J. Rothschild Capital Management Ltd

MiFIDPRU Disclosure Document

Introduction

J. Rothschild Capital Management Ltd (JRCM, the "Firm" or "we") is a wholly-owned subsidiary of RIT Capital Partners plc ("RIT" or the "Group"), a UK investment trust listed on the London Stock Exchange. JRCM is a MIFID Investment Manager authorised and regulated by the Financial Conduct Authority (FCA). We are required to comply with the MIFIDPRU Remuneration Code requirements under the Investment Firms Prudential Regime, which aim to ensure that we have risk-focused remuneration policies that are consistent with and promote sound and effective risk management in the long-term interests of the Firm and our customers and do not expose the Firm or our clients to excessive risk.

For the purpose of prudential regulations, we are classified as a "non-SNI (small and non-interconnected) firm and are subject to the basic and standard requirements. We are required to provide a level of detail in our disclosures that is appropriate to our size and internal organisation, and to the nature, scope, and complexity of our activities.

Our Approach and Objectives

We have formulated our approach in remuneration policy and practices with reference to the guidance set out by the FCA. We consider the appropriate balance between fixed and variable remuneration as well as the constraints in place to avoid a conflict of interest between staff incentives and the best interests of customers.

The objectives of our financial incentives are to:

- promote sound and effective risk management in the long-term interests of the Firm and our customers;
- limit risk-taking and avoid conflicts of interest
- ensure alignment between risk and individual reward
- supporting positive behaviours and healthy firm cultures
- encourage responsible business conduct
- discourage behaviour that can lead to misconduct and poor customer outcomes
- align employee's interests with the Firm's long-term strategy and objectives
- be gender neutral, in line with the Equality Act 2010.

Governance and Decision-making Procedures

The independent Remuneration Committee of the Group (the Remuneration Committee or the Committee) is responsible for overseeing the implementation of our remuneration policy and ensuring our compliance with the MIFIDPRU Remuneration Code.

Under the Chairmanship of Philippe Costeletos, the Committee comprises three further independent non-executive Directors. The Committee meets at least twice each year on a formal basis and additionally as may be required.

One role of the Committee is to ensure the extent of the variable remuneration at the Firm cannot affect the Firm's ability to ensure a sound capital base. The Committee is responsible for overseeing the performance management process; reviewing and approving the remuneration policy, variable remuneration pool and caps, eligibility of participation in variable remuneration schemes, as well as the approval of variable remuneration awarded to members of the Firm's Executive Committee (Exco). The Exco is responsible for all other employee's individual performance appraisals, and ensuring that fixed and variable remuneration awards are within the levels set by the Committee and are appropriate.

We assess our staff members under our performance management process on an ongoing basis with an annual performance assessment outcome being used as a contributing factor in the determination of remuneration.

The remuneration of senior staff in risk management and compliance functions is directly overseen by the Exco of the Firm. Any remuneration to staff with control functions is awarded according to objectives linked to their functions and remains independent from the business units they oversee.

No variable remuneration is awarded to members of the management body who do not perform any executive function in the Firm.

The Firm's remuneration policies and practices are developed in consultation with external consultants. The Committee appointed Alvarez & Marsal, the remuneration consultancy, to provide the Committee with advice. Alvarez & Marsal has no other relationships with the Group and is therefore Independent.

Key characteristics of Remuneration Policies and Practices

All staff receive fixed remuneration in form of salary, and benefits; and are considered for discretionary variable remuneration in the form of annual cash incentives, deferred share awards, long-term share appreciation rights award and restricted share unit awards where eligible.

Fixed remuneration

Salary and fees
All material risk takers (to be discussed below) receive a base salary to reflect their talent, skills, competencies, and contribution to the Group relative to the market for comparable roles. We review the base salary of our staff members on an annual basis by considering factors such as market information and individual performance.

Benefits
Material risk takers 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.

Variable remuneration

Annual Incentive Scheme (AIS)
The Firm's bonus scheme is a discretionary reward scheme based on the performance of the Firm as a whole. All bonuses are dependent on the Firm's overall financial result to ensure a sound capital base. The bonus pool will take into consideration all types of current and future, financial and non-financial risks and be determined on a sliding scale, using a monthly salary multiplier as a guide.

On an individual level, the scheme is designed and linked to both financial and non-financial criteria, rewarding behaviours that promote positive non-financial outcomes for the Firm and limiting eventual behaviours contrary to the Firm's values. Non-financial outcomes include the achievement of Environmental Social and Governance (ESG) and Diversity and Inclusion objectives and targets.

Annual bonuses relating directly to investment performance aligns the team with RIT's two reference hurdles CPI+3% and the All Countries World Index (50% £).

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 clawback provisions. These provisions provide scope for 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 total net asset value. This provides clarity for our shareholders of the maximum cost the Group could incur in any one period. In addition, 60% of the excess of any payments above £150k (for JRCM Senior Management) and above £250k (for all other staff) are also deferred into shares of RIT, which will vest in equal portions over a three-year period.

The bonus pool and other individual bonuses will be adjusted as deemed necessary by the Committee in consideration of the following:

- Any compliance or regulatory issues that have occurred or are under investigation internally or externally
- Any persistent or significant breaches in either financial or non-financial KPI's
- Any conduct related matters that have occurred or are under investigation internally or externally
- Any matters that adversely impact client outcomes
- Any other factors that may publicly impact the Firm's brand or reputation.

Control function staff are independent from the business units they oversee and are remunerated in line with the achievement of the objectives of their functions as well as wider Firm performance. The determination of the level of remuneration of such staff is independent of the performance of the business areas they oversee.

Long-Term Incentive Plan

In its role of determining remuneration policy, the Committee regularly reviews the overall remuneration policy for JRCM. During 2020, the Committee (with advice from the Committee's consultant, Alvarez & Marshal) decided that the Long-Term Incentive Plans going forward would comprise Restricted Share Units (RSUs), rather than historically using Share Appreciation Rights (SARs) or performance shares.

This long-term incentive plan provides awards of a contingent number of ordinary shares in RIT (RSUs) to participants, which vest after three years and are then subject to a further two-year holding period. Following the expiry of a three-year vesting period, participants in the RSU Plan are entitled to dividends, which are met by the grant of additional shares (equivalent to the dividends paid during the three-year vest period). The vesting of an RSU is ordinarily subject to the participant's continued service over the vesting period. Following the two-year holding period, the RSUs plus dividends will be transferred directly to participants.

The RSU Plan uses ordinary shares of the Company to settle existing and future awards granted under the RSU Plan. The Group seeks to hedge its exposure under the RSU Plan by using an Employee Benefit Trust to acquire shares to meet the estimated future liability. As noted above, LTIP awards are subject to clawback.

A small number of legacy SARs remain held by certain staff. These 'phantom options' vest three years after award subject to performance measured against RPI + 3%, and can then be exercised at any point over the next seven years through a payment in shares.

Guarantees
We acknowledge non-performance-related variable remuneration, such as sign-on bonus, buy-out award, retention award and severance pay, may weaken the alignment of risk and award.

We may award the following remuneration if it does not become common practice:

- Sign-on bonus: only in the first year of service of the newly hired material risk takers or other senior staff members where the Firm has a strong capital base.
- Buy-out award: involves the Firm compensating a new employee for reduced, revoked, or cancelled variable remuneration by the previous employer
- Retention award: this is dependent on a material risk taker or other senior staff members remaining in role until the end of a restructuring or a wind-down of the Firm
- Severance pay: in case of early termination of the employment contract, the Firm retains the ability to make severance payments as long as they reflect the individual's performance over time and do not reward failure or misconduct.

<u>Material risk takers</u>

Material risk takers are those staff members and members of Senior Management who have a material impact on the Firm's risk profile, and may include:

- JRCM Directors, members of which form the JRCM Executive Committee
- Staff who are risk takers with authority to take material investment decisions
- Members of the management body
- Managers or senior members of staff in a control function
- Managers or senior members of a business unit carrying regulated activities

<u>Clawback and malus</u>

The total variable remuneration awarded to any individual is subject to clawback where RIT experiences subdued or negative financial performance. These clawback arrangements will take into account both current remuneration and reductions in payment of amounts previously earned, including through prior clawback arrangements.

Up to 100% of the total variable remuneration previously awarded will be subject to clawback arrangements. The following criteria will result in clawback arrangements being invoked:

- Any evidence of employee misbehaviour or material error;
- Any participation in or, responsibility for conduct which resulted in significant losses to RIT/JRCM;
- Any failure to meet appropriate standards of fitness and propriety;
- Any matters that adversely impact client outcomes; or
- Any other factors that demonstrably publicly impact JRCM/RIT's brand or reputation.

For the clawback provisions applicable to each of the variable remuneration, please refer to the relevant section in the above.

Clawback should always be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses.

Further cases and the determination of the level of clawback to be undertaken is made by the Remuneration Committee of RIT, which may seek external independent professional advice on the implementation of such arrangements.

Quantitative disclosures

In respect of the year ended 31 December 2022, the Company awarded fixed remuneration of £7.1m and variable remuneration of £14.4m. Material risk takers received fixed remuneration of £1.8m and variable remuneration awards of £7.3m (of which £1.1m was awarded in cash and £6.2m in RIT share awards which vest over three years, with the majority having an additional two-year holding period). Other employees received fixed remuneration of £5.3m and variable remuneration of £7.1m (of which £3.9m was in cash and £3.2m in RIT share awards which vest over three years, with the majority having an additional two-year holding period).