Directors' Remuneration Policy

This policy was approved by shareholders at the Company's AGM on 12 July 2021.

The Policy applies to the Executive Directors and Non-Executive Directors.

The Policy applied from the date of approval and is intended to remain in place for a maximum of three years.

The Remuneration Committee will keep the Policy under review to ensure that it continues to remain appropriate.

How the Committee takes account of wider pay issues when setting the policy

When setting Executive Director remuneration, the Committee takes into account Group-wide pay and employment conditions, along with market and commercial factors (although, reflecting prevailing commercial practice, the Committee does not consult with employees in preparing the policy or its implementation). For example, when determining any base salary increases for Executive Directors, the Committee reviews the average Group-wide increase, as well as remuneration within similar organisations (with specific note taken of businesses of similar size or complexity), using benchmark data provided by professional remuneration experts. The annual bonus opportunity of the Executive Directors is similar in a number of respects to the 'discretionary' bonus opportunity of a significant number of other Group staff, in that both personal performance and overall Group profitability help determine amounts paid out. Although there are conduct-related sanctions within the approved investment managers' scheme, and limited share deferrals as part of the variable reward available to certain successful financial planners, only the Executive Directors' bonuses are subject to individual caps, mandatory share deferral and clawback/malus. Executive Directors are eligible to participate in the full range of Group benefits offered to employees.

In addition, they are eligible for certain remuneration to which other employees are not eligible. For example, Executive Directors may receive a salary supplement in lieu of pension. Also, Executive Directors are eligible to participate in the Performance Share Plan, participation in which is not intended to be extended widely. However, all employees are eligible to participate in the all-employee share schemes.

How shareholders' views are taken into account when setting the policy

Each year the Committee will consider the approval levels of remuneration-related resolutions at the previous AGM when reviewing the current policy. More generally, the Committee will also seek to build an active and productive dialogue with shareholders on developments in the remuneration aspects of corporate governance and any changes to the Group's executive pay arrangements. In addition, in line with the Investment Association's Guidelines on responsible investment disclosure, the Committee is comfortable that the incentive structure for Executive Directors does not raise any environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The Policy and the FCA Remuneration Code

The Committee regularly reviews its remuneration policies to ensure compliance with the principles of the Remuneration Code of the UK financial services regulator, the FCA, as applicable to Charles Stanley. The remuneration policy is designed to be consistent with conservative management of risk, to encourage appropriate conduct and to support the sustained long-term performance of the Group. The Committee believes that the remuneration policies neither encourage, nor reward, inappropriate risk-taking.

Policy elements

Base salary	
Purpose and link to strategy	This is the core element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution. It is benchmarked against a relevant peer group. The salary is set at a level to attract, motivate and retain Executive Directors who have the appropriate skills to lead and grow the business in the interests of the shareholders and other relevant stakeholders. Salary is set with regards to maintaining an appropriate level of fixed remuneration costs.
Policy and operation	Base salaries are considered with account taken of levels paid by companies of similar size, complexity and challenge. However, the Committee does not strictly follow benchmark data but instead uses it as a reference point in considering, in its judgement, the appropriate level having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities. Any base salary increases will normally take effect at the time of general workforce amendments; this is typically from 1 October. Base salary is paid monthly in cash.
Opportunity	Base salaries are intended to increase in line with inflation and general employee increases in salary. Higher increases may apply if there is a change in role, level of responsibility or experience or if the individual is new to the role. There is no maximum salary cap in place.
Performance measures	n/a

Benefits	
Purpose and link to strategy	To provide other benefits to support the health and wellbeing of Executives.
Policy and operation	Details of the current benefits provided can be found in the annual report on remuneration. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of the Group to do so, having regard to the circumstances and to market practice.
Opportunity	Maximum opportunity is the total cost of providing the benefits. There is no monetary cap on benefits. The Committee will monitor overall benefit costs and will ensure that they do not increase by more than the Committee considers to be appropriate in all circumstances.
Performance measures	n/a

Pension	
Purpose and link to strategy	To provide employees with competitive long-term savings for their future, aid retention and remain competitive within the marketplace.
Policy and operation	Contributions made into an Executive Director's personal pension plan, or a cash supplement of equivalent value paid in lieu of pension contribution.
Opportunity	Maximum contribution of 20% of salary for current Executive Directors. This will reduce to 10% no later than 31 December 2022. When setting the pension arrangement for a new Executive Director we will align the level of pension with that awarded to other employees in the Group at 10% of salary.
Performance measures	n/a

Annual bonus	
Purpose and link to strategy	Supports the corporate strategy and business plan and incentivises Executive Directors to deliver against annual performance targets.
Policy and operation	Annual bonus levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategic goals. Bonus outcomes are paid in one tranche (less any deferred share award) following the year end. Any bonus earned in excess of 50% of salary under the bonus plan is to be deferred into shares for a period of three years. Malus/clawback provisions apply to amounts deferred, which can be reduced in later years in exceptional circumstances such as: (i) material misstatement of accounts (ii) action that causes material reputational damage to the Group (iii) in the event of material regulatory censure.
Opportunity	To reflect the Group's strategic objective of driving growth and improved quality of profits, an annual bonus pool is calculated for the Group as a whole from which to remunerate all staff who are not subject to specified bonus plans. The size of this pool is determined as a percentage of underlying PBT. The Remuneration Committee retains the ability to assess that the adjusting items which are excluded compared with underlying PBT are appropriate. All bonuses, including those of the Executive Committee and Executive Directors, will be limited in aggregate to the size of the pool. No Executive Director may receive a bonus in excess of 150% of their salary under this plan. Due to the aggregate bonus payments being calculated as a percentage of underlying PBT the payment at threshold is effectively zero and it is expected that on-target performance results in a payment equal to around 60% of base salary (40% of the maximum).
Performance measures	Individual bonus payments will be dependent on an assessment of performance against a range of financial and non-financial targets set at the beginning of the financial year. These are expected to be based on measures such as underlying PBT, achievement against strategic goals, personal performance and risk and conduct-based objectives. The annual bonus remains a discretionary arrangement and the Committee reserves discretion to adjust the outturn should it consider that to be appropriate (albeit within the limits set out in this policy table).

Long term incentives	
Purpose and link to strategy	To incentivise delivery of sustained performance over the long-term, the Company operates the RSU plan. It facilitates share ownership to provide further alignment with shareholders. Outstanding PSP awards remain in place until the end of the terms of that scheme (the performance period ends in FY 2024) but no new PSP awards are being made.
Policy and operation	The current long-term incentive is a PSP and it is proposed to replace this with an RSU plan, subject to shareholder approval of the Policy, at the 2021 AGM. Awards under the RSU (as was the case for the PSP) may be in the form of nil-cost options, conditional awards (rights to receive shares for nil-cost) or cash-based 'phantom' awards. The combined vesting and holding period under the RSU will be five years. RSU awards will vest in three equal tranches over years three, four and five. The vesting period for awards vesting over three and four years will be followed by a further two and one year holding period, with no awards released to participants for five years. Awards are subject to a three-year underpin period. Awards previously granted but not yet vested, and shares received following vesting, can be reduced/reclaimed in exceptional circumstances such as: (i) material misstatement of accounts, (ii) actions that cause material reputational damage to the Group, and/or (iii) in the event of material regulatory censure.
Opportunity	RSU awards are up to 50% of salary (and 100% in exceptional circumstances). The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. Actual grant levels may be determined by reference to individual performance in the prior year. Vesting will be subject to an assessment of underpinning thresholds over a three-year period and overarching Committee discretion.
Performance measures	Awards will normally vest in full, subject to continued service and meeting a performance underpin. For awards to be made in FY 2022, the underpins proposed will be: · No loss-making years (using operating profit as the measure) · Increase in FuMA from start to end of vest period (using net new funds as the measure) · Capital adequacy ratio maintained throughout vest period. The Committee retains the discretion prior to making the award to amend the underpin. Once set, the Committee may only amend the underpin in respect of outstanding awards in the event that exceptional circumstances occur which make it appropriate to do so, provided that the amended underpin is not, in the view of the Committee, materially less difficult to satisfy.

Share Ownership Requirement in service	
Purpose and link to strategy	To encourage share ownership by the Executive Directors and ensure their interests are aligned with shareholders.
Policy and operation	Executive Directors are required to retain 50% of shares (net of tax), which vest under the RSU, PSP or bonus deferral, until such time that they hold a specified value of shares as shown in the Opportunity row below. These restrictions do not apply to other Charles Stanley shares that they may own. Once the shareholding guideline has been met, individuals are expected to retain these levels as a minimum. Shares awarded after the end of FY 2020, have been placed into a nominee account to satisfy this policy and a post-employment minimum shareholding requirement applies. The build-up to the Share Ownership Requirement will be expected to occur within five years of the adoption of the new Policy or, if later, the date of appointment as an Executive Director.
Opportunity	100% of salary for the Executive Directors.
Performance measures	n/a

Share Ownership Requirement post termination	
Purpose and link to strategy	To encourage share ownership by the Executive Directors and ensure their interests are aligned with shareholders post-termination.
Policy and operation	Shares granted to Directors from 1 April 2020 will be placed into a nominee account and a post-termination Share Ownership Requirement applies with a requirement to hold the lower of the requirement during service (shares to the value of 100% the Director's salary) or the shareholding.
Opportunity	Please see above.
Performance measures	n/a

All-employee share plans	
Purpose and link to strategy	To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.
Policy and operation	Executive Directors are able to participate in all employee share plans on the same terms as other Group employees.
Opportunity	Sharesave – individuals may save up to a maximum of £500 (or such amount permitted by the HMRC approved limit) each month for a fixed period of three or five years. At the end of this period, they may use their savings to buy shares in the Company at a discount currently set at 15% (although the rules permit 20%) of the market price set at the launch of each scheme. Share Incentive Plan – individuals may purchase, out of their pre-tax salary, shares in the Company up to a value of £150 per month (or such amount permitted by the HMRC approved limit). Free shares worth up to £3,600 (or such amount permitted by the HMRC approved limit) can also be granted each year. Also, the rules of the Plan allow matching shares to be granted based on the number of shares purchased (although the Company does not currently operate the free share and matching elements of the Plan).
Performance measures	Consistent with normal practice, these awards are not subject to performance conditions.

Non-Executive Director fees	
Purpose and link to strategy	The fees paid to the Non-Executive Directors aim to be competitive with other fully listed companies which the Board consider to be of equivalent size and complexity. They are set to attract Non-Executive Directors who have a broad range of experience and skills to provide independent judgement on issues of strategy, performance, resources and standards of conduct.
Policy and operation	Fee levels are periodically reviewed by the Board. However, the Company does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum. Additional fees are paid to Non-Executive Directors who chair a Board Committee or who have other additional responsibilities (such as being Senior Independent Director). Non-Executive Directors do not participate in the annual bonus or share incentive arrangements. Non-Executive Directors may also receive benefits within prescribed limits as to value.
Opportunity	Fees are paid monthly in cash. Fee levels for Non-Executive Directors are reviewed annually in October and are only expected to increase in line with market norms and to take account of additional time commitments and responsibilities. The annual limit on benefits is £25,000. The cap on fees payable to Non-Executive Directors for their services is £450,000 per annum. This will accommodate the appointment of additional Non-Executive Directors to strengthen the balance of the Board.
Performance measures	n/a

Discretions retained by the Committee in operating the incentive plans

The Committee will operate the annual bonus plan and RSU (and the PSP, through to its conclusion) according to their respective rules and subject to the limits/other provisions set out in the policy table. The Committee retains discretion, consistent with market practice, in a limited number of respects, in relation to the operation and administration of these plans. These discretions include, but are not limited to, the following:

- The selection of participants
- The timing of grant of an award/bonus opportunity
- The size of an award/bonus opportunity (subject to the overall plan limits set out in the policy table)
- The setting of RSU and bonus performance targets and the determination of performance against such targets and resultant vesting/bonus payouts
- Discretion required when dealing with a change of control or restructuring of the Group
- Determination of the treatment of leavers based on the rules of the plans and the appropriate treatment chosen
- Adjustments required in certain circumstances (for example, rights issues, corporate restructuring events and special dividends).

Under the rules of both the RSU and the annual bonus plan, and reflecting general market practice, the Committee retains the ability to adjust the targets and/or set different measures if events occur (for example, material acquisition, share issue and/or divestment of a Group business), which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially more or less difficult to satisfy.

Legacy arrangements

Details of any payments to former Directors will be set out in the relevant Annual report as required by Regulations.

Travel and hospitality

While the Remuneration Committee does not consider these form part of benefits in the normal usage of that term, we have been advised that corporate hospitality (whether paid for by the Company or another) and business travel for Directors (and occasionally their families) may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Our approach to remuneration on recruitment

The Group's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the Management team and secure the skill sets required to deliver our strategic aims.

The following represents guidelines considered reasonable by the Committee in relation to securing an appropriate candidate whose appointment would be in shareholders' best interests:

- In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to look to the general policy for Executive Directors as set out in the policy table and structure a package in accordance with that policy
- Base salaries will be set based on the individual's role and experience, with consideration given to internal relativities. The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance
- Benefits will be provided in line with those offered to other employees at the similar level. The Committee may approve the payment of relocation-related expenses and legal fees
- In the case of new Executive Directors, pension contributions will align with that awarded to other employees in the Group at 10% of salary. Individuals will be given a choice of either participation in a defined contribution pension or a cash allowance in lieu of pension
- Ignoring any special recruitment buy-out arrangements which may prove to be necessary, the annual bonus or long-term incentive arrangements will operate (including the maximum award levels) as detailed in the policy table in relation to any newly-appointed Director.
- In the year of appointment, the annual bonus opportunity will be the subject to the same performance conditions as offered to existing Executive Directors, prorated for the period of service. The Committee retains the discretion to set different performance measures, taking into account the responsibilities of the individual and the point in the financial year that they joined the Company
- For an internal appointment, any variable pay element or arrangement that exists in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate and/or make a contribution towards legal fees in connection with agreeing employment terms
- A new Executive Director will not, save in exceptional circumstances, be offered a service contract with a notice period in excess of one year
- Where it is necessary to make a special recruitment-related buy-out award to an external candidate, the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such buy-out awards under the terms of the existing incentive pay structure as outlined in the policy table. It may, however, be necessary in

some cases to make such special buy-out awards on terms that are more bespoke than the existing incentive plans in order to secure a candidate, which may require reliance upon Listing Rule 9.4.2. All such special buy-out awards will be appropriately disclosed and will take account of all relevant factors. For example, the commercial value of the buy-out award will reflect the commercial value of the amount forfeited from the previous employer, with the performance conditions and the potential timing of vesting also taken into account
- For the avoidance of doubt, the maximum amounts for incentive pay as stated in the policy will not apply to special buy-out awards. The Committee has not placed a maximum limit on any such buy-out awards as it is not considered to be in shareholders' interests to set any expectations for prospective candidates regarding such awards. However, as stated above, the commercial value of the amount forfeited from the previous employer will be reflected in the quantum of such award.

Our policy on Executive Directors leaving Charles Stanley

In practice, the facts surrounding any termination do not always fit neatly into defined categories for 'good' or 'bad' leavers. Therefore, it is appropriate for the Committee to consider the suitable treatment on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatment which the Committee may choose to apply under the discretions available to it under the terms of any incentive plans. The potential treatments on termination under these plans are summarised below.

Incentives	Good leaver	Bad leaver	Exceptional events
Definitions	If a leaver is deemed to be a 'good leaver', such as leaving through redundancy, serious ill health or death or otherwise at the discretion of the Committee	If a leaver is deemed to be a 'bad leaver', typically voluntary resignation or leaving for disciplinary reasons	Such as a change in control
Annual bonus	Prorated bonus, with any deferred shares vesting	No awards made, with deferred shares lapsing (unless the Committee determines otherwise)	Prorated bonus, with any deferred shares vesting
RSU/PSP	Will receive a prorated award subject to the application of the performance conditions at the normal measurement date or on cessation (as determined by the Committee) Committee discretion to disapply prorating. Awards can be clawed back for a breach of post-cessation obligations	All awards will normally lapse	Will receive a prorated award subject to the application of the performance conditions at the date of the event. Committee discretion to disapply prorating

The Group has power to enter into settlement agreements with executives and to pay compensation to settle potential legal claims. In addition, and consistent with market practice on termination of an Executive Director's employment, the Group may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so up to a level of a further £10,000. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Directors' service contracts

Executive Directors

The current Executive Directors have service contracts containing a notice period of six months and a payment in lieu of notice clause limited to base salary only. There are no other special provisions in these contracts relating to compensation for loss of office nor are there any clauses in contracts amending employment terms and conditions on a change of control.

All of the Company's share schemes contain provisions relating to a change of control.

Outstanding options and awards would normally vest and become exercisable for a limited period of time upon change of control following a takeover, reconstruction or winding up of the Company (not being an internal reorganisation), subject to scheme rules, including the satisfaction of any performance conditions.

In the event of the employment of an Executive Director being terminated, the Committee will pay due regard to (i) best practice (ii) the circumstances surrounding the termination and (iii) the Executive Director's duty to mitigate his/her loss, while also adhering to the relevant contractual terms.

Executive Directors are subject to annual re-election. Executive Directors may take on external appointments, subject to prior approval by the Board. The fees from such appointments (where relevant) are retained by the Director concerned.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, but instead have detailed job descriptions covering each aspect of their role (for example, Committee Chairmanships or specific roles or duties) and Letters of Appointment for an initial three-year term, subject to annual re-election by the Company's shareholders. Either party can terminate the Letter of Appointment on giving three months' written notice. There are no special provisions in the Letters of Appointment for compensation in the event of loss of office.

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