

# REMUNERATION POLICY

JUNE 2018

Our Remuneration Policy is underpinned by principles which regulate decisions relating to compensation across the business and ensure that these are applied and followed consistently.

The principles used to guide the business in such decisions are set out below.

## FIRM SPECIFIC INFORMATION

Seven Investment Management LLP (FRN 589124)

Proportionality Tier 3

## ELEMENTS OF REMUNERATION

Performance Year runs in calendar year.

This Remuneration Policy is in respect of Performance year 2017, assessed in 2018.

Bonus schemes or other reward or compensation schemes (including those for partnerships and other legal structures) that will be in place to reward Code Staff for performance during the current performance year are as follows;

### Annual Discretionary Bonus

Purpose:

To reward high performers;  
To form part of overall compensation in relation to market comparators;  
To directly link to the LLP's profitability

Eligibility:

All post-probation staff who have served six months as at the calendar year end prior to allocation, subject to appraisal

Structure:

Cash payment with no deferrals

There is no vesting period.

### Incentive Scheme

The LLP has no incentive schemes which are restricted to senior staff/management. There is however an incentive scheme restricted to members of the LLP. Eligibility does not guarantee share allocation. As of 31 December 2017, 54 Members participated in the scheme, 21 of which are code staff.

In the event that the total remuneration of any individual identified as Code Staff exceeds £500,000 AND whose variable remuneration exceeds 33% of total remuneration the business will ensure that 50% of their variable remuneration is paid via shares in the UCITS or equivalent instruments and this award must be subject to a retention policy, of at least three years, which accords the interests of the business, the UCITS and the UCITS investors. This factor will be considered in each remuneration review and published if applicable.

A class of shares in Caledonia Thames Holdings Limited (which has a 100% interest in the corporate member of the LLP) with dividend rights are issued to members and would have a capital value in the event of the sale of the business.

Shares held will determine the amount received in the event of a sale of Caledonia Thames Holdings Limited.

The scheme is regulated by an investment agreement between all shareholders of Caledonia Thames Holdings Limited.

### Remuneration Code Staff

All members of the Management Committee. All holders of Significant Influence Functions. All Investment Managers and individuals who fall into the same remuneration bracket as senior management.

30 Remuneration Code Staff have been identified in total for the performance year 2017.

HR communicates to Code Staff their classification as such, highlighting the key aspects of the Code.

## REMUNERATION PRINCIPLES

### Principle 1 – Risk Management and Risk Tolerance

7IM has a low appetite for risk. The LLP does not seek actively to take risks other than those inherent in running and developing its business; namely operational, strategic and market (to the extent that the LLP's revenues depend on market levels) and those which are beyond its control. Specifically the LLP does not take any market positions on its own account.

This is reflected by:

- Governance arrangements which routinely address key strategic issues (noting that a failure to innovate and develop the business carries its own risks)
- Discrete committees which look at specific elements of risk
- Regular reporting to and discussion of risk issues to Audit Committee and Executive Committee, both of which included non-executives
- Regular strategic reviews encompassing market and environmental developments
- Comprehensive insurance policies with excesses (max. £50,000) which, if incurred, could be readily absorbed by the business.

The LLP seeks to align its remuneration policy accordingly through the following principles:

- Overall compensation is regularly benchmarked against appropriate comparators
- Unless in exceptional circumstance, no commission payments are made to staff or payments for hitting specific targets. Any exceptions must be approved in advance by the Remuneration Committee
- Salary reviews for employees, reviews of fixed drawings for members, discretionary bonuses for employees and discretionary variable drawings for members are considered in the light of overall LLP performance, individually measured performance and market conditions.

The Remuneration Committee includes the Non-Executive Chairman and all Non-Executives. Awards to Code Staff who are members of the Management Committee, whether interim or within the annual review cycle, are individually addressed. Awards to other code staff are determined by the Management Committee within guidelines agreed by the Remuneration Committee. The principles underlying overall remuneration policy are assessed by the Remuneration Committee.

## Principle 2 – Supporting business strategy, objectives, values and long-term interests

7IM's founding tenets remain:

- Institutional investment approach and pricing for retail clients – cutting out the layers of additional charging prevalent in the retail financial world
- Consistent and disciplined processes to ensure that all clients receive the same approach to their investments
- Use of external expert managers and an unfettered investment universe to complement 7IM's own views – it is in the client's best interest to introduce other expertise than purely 7IM's into their portfolios
- Clarity in communication, documentation and systems
- No commission incentive payments to staff unless in exceptional circumstances
- Transparency in investment charges – only one fee related to the value of the portfolios being managed by 7IM
- Everything visible to the client online and updated daily
- Innovation and improvement of service, systems and processes always under review.

The LLP's appraisal and remuneration policies were specifically designed to align with strategy and principles of the business.

Remuneration policy relies extensively on the appraisal process which reviews the achievement of individual objectives. These are, in turn, closely aligned to the LLP's tenets and strategic objectives.

The principles of the remuneration policy are wholly in line with these tenets, focusing on overall performance with no incentive for "short termism". Relevant details are summarised under Principle 1.

## Principle 3 – Avoiding Conflicts of Interest

7IM's investment strategy operates in the interest of the client and does not lend itself to conflicts of interest. No management or staff reward is made on a transactional basis, no commission is paid unless in exceptional circumstances and LLP targets are kept separate from reward. Awards are not made based on short term investment performance.

Employment contracts (employees), terms of membership (members) and performance appraisal documentation make it clear to all staff that there is no direct to performance investment. Reward is linked to external and internal reward relativities and the discretionary element is based on overall LLP performance and profit (where available), with due regard to team and appraisal-measured individual performance levels.

7IM's Conflict of Interest policy is brought to the attention of all staff as part of the LLP's Induction process.

## Principle 4 – Governance

The firm has a Remuneration Committee established within the UK.

The general principles of 7IM's remuneration policy were reviewed by the Management Committee and the Remuneration Committee, which meets at least bi-annually or more frequently as requested. The Remuneration Committee is provided with a summary of remuneration arrangements and changes, with particular attention focused during meetings on the remuneration of code staff.

Shareholders are represented on the Remuneration Committee by Management and Non-Executives.

The principles of the remuneration policy outlined above are designed to align with investors' interests by avoiding conflicts of interest where possible and mitigating them where they arise.

The Remuneration Committee / governing body has the ability to apply discretion to adjust the bonus pool and individual payments including those paid out in individual incentive schemes.

All Management Committee members' awards are individually reviewed and approved by the Remuneration Committee.

### **Principle 5 – Control Functions**

The control functions form an overall oversight function reporting to the Chief Financial Officer; a member of the Management Committee and the Executive Committee. No members of that department are directly involved in the investment activities of the LLP. The status of the Chief Financial Officer as the head of the area confers appropriate authority.

All remuneration including that of individuals performing control functions is benchmarked by the Human Resources department against appropriate external comparators.

Significant risk/compliance events are reviewed by the Operational Risk Committee and, if appropriate, are directly related to individuals' overall remuneration reviews. Core and specific role competencies for all positions are subject to review during the appraisal process.

### **Principle 6 – Remuneration and Capital**

The benchmark for the overall LLP bonus pool is 25% of EBITDA. Any variation would be subject to the approval of the Remuneration Committee which would assess the overall impact on the LLP, including capital considerations.

### **Principle 7 – Profit-based Measurement and Risk Adjustment**

#### **Discretionary Bonus Scheme**

The available bonus pool is set annually by the Remuneration Committee which has discretion to vary the amount of the pool.

The benchmark for the overall LLP bonus pool is 25% of EBITDA. Any variation would be subject to the approval of the Remuneration Committee which would assess the overall impact on the LLP, including capital considerations, and take due account of market conditions and comparators.

No future earning streams are recognised up front. Due regard would be paid to exceptional financial market conditions.

### **Principle 8 – Pension Policy**

We do not have a policy for discretionary pension benefits

### **Principle 9 – Personal Investment Strategies**

As the long term incentive plan is based on shares in a company which are unlisted and not readily realisable it is not realistically possible to construct related contracts which undermine risk alignment. A bar on making such arrangements is included within the firm's personal dealing code.

## Principle 10 – Avoidance of the Remuneration Code

All base reward and discretionary reward payments are made through standard payroll systems and processes, reconciled monthly and audited annually by qualified and recognised external auditors.

## Principle 11 – Remuneration Structures

All individuals are subject to annual appraisal which reviews performance (financial and non-financial) related to core competencies and key role competencies.

Employment contracts (employees of the LLP), terms of membership (LLP members), and performance appraisal documentation make it clear to all staff that financial performance does not override other factors. Base reward is linked to external and internal pay relativities and the discretionary reward element is based on overall LLP performance and profit, where available, with due regard for team and appraisal-measured individual performance levels.

## Guaranteed Variable Remuneration

We have hired 0 Remuneration Code staff in the last performance year.

Of the new Remuneration Code staff hired in the last performance year, 0 were offered guaranteed bonuses.

Of the offers made, 0 were confined to the first year of service of the Remuneration Code staff member (as required by SYSC 19A.3.40R(3)).

The issue of buying out deferred bonuses for new joiners has not arisen to date and there is currently no such policy. Were such a situation to arise it would be subject to Management Committee approval with reference to the Remuneration Committee as appropriate.

We have offered retention awards to 0 Code Staff employees in the last 12 months.

## Payments related to early termination

We do not issue exceptional or non-standard termination payments to staff.

## Disclosure

Full and detailed discussion of the remuneration principles and implementation of the Code took place at the Remuneration Committee Meeting in June 2018.

The disclosure will be available via the company's website; [www.7im.co.uk](http://www.7im.co.uk)