document. Individual bonuses are determined based on a number of factors relating to the individual's role and performance. This includes a balanced assessment of financial and non-financial factors, including:</p> <ul style="list-style-type: none"> - Risk, compliance and conduct behaviour. - Metrics specific to the relevant business unit (e.g. sales performance for sales staff, investment performance and other factors such as profitability, assets managed and net sales for investment staff) and other specific departmental and corporate performance objectives and strategic goals. - Assessment of how the above performance is achieved in terms of risk and repeatability. - Performance in accordance with Devon's values and wider contribution to Devon and its growth strategy. - People related objectives, for example succession planning and people development.
----------------------------	---

Each year the Committee reviews and approves the Group's remuneration policy.

4. Risk and reward at Devon

The Committee gives careful consideration to the linkage between risk and reward to ensure that desired behaviours and culture are rewarded. This includes ensuring the reward structures are consistent with and promote sound and effective risk management, and ensuring that the remuneration out-turns appropriately reflect the risk profile and behaviours of the Company and individual. This is demonstrated through a variety of reward features and processes in place which ensure alignment to risk considerations throughout the organisation. For example:

- When assessing the overall variable compensation pool, the Committee considers a number of "checkpoints", as described in the diagram on the next page.
- Assessment of individual performance includes consideration of a scorecard of financial and non-financial metrics. This ensures that how performance has been achieved is taken into account, for example in terms of risk and repeatability. For all employees there is consideration of performance against risk and compliance criteria, thereby ensuring that there is risk adjustment at an individual level.
- For staff engaged in control function roles (e.g. risk and compliance), variable remuneration is principally determined by reference to performance against departmental and individual objectives which relate specifically to their functions. The Remuneration Committee signs off all remuneration for senior control staff, ensuring independent review of achievements.

In addition, as well as the Compliance Director and the Audit and Risk Committee feeding into the process, the Chief Risk Officer presents a report to the Committee, setting out thoughts and assurances around how the current remuneration structures and processes support sound and effective risk management.

Capital base and liquidity

Can Devon afford the proposed variable compensation pool?

Sufficient liquidity to make payments?
Consider impact on Devon's capital base.

Request and consider input from the Chief Executive Officer.



Underlying financial performance

Does Devon's underlying financial performance support the proposed variable compensation pool funding?

Consider performance against financial KPIs listed in the Annual Report.
Is there any reason to believe the financial results are not a fair reflection of underlying performance?

Request and consider input from the Audit and Risk Committee.



Risk

Does Devon's risk profile and risk management support the variable compensation pool? Are any adjustments required?

Consideration of the Enterprise Risk Management report.
Are all risks being suitably monitored and managed? Have there been any material failures of risk management (or any "near misses") in the year?
Consider whether profit reflects current and future risks and timing and likelihood of future revenues.

Request and consider input from the Chief Risk Officer and the Audit and Risk Committee.



Compliance

Have there been any material compliance breaches in the year? Are any adjustments required?

Are any adjustment required?
Consideration of any significant compliance breaches and/or "near misses".
Consideration of any fines received in the year and any ongoing regulatory investigations.

Request and consider input from the Compliance Director.



Commercial

Are there any commercial drivers to support adjustments to the variable compensation pool?

Consider the market for talent and whether the pool would likely result in any significant over/underpayment against the market.



Reputational

Are there any reputational drivers to support adjustments to the variable compensation pool?

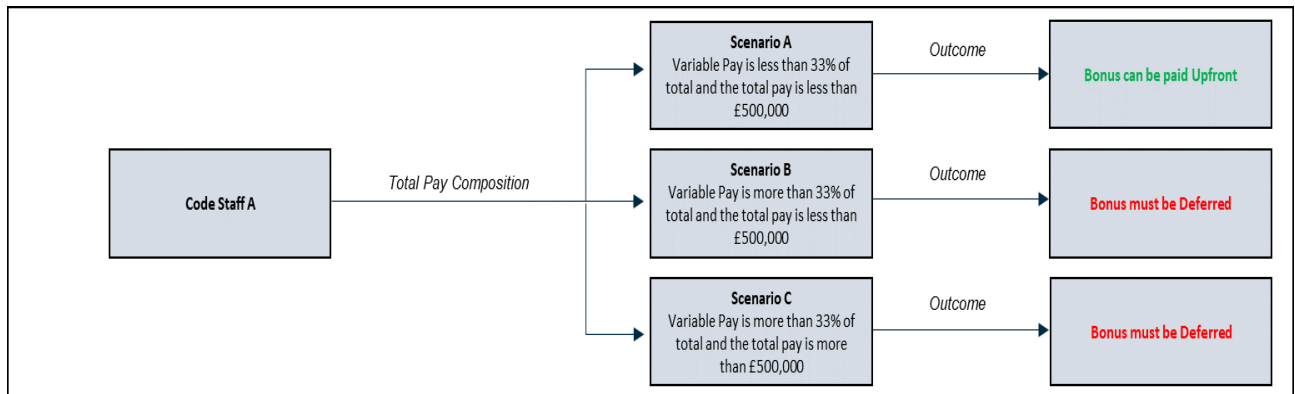
Has there been any reputational damage to the Group in the year?
Will the proposed variable compensation pool quantum have any adverse reputational impact on the Group?



Variable compensation spend, total and variable compensation ratios approval

5. Remuneration (Upfront vs Deferred)

The flowchart below outlines the conditions that trigger the need to defer compensation as per the BIRPU Remuneration Code, SYSC 19C.



SYSC 19A.3.34 states: “Taking account of the remuneration principles proportionality rule, the appropriate regulator does not generally consider it necessary for a firm to apply the rules referred to below where, in relation to an individual, their variable remuneration is no more than 33% of total remuneration and their total remuneration is no more than £500,000.”

SYSC 19C.3.47 states: “A firm must ensure that a substantial portion, at least 50%, of any variable remuneration consists of an appropriate balance of shares or equivalent ownership interests, subject to the legal structure of the firm concerned, or share-linked instruments or equivalent non-cash instruments for a non-listed firm where appropriate, capital instruments which are eligible for inclusion at stage B1 of the calculation in the capital resources table, where applicable, adequately reflect the credit quality of the firm as a going concern.”

SYSC 19C.3.49 states: “A firm must not award, pay or provide a variable remuneration component unless a substantial portion of it (which is at least 40%), is deferred over a period which is not less than three to five years.

In the case of a variable remuneration component of a particularly high amount, or payable to an executive director of a firm that is significant in terms of its size, internal organization and the nature, scope and complexity of its activities, at least 60% of the amount must be deferred. £500,000 is a particularly high amount for the purpose of the above...”

6. Identification of material risk taker roles – 2019/20

In accordance with the BIPRU Remuneration Code, Devon has identified individuals who may have a material impact on the risk profile of the Group (“material risk takers” or “MRTs”). For 2019/20, 2 individuals fall within the MRT identification criteria under the

BIPRU Remuneration Code. MRTs were approved as such by the Committee and all MRTs are notified of their identification and the implications of this status.

The list of MRTs is subject to regular review, including input from HR, Risk and Compliance, to ensure the lists remain up- to-date throughout the year.