J. Rothschild Capital Management Limited

Remuneration Disclosure
Twelve months ended 31 December 2019

J. Rothschild Capital Management Limited ("JRCM") is a wholly-owned subsidiary of RIT Capital Partners plc ("RIT"), a UK investment trust listed on the London Stock Exchange. The remuneration arrangements of the group are overseen by the Remuneration Committee ("the Committee") of RIT. Under the Chairmanship of Philippe Costeletos, the Committee comprises two further independent non-executive Directors. The Committee meets at least once each year on a formal basis and additionally as may be required. Its primary responsibility is the creation and maintenance of remuneration policies designed to attract, retain and motivate RIT Directors, JRCM executive management and other key staff.

The undernoted disclosures are as at 31 December 2019 and are in accordance with:

- the Capital Requirements Regulations and the FCA IFPRU Remuneration Code for investment firms; and
- the AIMFD requirements and FCA AIFM Remuneration Code for alternative investment fund managers.

JRCM is classified as a proportionality level three Investment Firm under FCA's IFPRU guidance on proportionality. JRCM is not deemed to be a "significant firm" in terms of its size, internal organisation or the nature, scope and complexity of its activities under either the IFRPU or AIFM Remuneration Codes. JRCM has adopted a proportionate approach to its remuneration policies and disclosure in accordance with these assessments.

Determining remuneration policy

The Committee reviews the overall remuneration policy for JRCM and the specific remuneration, including pension arrangements and other benefits, of the JRCM executive management who are Code Staff under both Remuneration Codes (see below), ensuring an appropriate balance between fixed and performance-related elements. This exercise is conducted in part by reference to other companies of similar size and business objectives. Following a rigorous appraisal exercise, executive management provides information to the Committee, although individuals are not present when their own remuneration is considered. The Committee appointed New Bridge Street (NBS), the remuneration consultancy, to provide the Committee with advice. NBS has no other relationships with the Group and is therefore Independent. Details of the FCA Remuneration Code can be found at www.fca.org.uk/firms/remuneration.

The Committee also reviews the remuneration of the RIT Directors. Further information is available in RIT's Annual Report & Accounts, which can be found at www.ritcap.com/reports.

Code Staff criteria

The following groups of employees have been identified as meeting the FCA's criteria for JRCM Code Staff under both the AIFM and IFPRU Remuneration Codes. The categories below comprise the senior management of the firm.

- JRCM Directors, who form the JRCM Executive Committee; and
- Staff who are risk takers with authority to take material investment decisions.

Further, certain senior investment staff whose total remuneration for the previous year exceed set quantitative thresholds are assessed as Code Staff for the purposes of the IFPRU Remuneration Code. Remuneration for these individuals is governed under the general policy set by the Remuneration Committee; specific remuneration is set by the JRCM's supervisory body, the Executive Committee.

Design and structure of remuneration

The individual elements of employees' remuneration packages at JRCM comprise fixed pay (base salary, pension and other benefits) and performance-related pay (consisting of annual cash incentives, deferred share awards, long-term share appreciation rights awards and long-term performance shares awards). Taking into account the economic value of long-term incentives, the performance-related elements of the package make up a significant proportion of the total remuneration of Code Staff, while maintaining an appropriate balance between fixed and variable elements.

Fixed Compensation

Salary and fees

All Code Staff receive a base salary to reflect their talent, skills, competencies and contribution to the Group relative to the market for comparable roles.

Benefits

Code Staff are eligible to receive various employee benefits (including a pension contribution or, in specific circumstances, a cash equivalent), on a similar basis to other employees.

Link between pay and performance

Performance Related Pay

Performance related pay is designed to reflect success or failure against the range of targets which are set for our people, taking into account the context in which results were achieved. Performance related remuneration is in two main parts: the Annual Incentive Scheme ("AIS"); and a long-term incentive plan ("LTIP").

Annual Incentive Scheme (AIS)

Annual bonuses relating directly to investment performance are paid from a pool, the size of which is calculated as:

- 3% of the annual NAV total return outperformance against the ACWI.
- 3% of the portion of annual growth in NAV on a total return basis above a hurdle of RPI plus three percentage points, subject to a three-year rolling high water mark.

Individual allocations from the pool are made with reference to contribution to investment performance, within a prudent risk framework.

In addition to the above pool, the Committee also rewards strong contributions to wider firm objectives. This may include efficient cost management, prudent risk controls, sourcing of investment opportunities and strong operational disciplines. Any such qualitative rewards are measured against rigorous performance metrics through a firm-wide annual appraisal process.

For awards granted after 1 April 2011, all annual incentive and long-term incentive payments are subject to claw back provisions. These provisions provide scope for the JRCM to recover value from awards in the event of a material misstatement of the Group's results or in the event of dismissal for gross misconduct.

The Committee has applied a cap on the overall cost of AIS payments. The cap for payments is up to a maximum of 0.75% of NAV based on qualitative and quantitative performance measures, reducing to 0.25% in circumstances where the Group's NAV total return is negative. This provides clarity for our shareholders of the maximum cost the Group could incur in any one period, in addition to reinforcing the capital preservation aspect of our Corporate Objective. 60% of the excess of any payments above £150k are also deferred into the shares of RIT, which will vest in equal portions over a three-year period.

Long-Term Incentive Plan

The long-term incentive plan provides Share Appreciation Rights (SAR's) or phantom options over a notional number of shares in RIT to participants. Following the expiry of a three-year vesting period, participants in the SAR Plan are entitled to exercise their SARs at any time thereafter up to the ten-year anniversary, and receive a payment in shares equal to the growth in value of the notional shares over the holding period. However, the exercise of a SAR is ordinarily subject to the participant's continued service over the vesting period and whether the performance condition applying to the SAR is satisfied.

The Committee determines the SAR performance condition. The current condition requires that RIT's total shareholder return (TSR) exceeds the growth in the Retail Price Index plus three percentage points per annum over the three-year performance period. In the event that the performance condition is met the award vests in full. The performance condition replicates one of RIT's KPIs and was chosen as a good measure of above-inflation returns to shareholders and is subject to ongoing review by the Committee.

The SAR Plan uses ordinary shares of the Company to settle the share appreciation amount for existing and future awards granted under the SAR Plan. The Group seeks to hedge its exposure under the SAR Plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability. As noted above, LTIP awards are subject to claw back. The Committee will typically consider a cap on individual annual grants under the plan of 4x base salary (measured as the value at grant of the RIT shares notionally under option).

Long-Term Performance Shares Awards

These are periodic awards targeting longer-term retention that have been made to JRCM executive management and other JRCM employees, including Code Staff, in the form of long-term performance shares. Equal tranches of the performance shares awarded vest annually over a period set at the point of award, with the goal of retaining individuals that are key to adding long-term value to RIT. Awards made to date vest in tranches over up to seven years after the initial award.

The Committee makes the awards and determines the metric for the performance shares' performance conditions. Two metrics apply to awards made to date, with each annual tranche vesting in two halves. The first half of each tranche will vest in part if RIT's TSR outperforms RPI plus 3%, increasing proportionately to vest in full if the TSR outperforms RPI plus 6%. The second half of each tranche will vest in part if RIT's TSR outperforms the ACWI, increasing proportionately to vest in full if the TSR outperforms the ACWI plus 3%. Using outperformance against RPI plus 3% and against the ACWI is consistent with RIT's KPIs.

The Group seeks to hedge its exposure to long-term performance shares awards by using the Employee Benefit Trust to meet the estimated future liability, as described above.

Quantitative Remuneration Disclosure

JRCM is required to disclose the following aggregate quantitative remuneration information on request under the AIFM Remuneration Code:

- total number of staff at JRCM, total fixed remuneration and total variable remuneration; and
- total remuneration for staff categorised as senior management and for staff categorised as those whose actions have a material impact on the risk profile of RIT Capital Partners plc.

Please contact investorrelations@ritcap.co.uk or see the latest annual report and accounts for RIT Capital Partners plc for further information.