

## Pillar 3 - Remuneration Disclosure for the year ending 31 March 2017

### 1 Overview

While Nomura Asset Management U.K. Ltd. ("NAM UK" or the "Company") applies many of the Remuneration Code principles on a firm-wide basis, this disclosure specifically relates to remuneration policies and approaches as applied to individuals identified as Material Risk Takers ("MRTs"). Individuals have been identified as MRTs based on the qualitative and quantitative criteria set out in the Regulatory Technical Standards (EU) 604/2014 and the company's own risk assessment of their role.

### 2 Overall Nomura Group Policy

Nomura Holdings Inc. ("NHI") has developed a global group remuneration policy which applies to all subsidiaries, including both executives and employees of the group. The policy is based around the following six key themes. It aims to:

- Align with Nomura values and strategies;
- Reflect Firm-wide, divisional and individual performance;
- Establish appropriate performance measurement with a focus on risk;
- Align employee and shareholder interests;
- Establish appropriate compensation structures; and
- Ensure robust governance and control processes.

### 3 Remuneration Governance

The NAM UK Board of Directors, via the Remuneration Committee, is responsible for the review and approval of the company's remuneration policy and in so doing, has appropriate oversight of the remuneration framework operating within the company. The Remuneration Committee takes full account of the company's strategic objectives and its duty to the parent company, whilst ensuring that the remuneration policy is sufficient to recruit, retain and motivate employees for the benefit of the company. The Remuneration Committee is chaired by the non-executive Chairman of NAM UK, supported by the Head of NAM Group Human Resources based in Tokyo, the Chief Executive Officer and Chief Operating Officer of NAM UK, both of whom are Directors of the company. The company's Head of Compliance is a standing attendee at meetings, advising on regulatory developments as well as risk and conduct related issues.

### 4 Material Risk Taker criteria

The Financial Conduct Authority rules set out various criteria against which employees must be considered, in order to identify those whose professional activities have a material impact on the risk profile of the company (known as "Material Risk Takers" or "MRTs"). The Remuneration Committee reviews the MRT population at least annually or where there are significant changes to senior management responsibilities during the year.

Current MRTs include Board members and senior executive management within the company.

### 5 The link between pay and performance

Remuneration within the company is composed of a fixed amount which includes base salary and benefits, together with a variable performance related sum.

Variable performance related pay is closely aligned to an individual's performance against agreed objectives, which might include financial and non-financial performance measures, risk management and other relevant factors. Another significant factor in setting variable remuneration is the overall corporate performance and

profitability of NAM UK, its immediate parent company Nomura Asset Management Co., Ltd. and the broader NHI group of companies.

Determination of variable performance related pay is sufficiently flexible to reward short and long term individual performance whilst retaining a close link to the level of corporate profitability.

Where the total compensation (fixed and variable remuneration) of any employee exceeds certain limits, those employees are required to participate in the Nomura Holdings Inc. (NHI) remuneration deferral scheme which links the employee's deferred award to the performance of NHI shares and the longer term interests of shareholders in NHI. In addition, regulatory limits and deferral requirements imposed on MRTs are incorporated into the NHI scheme.

Thus, total compensation within NAM UK comprises the following elements:

- Fixed remuneration such as base salary and any permanent allowances
- Variable remuneration such as cash bonus and deferred remuneration

Deferred bonus may be directed into one or more of several plans operated by the company, including Stock Acquisition Rights, Notional Stock Units and Collared Notional Stock Units

## **6 Performance Adjustment of Deferred Awards**

The company has the right to reduce any unpaid deferred compensation awards by up to 100% if certain risk or conduct events were to occur. Events include; the need to materially restate an entity's financial statements; material violation of written policies; material downturn in performance or a major failure of risk management. This is known as 'malus' and may be applied to any staff member, including MRTs.

## **7 Performance Adjustment of Variable Awards**

In addition to malus, 100% of the variable pay awarded to MRTs is subject to 'clawback' for a period of seven years from the date of payment (for upfront cash awards) or seven years from the date of any deferred awards. Applicable circumstances include: the need to materially restate an entity's financial statements; misconduct leading to significant financial losses; behaviour causing material detriment to the Nomura business and/or reputation and conduct which fails to meet the appropriate standards of fitness and propriety.

The company operates a process under which any cases referred for performance adjustment are reviewed and if necessary, escalated through several committees until ultimately considered by the Remuneration Committee.

## **8 Quantitative information on remuneration**

NAM UK employed four Code Staff during the course of the year all of whom were employed at the financial year end 31 March 2017. Aggregated remuneration costs are broken down as follows:

- Fixed remuneration as at 31 March 2017 was £897k
- Variable remuneration awarded for the year to 31 March 2017 was £ 330k of which £ 190K was paid in cash, £ 40k paid in shares and £100k deferred
- Total deferred remuneration outstanding at 31 March 2017 was £576k, of which £ 372k was vested and ii) £203k was unvested
- Deferred remuneration paid out during year to 31 March 2017 was £143k

There were no performance adjustments during the year and neither was there any sign-on or severance payment awarded to an MRT.